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DEMOCRATIC REPUBLIC OF THE CONGO

May 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE DEMOCRATIC REPUBLIC OF THE CONGO

In the context of the Request for Disbursement under the Rapid Credit Facility (RCF), the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 22, following discussions that ended on April 9, with the officials of the Democratic Republic of the Congo on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on April 16.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for the Democratic Republic of the Congo.

The document listed below has been or will be separately released.

Letter of Intent sent to the IMF by the authorities of the Democratic Republic of the Congo*

*Also included in the Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Washington, D.C.

PRESS RELEASE

PR 20/182

IMF Approves US$363.27 Million Disbursement to the Democratic Republic of Congo to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF approves the disbursement of US$363.27 million under the Rapid Credit Facility (RCF) to help the Democratic Republic of Congo (DRC) meet urgent balance of payments stemming from the COVID-19 pandemic.

- The DRC is experiencing a severe shock, as the economic impact of the COVID-19 pandemic unfolds, with the near-term outlook deteriorating quickly.

- The authorities have responded quickly, scaling up health-related spending and deploying a series of containment and mitigation measures.

Washington, DC – April 22, 2020. The Executive Board of the International Monetary Fund (IMF) today approved a disbursement under the Rapid Credit Facility (RCF) equivalent to SDR 266.5 million (about US$363.27 million, or 25 percent of quota), to help the Democratic Republic of Congo (DRC) meet the urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

DRC is experiencing a severe shock as a result of the Covid-19 pandemic. The short-term economic outlook has deteriorated quickly due to the fall of minerals' prices and the impact of needed containment and mitigation measures.

The authorities' policy response to the pandemic has been firm, preparing a national response plan that includes an increase in health-related spending and putting in place measures to help contain the spread of the disease. The pandemic is also dampening domestic revenue mobilization and putting significant pressures on foreign exchange reserves. Given the extraordinary nature of the pandemic and the sizeable economic fallout, the authorities have decided to accommodate the impact of the pandemic on the budget. The Banque Centrale du Congo (BCC) has also announced several liquidity support measures aimed at mitigating the economic impact of the pandemic.

The deteriorating macroeconomic outlook and the additional fiscal pressures are creating an urgent balance of payments need. The IMF support through RCF financing would help fill part of the financing gap, while additional support from other development partners is expected to close the remaining gap and ease budget financing needs.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Chair, made the following statement:

"The COVID-19 crisis is expected to have a considerable economic and social impact on the Democratic Republic of the Congo (DRC), which is a fragile country. The outbreak will affect DRC's economy, as containment measures impact domestic activities and exports are hit hard

amid weaker commodity prices and global demand. Along with a decline in financial flows, the pandemic has created substantial urgent external financing needs.
“To limit the pandemic’s human and economic impact, the authorities have adopted strong measures to contain its spread. They have also prepared a COVID-19 national response plan aimed at strengthening the medical response. In addition, the central bank has announced some liquidity support measures to mitigate the economic impact of the pandemic.

“The budget deficit is projected to widen this year given expected lower government revenues and higher spending needs related to the pandemic. The IMF’s emergency financial support under the Rapid Credit Facility will address DRC’s urgent balance of payments needs while supporting this temporary fiscal loosening. Additional assistance from other development partners is expected to close the remaining external financing gap and ease budget financing needs. The authorities’ commitment to publish monthly audits of COVID-19 related expenditures is welcome, to ensure transparency in the use of public funding.

“The implementation of the policies and structural reforms to which the authorities committed under the staff-monitored program agreed in December remains key to ensuring macroeconomic stability and restoring sustained inclusive growth. These include strengthening transparency and governance in the fiscal and mining sectors, boosting revenue mobilization, maintaining financial stability, and halting central bank financing of the deficit.”

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF THE CONGO

April 16, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

Context. The Democratic Republic of the Congo is suffering directly from the COVID-19 pandemic with 215 confirmed cases and 20 deaths as of April 9. The economic impact, chiefly through lower commodity prices, was being felt even before the first confirmed case was reported on March 10. The authorities' policy response to the pandemic has been firm, scaling up health care spending and putting in place measures to help contain and mitigate the spread of the disease. The pandemic is also dampening domestic revenue mobilization and putting significant pressures on foreign exchange reserves.

Request for Fund support. Given the sizeable budgetary and external financing gaps arising from the economic impact and mitigation efforts of the COVID-19 pandemic, the authorities are seeking financial assistance under the Rapid Credit Facility (RCF) to be disbursed as direct budget support to address the urgent balance of payments needs. In the attached letter, the authorities request a disbursement of SDR 266.5 million, equivalent to 25 percent of quota, with the full amount to become available upon Board approval. Staff supports the request. The authorities are also seeking additional financing from multilateral and bilateral donors to cover the remaining financing needs.

Performance under the Staff Monitored Program. Preliminary data suggest that all quantitative targets for end-December 2019 were met. Meeting the second review targets appears highly unlikely as progress on implementing revenue mobilization reforms has been slow and the COVID pandemic has been hitting the economy.

Approved By
Annalisa Fedelino (AFR) and Seán Nolan (SPR)

An IMF team consisting of M. Villafuerte (head), C. Gicquel, F. Moreau, H. Perez-Saiz, (all AFR), R. Mano (SPR), R. Lafarguette (MCM), P. Egoumé (Resident Representative), and E. Gbadi (local economist) held discussions with Congolese authorities led by Minister of Finance, Jose Sélé Yalaghuli, Central Bank Governor Deogratias Mwana Nyambo Mutumbo, and other senior government officials by teleconferences on April 9, 2020. M. Alle (OED) also participated in discussions.

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CONTEXT

1. **The Democratic Republic of the Congo (DRC) is a fragile state which has been prone to recurrent health and humanitarian crises and violent conflicts.** The country has experienced recurrent outbreaks of deadly infectious diseases. The most recent Ebola outbreak had been almost fully contained until the recent reporting of a few new cases, and a measles epidemic has spread to every province claiming more than 6,000 deaths so far. Cholera, which is endemic to many parts of the country, has also led to thousands of fatalities.

2. **Prior to the COVID-19 pandemic, economic growth was already projected to decelerate in 2020 due to weaknesses in the mining sector.** Real GDP growth was projected to slow down by more than 1 percentage point relative to 2019 due to the suspension of production at a large copper and cobalt mine (Mutanda mining) and the shutdown of Boss mining,[1] which were also expected to have sizable impacts on export and fiscal receipts.

3. **Budget pressures have been mounting since the start of 2020 due to weak revenue collection and increased spending pressures.** Revenue performance has been weak and revenue mobilization reforms are lagging, critically on restoring the functioning of the VAT and digitalizing the core revenue processes. Spending pressures have increased markedly, particularly due to the implementation of the free basic education initiative. The deficit continued to be financed through advances from the BCC as financing options remained limited despite the reactivation of the treasury bonds' market.

4. **Performance under the Staff Monitored Program (SMP) was broadly satisfactory as of end-2019, but end-March targets are likely to be missed.** Preliminary data suggest that all quantitative targets and structural benchmark at end-December 2019 were met. However, end- March targets are unlikely to be met as, in addition to the budget pressures listed above (¶3), the COVID-19 pandemic has started to weigh on the economy. The first and second SMP reviews are expected to take place in the coming weeks.

IMPACT OF THE PANDEMIC AND OUTLOOK

A. Initial Impact and Response

5. **The impact of the pandemic is rapidly unfolding through various channels.** The DRC is suffering directly from the COVID-19 pandemic, with 215 confirmed cases and 20 deaths as of April 9. COVID-19 containment measures (¶6) are projected to have a sizable impact on domestic activities. In addition, exports are being hit hard amid weaker commodity prices and global demand

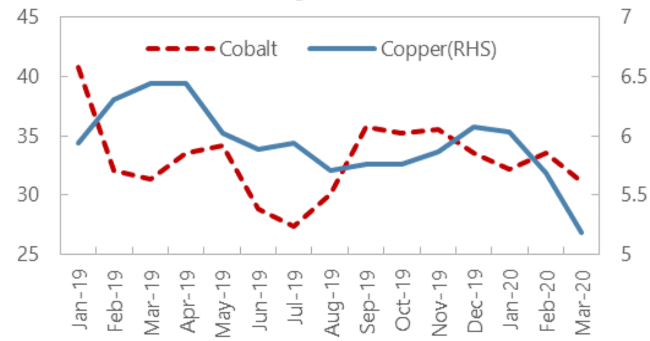
[1] IMF Country Report No 19/285, Box 2.

(Box 1 and Text Figure 1). The global outbreak has also disrupted trade, with significant spillovers to import-dependent local activities.

Box 1. COVID-19 Impact on the Mining Sector

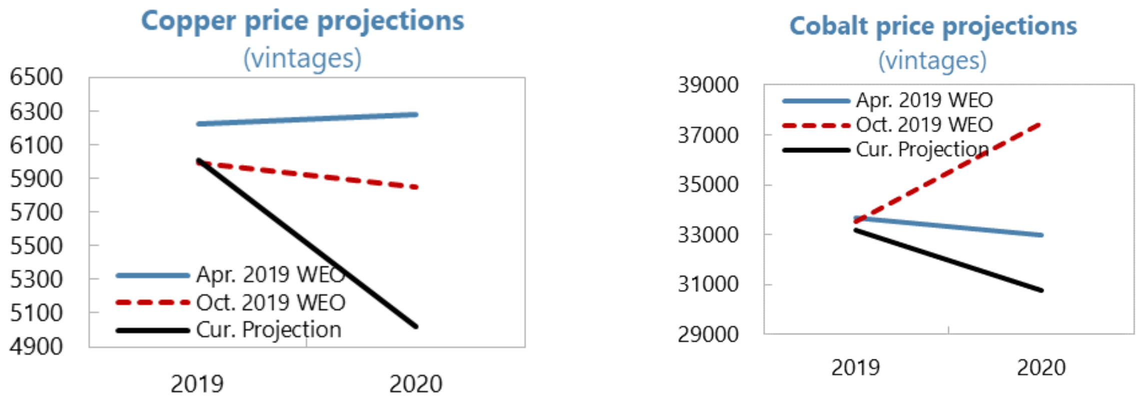
The mining sector is now projected to contract by 5.5 percent in 2020. Copper prices have fallen by more than 20 percent since the onset of the crisis, reaching a four-year low. No major copper mine in DRC has officially revised down production forecasts for this year. However, Glencore's Kamoto Copper Company (KCC), DRC's largest copper mine, has postponed the commissioning of an acid production plant due in the first half of this year and repatriated 26 foreign workers. The Kamoa-Kakula mine and TFM, the second largest mining company, have put isolation practices in place. The governor of the province of Haut-Katanga imposed a temporary two-day lockdown after two suspected cases were found in Lumumbashi (they later tested negative for COVID-19). Reduced mining production is expected to spill over to other sectors, in particular fuels, chemicals, machinery, and other supply chain services. Several mines have their own medical facilities, and some have donated medical material to the authorities.

Copper and Cobalt prices
(London Metal Exchange, $/thousand metric tons)



6. The government's response to curb the spread of the virus has been swift. Since the confirmation of the first case in the country on March 10, the government has taken the following measures: prohibition of all travel from and to Kinshasa; suspension of passenger flights from high-risk countries; limitation of public service to only essential civil servants; prohibition of public gatherings involving more than 20 people; and closure of schools, churches, bars and restaurants for a four-week period. As the cases count continues to climb, the authorities are envisaging a lockdown of Kinshasa. The government has also prepared a COVID-19 national response plan aimed at strengthening the medical response that includes the creation of a COVID-19 response team, setting up specialized wards in public hospitals to cater for COVID-19 patients, procurement of essential medical supplies, and training of medical personnel. The national plan and its associated measures are estimated to cost US$138 million (0.3 percent of GDP).

Text Figure 1. Copper and Cobalt Prices - 2020 Projections

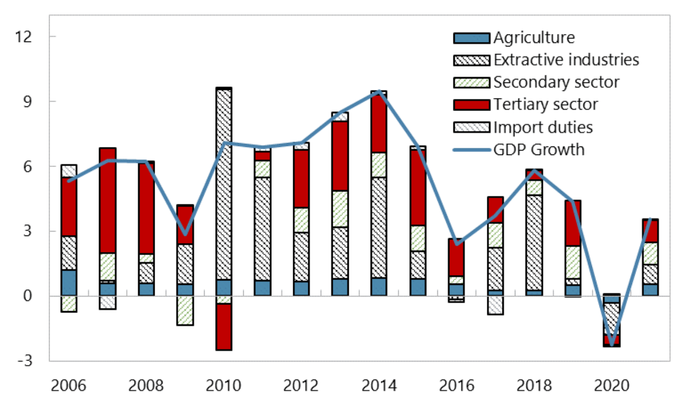


7. The international community has pledged support to DRC. The World Bank is expected to provide US$47.2 million in extra-budgetary support to the national response plan and to reallocate its resource envelope (specifically from a planned education project) to disburse US$200 million in direct budget support through an emergency DPO. Some bilateral partners such as the European Union and the United States have also pledged their support. Other development partners, such as the African Development Bank, are expected to provide in-kind and financial support.

B. Outlook and Risks

8. The economic impact of the pandemic is expected to be substantial (Text Table 1). There is significant uncertainty regarding the size of the shock on the global and domestic economies and the pace of the recovery. Currently, staff estimate a substantial drop in the GDP growth rate of about six percentage points from 2019 to 2020 (from 4.4 to -2.2 percent). All economic sectors will be affected, but the brunt of the pandemic will be particularly felt in services and in mining. GDP growth is expected to slowly recover from 2021 onwards. The delayed implementation of public infrastructure spending and of private investment projects, especially in the mining and construction sectors, will contribute to a further slowdown of economic activity in the short run, before supporting a gradual recovery in the second half of the year and throughout 2021. The pace of inflation and exchange rate depreciation is expected to increase somewhat in 2020 in the context

Text Figure 2. Contribution to real GDP growth



Sources: Congolese authorities and IMF staff estimates.

of scarcer foreign exchange and imported basic goods. The central government finances will be affected in 2020 by both lower revenue and higher COVID-19 related expenditures.

9. The pandemic creates an urgent balance of payments need (Text Table 2). Mining exports (accounting for 94 percent of 2019 exports) are expected to fall significantly due to a combination of pandemic-related closures and declining global prices. The impact on the trade balance would be somewhat offset by a concomitant import compression, notwithstanding a significant increase in health-related imports to combat the pandemic. Reduced FDI inflows would also contribute to the BOP financing gap estimated at US$631 million or 1.3 percent of GDP. Without the mobilization of substantial financing, the authorities will not be able to reprioritize spending and cushion the deterioration in the external position. Reserves are expected to fall to 3.6 weeks of imports in 2020, below the SMP's target of 4.2 weeks.

Text Table 1. Revised Macroeconomic Framework

	2019	2020	
	Prel.	SMP	Proj.
Real GDP (percent change)	4.4	3.2	-2.2
of which: extractive	1.0	-2.4	-5.3
GDP deflator (percent change)	3.0	5.7	9.3
CPI inflation, average (percent)	4.8	5.0	11.0
CPI inflation, eop (percent)	5.5	5.0	12.0
Overall fiscal balance (% GDP), commitment basis	-2.1	-0.6	-1.2
Current account deficit (% GDP), incl. transfers	-4.2	-4.3	-5.4

Sources: Congolese authorities and IMF staff estimates and projections

Text Table 2. The Impact of COVID Shock on the Balance of Payments

	2020	
	Million USD	Percent of GDP
Exports, goods and services (A)	-1,778	-3.7
Of which prices of copper, cobalt and oil	-1,467	-3.1
Of which volumes of copper, cobalt and oil	-336	-0.7
Imports, goods and services (B)	-1,413	-2.9
Of which increase due to Covid-related spending	612	1.3
Foreign Direct Investment (C)	-266	-0.6
BOP Financing Needs (A)-(B)+(C)	**-631**	**-1.3**
Memorandum Items:		
Gross reserves	765	
in weeks of non-aid imports	3.6	

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

10. Downside risks dominate. The economic outlook is grounded in the temporary nature of the pandemic and a normalization of the global economic outlook by the end of 2020. A more protracted or recurrent pattern of the pandemic at the global or regional levels would further deepen and delay the economic recovery. Domestically, key downside risks are related to the speed of the recovery (or lack thereof), especially of the mining sector, and the containment of other ongoing outbreaks. Upside risks include a quick resumption of public and private investments, and renewed relationship with the international community, which could provide additional financing.

11. The authorities agreed with staff's macroeconomic projections. They stressed that parameters under the baseline scenario are quite similar to the ones in their own projections, which also suggest a substantial economic impact of the pandemic. They estimate a GDP growth rate of -1.9 percent in 2020.

POLICY ISSUES AND DISCUSSIONS

A. Fiscal Policy

12. The impact of the pandemic translates into a significant fiscal financing gap. Based on preliminary information, staff and the authorities project the fiscal impact cost of the pandemic to be about 1.1 percent of GDP in 2020 (US$531 million), including revenue losses, the costs of the COVID-19 national response plan not covered directly by international partners, and a shortfall in the originally planned issuance of treasury bills (0.9, 0.2, and 0.1 percent of GDP, respectively, Text Table 3). The issuance of treasury bills up to April 1 was only 70 percent of amounts originally planned and is assumed to be zero in Q2 due to the disruption caused by COVID-19, reflecting both logistical challenges in setting up auctions and weaker demand. VAT collections are expected to marginally increase compared to 2019 (but would be much lower than anticipated under the SMP due to the projected fall in economic activity and imports), conditional upon the implementation of planned reforms later this year, stronger control at the borders, and the acquisition of ASYCUDA[2] as part of the COVID-19 containment measures. At the same time, given spending pressures from the free education initiative and delays in revenue reforms, the authorities intend to contain spending to limit the projected financing gap in 2020 to the impact of the COVID- 19 and avoid an increase in the stock of advances from the central bank. To that effect, current spending excluding wages would fall by about 2 percent of GDP relative to 2019, supported by the reallocation of expenditures and a 30 percent cut in the operating budget of ministries and public institutions. This will not affect the budget contribution to vaccination programs, which will continue to be supported by the government.

Text table 3. Total Fiscal Impact of the COVID shock

	2020	
	In billion of CF	In percent of GDP
Revenue loss	749	0.9
Expenditure increase	166	0.2
Treasury bills shortfall	57	0.1
Total COVID impact	972	1.1
Memorandum items:		
Gross domestic product	87,900	
Total COVID impact (million of US dollars)	531	

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

[2] The Automated System for Customs Data (ASYCUDA) is a computerized system designed by the UNCTAD to administer a country's customs.

13. Staff supports the authorities' decision to accommodate the impact of the pandemic on the budget. Given the impending health crisis and the sizeable economic fallout, staff supports the relaxation of the fiscal stance. To that effect, access to 25 percent of DRC's quota under a Rapid Credit Facility (RCF) would help reduce the 2020 fiscal financing gap by 0.8 percent of GDP. Stepped up support from other development partners, including the World Bank, would help fill the residual gap. If the crisis and its economic fallout worsen further, additional relaxation could be envisaged given the availability of suitable financing. Staff plans to continue discussions on the timeline of the appropriate fiscal adjustment path to address specific shocks in the context of the forthcoming SMP review. The authorities should also speed up the development of e-procedures such as mobile tax, e-filling and e-payment. Staff highlighted the need to closely monitor and manage very scarce resources. To that effect, the authorities committed to produce a revised 2020 treasury plan reflecting the expected impact of the pandemic and the additional resources from development partners and to publish budget execution figures contained in the treasury plan on a monthly basis to enhance financial transparency, including in the use of RCF funds. The authorities have committed to publish online all COVID-19 related procurement contracts that exceed a certain value (and disclose beneficial ownership information for the contracts exceeding US$1 million), and will undertake and publish an internal monthly audit and a specific audit of COVID-19 related expenditures as part of the annual control of the Audit Court (LOI). To promote resource revenue transparency, measures are being taken to ensure continuous and smooth operation of the national EITI. At a broader level, a decree establishing an anti-corruption agency and the authorities' commitment for publication and implementation of an anti-corruption action plan based on ongoing governance and safeguards assessments are welcome signals of the fight against corruption.

14. DRC debt is assessed to remain sustainable with a moderate risk of debt distress under the pandemic shock (Annex I)[3]. The previous Debt Sustainability Analysis (DSA), which was updated in December 2019 jointly with the World Bank, suggested a moderate risk of debt distress for both external and overall public debt. That analysis critically hinged on the authorities' commitment to sustained increases in domestic revenue mobilization to create space for much needed investment in human and physical capital over the medium-term. A customized stress test to the most recent DSA, to approximate the impact of the pandemic on the Congolese economy, suggests that DRC remains at a moderate risk of debt distress even under the significantly more negative outlook. The country is current on its external obligations and is not running any external arrears as of end-March.

15. The authorities are committed to raising additional resources to close the residual fiscal gap. They noted that the proposed relaxation of the fiscal stance will still imply a sizable (across the board) adjustment in discretionary spending, a practice adopted in previous crises. They continue to engage with development partners to increase their commitments to DRC's COVID-19 response plan and established a special fund to collect tax-deductible contributions from the private sector. The authorities intend also to request transfers from unused revenue of extrabudgetary

[3] The DSA was reviewed and approved by the World Bank.

funds to the central government's budget and to review the composition of expenditures to reallocate resources to priority sectors.

B. Monetary, Financial and Exchange Rate Policies

16. The Banque Centrale du Congo (BCC) has announced some liquidity support measures aimed at mitigating the economic impact of the pandemic. The BCC has reduced the policy rate by 150 basis points to 7.5 percent and has eliminated the reserve requirements on sight deposits in local currency (2 percent previously). It has also established a new collateralized long-term funding facility for commercial banks of up to 24 months and a limit of US$50 million to support the provision of new credit for the import and production of food and other basic goods.

17. The BCC has also approved temporary measures to reduce the regulatory burden in the banking sector, sustain economic activity, and contain the propagation of the virus. The mandatory adoption of new capital requirement regulations by local banks has been postponed to January 2022. The BCC has also frozen the loan classification rules (which will allow to reduce penalties and fees for non-performing loans) and to exceptionally allow banks to restructure outstanding loans of affected borrowers. To contain the propagation of the virus, the BCC is fostering the disinfection of bank notes and has adopted measures to promote and foster the use of digital payment technologies and existing payment platforms.

18. While supporting the BCC's measures to date, staff called on the BCC to continue preserving macroeconomic stability. The BCC should continue to focus on maintaining price stability and use new monetary policy instruments and tighten monetary policy as needed to increase its effectiveness and control inflation. Heightened uncertainty and potential pressures on the exchange rate driven by depressed foreign direct investment and reduced FX bank deposits underscore the critical need to allow flexibility of the exchange rate as a shock absorber and build an adequate level of international reserves. Recognizing the risks, the authorities have agreed to limit foreign exchange market interventions given the very low level of foreign reserves, and to stop government financing by the BCC in order to protect international reserves. The BCC should consider scheduled, small-scaled and transparent BCC FX auctions to build FX reserves.

19. Although the financial system appears to be broadly healthy at this time, it is essential that the BCC continues maintaining a stable and solid financial system. It is imperative that financial institutions continue to comply with internationally agreed supervisory standards that help protect the interest of depositors and preserve financial stability. In particular, staff urged the BCC to continue using accurate loan classification rules and measuring NPLs and potential losses as precisely as possible. If necessary, the BCC could give more time to banks to comply with prudential requirements, while strengthening the monitoring of assets quality. The BCC should also reinforce its lender of last resort practices to commercial banks by enforcing a strict and transparent collateral framework for its refinancing operations.

ACCESS AND CAPACITY TO REPAY

A. Access Level and Modalities

20. Within the 12-month window, the authorities are requesting a second disbursement under the RCF in an amount equivalent to 25 percent of quota (SDR 266.5 million or about USD364.1 million). The first RCF of 25 percent of quota was disbursed in December 2019 to meet urgent balance of payments needs. The authorities are requesting a second disbursement under the RCF to respond to a sudden and exogenous shock as they are unable to implement a UCT-quality program at this juncture. They are also requesting that this financing be made available in its entirety as budget support. The disbursement would provide timely support to allow reprioritizing spending towards imported medical supplies. The balance of payments needs that necessitated the RCF request are caused primarily by a sudden exogenous shock and expected to resolve within the next 12-18 months without major policy adjustments. A memorandum of understanding will be signed between the Ministry of Finance and the BCC to ensure the transfer of funds and the appropriate repayments modalities of the loan.

B. Capacity to Repay and Safeguards Assessment

21. The DRC's capacity to repay its obligations to the Fund is adequate (Table 6). The total amount of outstanding credit from the Fund at the end-2020, once the RCF is disbursed, will amount to 50.9 percent of quota. The associated servicing risks are mitigated by the country's moderate level of indebtedness and the availability of concessional financing. Given that the financing under the RCF will be used in its entirety to provide budget support, the disbursement will be made into a monitored account of the BCC at the BIS and the authorities have prepared a framework agreement between the government of DRC and BCC on their respective roles and responsibilities for servicing financial obligations to the Fund. Total obligations to the Fund will peak in 2026-29, reaching at most 0.8 percent of exports of goods and services, 0.2 percent of GDP, and up to 3.0 percent of gross international reserves.

22. The BCC has committed to undertaking reforms recommended by the recent Fund safeguards assessment mission. This would include a) governance reforms to strengthen the Board's composition and audit committee structure in compliance with the 2018 Central Bank Law, which will reinforce the BCC's autonomy; b) a stronger accountability framework to enhance ex-ante controls, risk management and monetary operations; c) more transparency through a systematic and prompt publication of audited reports and the implementation of an IFRS roadmap; and d) improving substantially the quality of data reported. To ensure satisfactory review of future performance under the SMP, it is crucial that the BCC provides accurate monetary data.[4] In line with the safeguards assessment recommendations, the BCC also committed to have the key monetary

[4] A formal review of the first and second test dates for the SMP is expected in the next weeks. Swift transfer records show that the BCC met the December 2019 RCF's prior action by transferring abroad more than US$160 million.

data for the indicative targets at SMP test dates, as defined by the Technical Memorandum of Understanding (TMU), verified by the BCC external auditor by the time of the SMP reviews. Staff urged the BCC to concert all the efforts and commitment needed to address all these gaps.

STAFF APPRAISAL

23. The DRC is experiencing a severe shock as a result of the COVID-19 pandemic. The short-term economic outlook has deteriorated quickly due to the fall of minerals' prices and the slowdown in economic activity following the authorities' decision to deploy a series of containment and mitigation measures.

24. Staff welcomes the authorities' policy actions to contain and mitigate the spread and impact of the virus. Staff also supports the authorities' timely economic policy adjustments, including the government's decision to accommodate the fiscal shock and the BCC's announced measures.

25. The authorities remain committed to medium-term fiscal and debt sustainability. The authorities are seeking concessional resources from development partners to address the substantial fiscal gap from sizable revenue losses and increased health-related spending, while safeguarding debt sustainability. A stress test replicating the impact of the pandemic on the Congolese economy suggests that the risk of debt distress remains moderate even under the significantly negative outlook.

26. Monetary policy should continue to closely follow inflation developments, while exchange rate movements should be allowed to absorb shocks. This would support strengthening of the nascent interest rate-based monetary policy framework. Despite the recent reduction in the policy rate to provide liquidity to the financial system, the BCC needs to be prepared to a tightening of monetary policy as inflationary pressures unfold and adopt a clear data-driven communication policy to manage market expectations. The BCC also needs to halt its financing of the government to allow it to protect its limited foreign reserves while containing money creation and its likely adverse effect on inflation. Foreign exchange market interventions should be avoided given the low level of reserves.

27. Against this background, staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR 266.5 million (25 percent of quota). Staff's support is based on the scale of the impact from the pandemic, the authorities' existing and prospective policies to address this external shock, the urgent balance of payments need, and the authorities' policy commitments to fiscal sustainability, all of which will act to mitigate risks.

Table 1. Democratic Republic of the Congo: Selected Economic and Financial Indicators, 2018-22

	2018	2019	2020		2021	2022
	Prel.	Proj.	SMP	Proj.	Projections	
	(Annual percentage change, unless otherwise indicated)					
GDP and prices						
Real GDP	5.8	4.4	3.2	-2.2	3.5	4.5
Extractive GDP	16.9	1.0	-2.4	-5.3	3.5	4.3
Non-Extractive GDP	1.9	5.7	5.4	-1.1	3.6	4.5
GDP deflator	29.8	3.0	5.7	9.3	10.4	6.8
Consumer prices, period average	29.3	4.8	5.0	11.0	10.5	7.0
Consumer prices, end of period	7.2	5.5	5.0	12.0	9.0	6.5
External sector						
Exports, f.o.b. (U.S. dollars)	38.3	-19.5	-5.4	-17.8	5.5	16.0
Imports, f.o.b. (U.S. dollars)	32.0	-15.6	0.1	-12.0	2.0	11.6
Exports volume	22.2	-2.5	-5.4	-7.2	3.6	18.8
Import volume	29.8	-15.1	-0.3	-5.3	2.0	10.0
Terms of trade	7.1	-10.0	-1.2	-6.9	0.2	0.1
	(Annual change in percent of beginning-of-period broad money)					
Money and credit						
Net foreign assets	9.6	14.1	6.2	3.8	11.8	7.4
Net domestic assets	20.8	15.3	0.5	0.4	5.4	4.3
Domestic credit	18.5	16.7	0.3	3.6	6.9	5.2
Of which: net credit to government	1.4	5.4	3.2	1.7	1.7	1.4
credit to the private sector	20.3	6.7	-2.9	1.9	5.1	3.8
Broad money	30.1	28.9	6.6	4.3	17.3	11.6
	(Percent of GDP, unless otherwise indicated)					
Central government finance						
Revenue and grants	11.1	10.9	12.7	11.2	13.4	14.1
Revenue	10.0	10.1	11.3	9.8	10.1	10.9
Grants	1.1	0.8	1.4	1.4	3.3	3.2
Expenditures	11.1	12.9	13.3	12.3	13.7	14.2
Overall fiscal balance (commitment basis)	0.0	-2.1	-0.6	-1.2	-0.3	-0.1
Non-natural resource overall fiscal balance	-3.2	-4.1	-2.7	-3.0	-3.8	-4.1
Investment and saving						
Gross national saving	8.1	8.4	9.2	6.1	9.3	10.9
Government	-1.0	-4.1	-1.3	-2.2	-2.7	-2.1
Non-government	9.1	12.5	10.6	8.3	12.0	12.9
Investment	11.7	12.6	13.5	11.3	12.9	14.0
Government	1.7	2.2	3.0	2.4	3.0	3.4
Non-government	10.0	10.4	10.5	8.9	9.9	10.6
Balance of payments						
Exports of goods and services	34.1	26.1	23.5	22.3	22.6	24.8
Imports of goods and services	37.7	29.9	26.9	27.3	26.9	28.3
Current account balance, incl. transfers	-3.5	-4.2	-4.3	-5.4	-4.0	-3.7
Current account balance, excl. transfers	-5.2	-4.5	-5.6	-6.5	-6.9	-6.3
Overall balance	0.5	-1.1	0.6	0.0	0.0	0.0
Gross official reserves (millions of U.S. dollars)	633	934	1,078	765	1,053	1,524
Gross official reserves (weeks of imports)	2.3	4.3	4.2	3.6	4.3	5.9
	(Percent of GDP, unless otherwise indicated)					
External public debt						
Total stock, including IMF	13.7	14.4	13.8	13.9	13.5	12.1
Scheduled debt service (millions of U.S. dollars)	224	637	632	710	757	750
Percent of exports of goods and services	1.4	4.9	5.1	6.6	6.7	5.7
Percent of government revenue	4.8	12.7	10.6	15.1	15.0	13.0
Exchange rate (CDF per U.S. dollars)						
Period average	1,624	…	…	…	…	…
End-of-period	1,636	…	…	…	…	…
Memorandum items:						
Nominal GDP (billions of CDF)	76,496	82,238	89,806	87,900	100,466	112,142
Nominal GDP (millions of U.S. dollars)	47,099	49,841	52,591	47,993	50,095	52,952

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

Table 2a. Democratic Republic of the Congo: Central Government Financial Operations, 2017–2020

(Billions of CDF)

	2017	2018	2019	2020	
	Act.	Prel.	Proj.	SMP	year proj.
	(Billions of CDF, unless otherwise indicated)				
Revenue and grants	***6,538***	***8,484***	***8,935***	***11,409***	***9,811***
Revenue [1/]	**5,443**	**7,633**	**8,295**	**10,189**	**8,585**
Tax revenue	4,284	5,673	5,683	7,028	5,957
Income tax	1,584	2,762	2,652	3,060	2,270
Individuals	330	1,015	853	1,810	1,261
Businesses	1195	1582	1679	1,087	845
Other unallocable taxes on income, profits, and capital gains	59	165	120	163	163
Taxes on goods and services	1,631	2,333	2,352	2,979	2,828
Value-added tax/Turnover tax	1,238	1,706	1,827	2,595	2,437
Excises	393	627	526	384	391
Taxes on international trade and transactions	1,070	578	678	989	860
Non-tax revenue	1,159	1,960	2,053	3,161	2,628
Revenue from natural resources and telecommunications	346	903	918	1,173	859
Mining royalties	75	389	406	277	243
Oil royalty and rent	103	240	174	257	128
Telecommunications	114	188	267	435	351
Dividents from state-owned enterprises	54	86	71	203	136
Fees from sectoral ministries	407	471	271	584	390
Special accounts and budgets	404	516	782	1,292	1,292
Grants	**1,095**	**851**	**640**	**1,220**	**1,225**
Project	1,050	851	640	921	987
Budget support	45	0	0	299	238
Expenditure	***5,783***	***8,521***	***10,622***	**11,915**	***10,835***
Current expenditure	4,080	6,041	8,677	9,057	8,561
Wages	2,084	2,705	3,574	4,392	4,912
Interest due	152	322	307	350	482
External	32	39	145	24	155
Domestic	120	283	162	327	327
Goods and services	954	1,621	1,657	1,783	1,152
Subsidies and other current transfers	890	1,394	3,138	2,532	2,015
Subsidies (incl. VAT reimbursements)	360	704	2,205	1,037	622
Transfers to other levels of national government	126	174	151	204	102
Special accounts and budgets	404	516	782	1,292	1,292
Capital expenditure	**1,301**	**1,288**	**1,798**	**2,707**	**2,123**
Foreign-financed	1,071	872	1,011	1,479	1,543
Domestically-financed	230	416	787	1,229	580
Exceptional expenditure1	**402**	**1,191**	**147**	**151**	**151**
Overall fiscal balance (commitment basis)	***754***	***-37***	***-1,687***	**-506**	***-1,024***
Change in domestic arrears (repayment = -)	44	97	587	0	-121
Domestic fiscal balance (cash basis)	**807**	**121**	**-583**	**-224**	**-673**
Overall fiscal balance (cash basis)	***798***	***60***	***-1,100***	**-506**	***-1,146***
Errors and omissions	***-523***	***136***	***94***	***0***	***0***
Financing	***-276***	***-196***	***966***	**506**	***1,146***
Domestic financing (banking system)	4	108	1,030	350	212
Foreign financing	-279	-303	-64	156	934
Budget loans	0	0	0	0	901
Project loans	21	21	372	557	556
Amortization of external debt	-301	-325	-435	-401	-523
Memorandum items:					
Gross domestic product (billions of CDF)	55,676	76,496	82,238	89,806	87,900
Gross domestic product (millions of U.S. dollars)	37,615	47,099	49,841	52,591	47,993
Unpaid cumulative domestic financial obligations [2]	5303	5400	4817	4,649	4651

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

1 Mainly expenditure related to security and elections.

[2] Unpaid VAT credit reimbursements and other arrears (cumulative).

Table 2b. Democratic Republic of the Congo: Central Government Financial Operations, 2017–2020

(Percent of GDP)

	2017	2018	2019	2020	
	Act.	Prel.	Proj.	SMP	year proj.
	(Percent of GDP, unless otherwise indicated)				
Revenue and grants	***11.7***	***11.1***	***10.9***	***12.7***	***11.2***
Revenue	**9.8**	**10.0**	**10.1**	**11.3**	**9.8**
Tax revenue	7.7	7.4	6.9	7.8	6.8
Income tax	2.8	3.6	3.2	3.4	2.6
Individuals	0.6	1.3	1.0	2.0	1.4
Businesses	2.1	2.1	2.0	1.2	1.0
Other unallocable taxes on income, profits, and capital gains	0.1	0.2	0.1	0.2	0.2
Taxes on goods and services	2.9	3.0	2.9	3.3	3.2
Value-added tax/Turnover tax	2.2	2.2	2.2	2.9	2.8
Excises	0.7	0.8	0.6	0.4	0.4
Taxes on international trade and transactions	1.9	0.8	0.8	1.1	1.0
Non-tax revenue	2.1	2.6	2.5	3.5	3.0
Revenue from natural resources and telecommunications	0.6	1.2	1.1	1.3	1.0
Mining royalties	0.1	0.5	0.5	0.3	0.3
Oil royalty and rent	0.2	0.3	0.2	0.3	0.1
Telecommunications	0.2	0.2	0.3	0.5	0.4
Dividents from state-owned enterprises	0.1	0.1	0.1	0.2	0.2
Fees from sectoral ministries	0.7	0.6	0.3	0.6	0.4
Special accounts and budgets	0.7	0.7	1.0	1.4	1.5
Grants	**2.0**	**1.1**	**0.8**	**1.4**	**1.4**
Project	1.9	1.1	0.8	1.0	1.1
Budget support	0.1	0.0	0.0	0.3	0.3
Expenditure	***10.4***	***11.1***	***12.9***	***13.3***	***12.3***
Current expenditure	**7.3**	**7.9**	**10.6**	**10.1**	**9.7**
Wages	3.7	3.5	4.3	4.9	5.6
Interest due	0.3	0.4	0.4	0.4	0.5
External	0.1	0.1	0.2	0.0	0.2
Domestic	0.2	0.4	0.2	0.4	0.4
Goods and services	1.7	2.1	2.0	2.0	1.3
Subsidies and other current transfers	1.6	1.8	3.8	2.8	2.3
Subsidies (incl. VAT reimbursements)	0.6	0.9	2.7	1.2	0.7
Transfers to other levels of national government	0.2	0.2	0.2	0.2	0.1
Special accounts and budgets	0.7	0.7	1.0	1.4	1.5
Capital expenditure	**2.3**	**1.7**	**2.2**	**3.0**	**2.4**
Foreign-financed	1.9	1.1	1.2	1.6	1.8
Domestically-financed	0.4	0.5	1.0	1.4	0.7
Exceptional expenditure[1]	**0.7**	**1.6**	**0.2**	**0.2**	**0.2**
Overall fiscal balance (commitment basis)	***1.4***	***0.0***	***-2.1***	***-0.6***	***-1.2***
Change in domestic arrears (repayment = -)	0.1	0.1	0.7	0.0	-0.1
Domestic fiscal balance (cash basis)	1.4	0.2	-0.7	-0.2	-0.8
Overall fiscal balance (cash basis)	***1.4***	***0.1***	***-1.3***	***-0.6***	***-1.3***
Errors and omissions	**-0.9**	**0.2**	**0.1**	**0.0**	**0.0**
Financing	***-0.5***	***-0.3***	***1.2***	***0.6***	***1.3***
Domestic financing	0.0	0.1	1.3	*0.4*	0.2
Foreign financing	-0.5	-0.4	-0.1	*0.2*	1.1
Budget loans	0.0	0.0	0.0	0.0	1.0
Project loans	0.0	0.0	0.5	*0.6*	0.6
Amortization of external debt	-0.5	-0.4	-0.5	*-0.4*	-0.6
Memorandum items:					
Gross domestic product (billions of CDF)	55,676	76,496	82,238	89,806	87,900
Gross domestic product (millions of U.S. dollars)	37,615	47,099	49,841	52,591	47,993
Unpaid cumulative domestic financial obligations [2]	9.5	7.1	5.9	5	5.3

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

[1] Include compensation for 2019.

[2] Unpaid VAT credit reimbursements and other arrears (cumulative).

Table 3. Democratic Republic of the Congo: Monetary Survey, 2017-20

(Billions of CDF, unless otherwise indicated

	2017	2018	2019	2020
	Act.	Prel.	Prel.	Proj.
		Central bank survey:		
Net foreign assets	**-562**	**-348**	**-342**	**-359**
Claims on non-residents	956	1,035	1,562	1,467
Liabilities on non-residents	-1,518	-1,383	-1,905	-1,826
Net domestic assets	**2,551**	**2,831**	**3,382**	**3,530**
Net claims on the government	360	593	1,140	1,140
Claims on deposit money banks	661	647	903	903
Other items, net	1,512	1,565	1,321	1,465
Monetary base	**1,984**	**2,483**	**3,040**	**3,171**
		Monetary survey:		
Net foreign assets	**2,651**	**3,375**	**4,759**	**5,239**
Central bank	-562	-348	-342	-359
Commercial banks	3,212	3,722	5,101	5,599
Net domestic assets	**4,884**	**6,449**	**7,952**	**8,002**
Domestic credit	3,266	4,664	6,296	6,753
Net credit to government	264	372	904	1,116
Credit to the economy	3,002	4,292	5,393	5,638
Other items, net	1,618	1,785	1,656	1,249
Broad Money (M2)	**7,535**	**9,801**	**12,633**	**13,179**
Narrow Money (M1)	1,966	2,382	2,802	3,120
Currency in circulation	1,355	1,560	1,773	1,981
Demand deposits	610	822	1,029	1,139
Quasi money	5,569	7,419	9,831	10,058
Time deposits in domestic currency	46	46	66	399
Foreign currency deposits	5,523	7,373	9,765	9,660
		(Annual percent change)		
Net foreign assets	138.4	27.3	41.0	10.1
Net domestic assets	17.3	32.0	23.3	0.6
Domestic credit	4.2	45.3	33.7	3.8
Net credit to government	1.4	40.7	143.1	23.4
Credit to the private sector	1.3	56.3	15.4	5.0
Other items, net	49.1	10.4	-7.2	-24.6
Broad Money (M2)	42.8	30.1	28.9	4.3
	(Annual percentage change of beginning-of-period broad money)			
Net foreign assets	29.2	9.6	14.1	3.8
Net domestic assets	13.6	20.8	15.3	0.4
Domestic credit	3.5	18.5	16.7	3.6
Net credit to government	0.1	1.4	5.4	1.7
Credit to the private sector	0.6	20.3	6.7	1.9
Credit to parastatals	0.1	1.4	5.4	1.7
Other items, net	10.1	2.2	-1.3	-3.2
Broad money (M2)	42.8	30.1	28.9	4.3
Memorandum items:				
Nominal GDP (billions of CDF)	55,676	76,496	82,238	87,900
Velocity (GDP/broad money)	7.4	7.8	6.5	6.7
Foreign currency deposits (percent of M2)	73.3	75.2	77.3	73.3
Foreign currency deposits (percent of total deposits)	89.4	89.5	89.9	86.3
Net domestic assets of the BCC (billions of CDF)	2,551	2,831	3,382	3,530
Base money (billions of CDF)	1,984	2,483	3,040	3,171

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

Table 4. Democratic Republic of the Congo: Balance of Payments, 2017-20

	2017	2018	2019	2020
		Act.	Est.	Projections
	(Millions of US dollars, unless otherwise indicated)			
Current Account Balance	-1,241	-1,650	-2,074	-2,605
Goods balance	208	994	224	-538
Exports of Goods	11,548	15,967	12,856	10,574
Imports of Goods	11,340	14,973	12,632	11,112
Services balance	-1,615	-2,687	-2,118	-1,842
Primary income	-1,081	-1,687	-1,439	-1,429
Secondary income	1,246	1,729	1,259	1,204
Capital Account Balance	465	437	147	520
Net Lending(+)/Borrowing(-)	-776	-1,213	-1,927	-2,086
Financial Account Balance	-844	-1,442	-1,400	-2,086
Portfolio investment	11	38	70	38
Direct investment	-1,048	-1,408	-1,627	-1,608
Direct investment liabilities	1,048	1,408	1,627	1,608
Financial derivatives	0	0	0	0
Other investment	227	-129	-145	-347
Reserves Assets	-33	56	301	-169
Net Errors and Omission	-67	-229	527	0
	(Percent of GDP, unless otherwise indicated)			
Current Account Balance	-3.3	-3.5	-4.2	-5.4
Goods balance	0.6	2.1	0.5	-1.1
Exports of Goods	30.7	33.9	25.8	22.0
Imports of Goods	30.1	31.8	25.3	23.2
Services balance	-4.3	-5.7	-4.2	-3.8
Primary income	-2.9	-3.6	-2.9	-3.0
Secondary income	3.3	3.7	2.5	2.5
Capital Account Balance	1.2	0.9	0.3	1.1
Net Lending(+)/Borrowing(-)	-2.1	-2.6	-3.9	-4.3
Financial Account Balance	-2.2	-3.1	-2.8	-4.3
Portfolio investment	0.0	0.1	0.1	0.1
Direct investment	-2.8	-3.0	-3.3	-3.4
Direct investment liabilities	2.8	3.0	3.3	3.4
Financial derivatives	0.0	0.0	0.0	0.0
Other investment	0.6	-0.3	-0.3	-0.7
Reserves Assets	-0.1	0.1	0.6	-0.4
Net Errors and Omission	-0.2	-0.5	1.1	0.0
Memorandum Items:				
Gross reserves	600.7	632.8	933.9	765.3
of which: IMF financing	91.8	93.8	-327.2	-321.0
Gross reserves (in weeks of non-aid related imports)	1.9	2.3	4.3	3.6
Nominal GDP (Million US Dollars)	37,615.1	47,099.4	49,841.1	47,993.3

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

Table 5. Financial Soundness Indicators, September 2017–December2019

	2017	2018	Mar-19	Jun-19	Sep-19	Dec-19
Adequacy						
Regulatory capital to risk-weighted assets	16.0	13.7	13.9	13.8	13.9	14.1
Asset quality						
NPLs to gross loans	16.1	13.8	13.0	13.2	16.1	19.4
Earnings and profitability						
Return on assets (net income/total assets)	-0.1	1.1	1.7	1.8	1.4	1.0
Interest margin to gross income	35.4	35.5	40.1	38.4	38.7	38.0
Liquidity						
Liquid assets/total deposits and short-term liabilities	125.6	67.2	68.9	71.9	76.0	76.0
Sensitivity to market risk						
Foreign currency-denominated loans to total loans	93.7	90.0	92.7	91.8	91.5	90.3

Source: Central Bank of the Democratic Republic of the Congo (BCC).

Table 6. Democratic Republic of the Congo: Indicators of Capacity to Repay the Fund, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total obligations on existing and prospective credit											
Total obligations (In millions of SDRs)	32.3	10.2	0.3	0.3	0.3	80.2	106.9	106.9	106.9	106.9	26.9
Principal	29.7	9.9	0.0	0.0	0.0	80.0	106.6	106.6	106.6	106.6	26.7
Charges and interest [1]	2.6	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total obligations (In millions of U.S. dollars)	44.7	14.1	0.3	0.3	0.3	112.7	150.1	150.1	150.1	150.1	37.8
In percent of exports of goods and services	0.4	0.1	0.0	0.0	0.0	0.7	0.8	0.8	0.8	0.7	0.2
In percent of GDP	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.0
In percent of quota	3.0	1.0	0.0	0.0	0.0	7.5	10.0	10.0	10.0	10.0	2.5
In percent of gross international reserves	9.1	2.4	0.0	0.0	0.0	2.1	2.4	2.2	2.1	2.1	0.5
Fund credit outstanding (end-period)											
In millions of SDRs	542.9	533.0	533.0	533.0	533.0	453.1	346.5	239.9	133.3	26.7	0.0
In millions of U.S. dollars	751.8	740.7	743.1	744.9	747.4	637.5	487.5	337.5	187.5	37.5	0.0
In percent of exports of goods and services	7.0	6.6	5.7	5.2	4.6	3.7	2.7	1.8	1.0	0.2	0.0
In percent of GDP	1.6	1.5	1.4	1.3	1.3	1.0	0.7	0.5	0.3	0.0	0.0
In percent of quota	50.9	50.0	50.0	50.0	50.0	42.5	32.5	22.5	12.5	2.5	0.0
In percent of total external debt	6.0	6.7	10.1	11.5	13.2	13.2	11.6	8.5	5.0	1.0	0.0
In percent of gross international reserves	152.5	124.7	54.5	27.0	18.0	12.1	7.9	4.9	2.7	0.5	0.0

Sources: IMF staff estimates and projections.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva April 16, 2020

Managing Director

International Monetary Fund

Washington DC, USA

Madame Managing Director:

The COVID-19 pandemic poses a major health risk for the Democratic Republic of the Congo (DRC). As of April 9, 2020, 215 people are reported to have been infected and 20 have succumbed. The majority of cases are individuals who returned recently from trips abroad, but the number of community contaminations is creeping up rapidly, at a geometric rate while the one for the recovered at an arithmetic rate, which raises the fear of a rapid spread that could overwhelm the already limited national healthcare resources. High population density in urban areas, worrying sanitary conditions, and an already stretched health care system due to other deadly epidemics, are causes for concerns.

A COVID-19 response plan has been prepared. The pursued goal is to do everything possible to prevent a general epidemic. To the effect, the government has taken a first set of measures to thwart the progression of the pandemic including closing the borders, isolating the city of Kinshasa from the rest of the country and a lockdown of the administrative city of the Gombe, suspending teaching from schools and universities as well as banning gatherings of more than 20 persons. The response plan includes measures to (i) sensitize the population through various communication means; (ii) survey and track cases and contacts; (iii) upgrade hospitals; and (iv) acquire essential medical supplies. The cost of the mentioned plan is evaluated at USD135 million. At the same time, the government is committed to pay its financial counterpart contributions to the GAVI foundation f or the purchase of life-saving vaccines to protect millions of children against debilitating infectious diseases such as measle whose current outbreak is the largest in the world.

The COVID-19 pandemic is having a growing negative impact on the economy. To help protect the population, the government has decided to shut down large swaths of economic activity particularly the service industry, starting by restaurants and other places of gathering. The Congolese mining production and exports will decline due to disruptions to international supply chains, reduced global demand, and fall of commodity prices. All is done to try to avert a possible decision by the Zambian authorities to close their border with DRC to trade in Congolese minerals and the country faces a decision by South African authorities to temporarily close their ports to trade. Both decisions would cripple the mining exports of the DRC and worsen the economic impact of COVID-19 at a national level.

All these factors will lead to a sharp deceleration of economic growth, a spike in inflation, an increase in the fiscal deficit, a deterioration of the external current account deficit, and a weakening of international reserves which would put downward pressure on the exchange rate. Rising unemployment, which would result from it, could challenge social peace.

On fiscal policy, the government has tried to fulfill its SMP commitments despite increasing challenges. Under the SMP, the government has committed to reduce the fiscal deficit and eliminate central bank advances. The government's objective was to increase revenue, better control expenditures, and issue T-bills to meet any financing gap. However, the COVID-19 has upended these plans as the decline in mining production and overall activity will lessen revenue and the placement of T-bills, while spending is increasing owing to our response plan. Still, the government remains committed to the spirit and the implementation of the SMP, in particular with the fiscal anchor of zero central bank advances to the government

The government will continue to implement reforms that could boost fiscal revenue mobilization, especially those linked to the VAT and the reinforcement of borders' control, when the situation normalizes. Of course, after the SMP, we are still committed to transition to an Extended Credit Facility (ECF).

To compensate the revenue shortfall, we will request transfers from unused revenue of annex budgets and special funds to the central budget. In the context of reduced revenue, we commit to review the composition of our expenditures to reallocate resources to priority sectors such as health, basic goods supply, and the promotion of the local pharmacopoeia.

We propose to cut operating expenses of ministries and public institutions by 30 percent and to limit discretionary spending.

The Central Bank (BCC) has also taken measures to alleviate the impact of the COVID-19 pandemic on the economy and the financial system:

- The BCC, while reaffirming its objective of maintaining general price level stability, decided a set of measures to support the economy. It reduced its policy rate by 150 base points to 7.5 percent. However, the BCC is ready to tighten monetary policy to maintain inflation under control if necessary. In the context of high international uncertainty and volatility of the foreign exchange market, allowing the flexibility of the exchange rate and building an adequate level of foreign exchange reserves is fundamental to absorb external shocks and preserve macro-financial stability. Aware of the risks, we have agreed to limit intervention on the foreign exchange market, given the very low level of our foreign exchange reserves. We also pledged to suspend the monetization of the public deficit by the Central Bank to protect foreign exchange reserves and reduce inflationary pressures.
- The BCC has also put in place measures to support financial sector. It opened a new collateralized long-term facility for commercial banks (up to 24 months) to support the import and production of food and basic goods, reduced the ratio of minimum reserves to demand deposits in local currency by 200 basis points (to 0 percent), and decided to postpone the reform minimum capital requirement and the relaxation of loan repayment terms. Although the financial system appears to be generally healthy at present, it is imperative that financial institutions continue to comply with

international supervisory standards and that the banking supervisor adheres to a rigorous loan quality classification scheme. If necessary, the BCC could give banks more time to comply with prudential requirements in order to cope with a deterioration in the quality of their balance sheets. The BCC should also strengthen its collateral management during its refinancing operations with commercial banks to limit the risks on its own balance sheet.

In line with preliminary safeguards assessment recommendations, the BCC also commits to proceed to an audit of key monetary data for the indicative targets at SMP test dates, as defined by the Technical Memorandum of Understanding (TMU), verified by the BCC external auditor by the time of the SMP reviews.

To allow the DRC to face the consequences of the COVID-19 et close the financing gap, we request exceptional financial assistance under the RCF of SDR 266.5 million (25 percent of quota). This assistance will help cover the associated fiscal gap. The proper use of those resources will be guaranteed through the implementation of our public financial management legislation, but also through the publication of budget execution figures contained in the treasury plan on a monthly basis to enhance financial transparency. Moreover, we commit to publish online all COVID-19 related procurement contracts that exceed US$12,000 and, for the contracts exceeding USD 1 million, to disclose the beneficial ownership information of contracted companies. We will also undertake a monthly internal audit as well as a specific audit of COVID-19 related expenditures as part of the annual control of audit of the Audit Court, which should be published. To ensure resource revenue transparency and in line with commitments with the EIRI of which DRC is a member, a presidential ordinance will be signed confirming the appointment of the National EITI Coordinator approved by the Council of Ministers on March 13. In addition, the monthly payments of the operating allowance of the DRC EITI will resume to allow the resumption of its work. Furthermore, the government's commitment to fight against corruption in DRC is shown by the recent issuance of a decree establishing an anti-corruption agency and also by the intention to publish and implement an anti-corruption action plan based on ongoing governance and safeguards assessments.

The World Bank has committed to provide financial support for the COVID-19 riposte plan and to mobilize an emergency DPO to help cover any remaining fiscal gap. Other donors, such as the European Union or the United States, have also committed financial assistance. The government will work with other partners to mobilize assistance to the private sector, as we anticipate that the lockdown will strain many businesses, putting them at risk of closing with dire consequences on employment.

We will ask that disbursements under the requested RCF be made into a BCC monitored account with the BIS, as recommended by the recent Safeguard assessment of the BCC. We commit to signing a MoU between the Central Bank and the Ministry of Finance on their respective roles and responsibilities for the part servicing financial obligations to the Fund. We recognize the importance of safeguards concerns and attach great importance to mitigating the risk of corruption and ensuring that financial assistance received is used for its intended purposes. We do not intent to introduce measures or policies that would exacerbate balance of payments difficulties. Additionally, we do not intend to impose new restrictions on the making of payments and transfers for current international transactions, trade restrictions for balance of payments purposes, or multiple currency practices, or to enter into bilateral payments agreements which are inconsistent with Article VIII of the Fund's Articles of Agreement.

Moreover, our capacity to repay the fund remains adequate. Including the disbursement under the presently requested RCF, repayment ratios to GDP and exports will remain manageable, peaking at 0.2 percent and 0.8 percent in 2026, respectively. Also, we will continue meeting our financial obligations to the IMF on a timely basis.

The government remains firmly committed to strengthen macroeconomic stability and lay the ground for rapid, sustained and inclusive growth. In this respect going forward, we will consult with Fund staff on any measures designed to further these goals. That said, we agree to the publication of this letter intent and of any other documents related to this request.

/s/	/s/
Déogratias Mutombo Mwana Nyembo	Jose Sélé Yalaghuli
Governor of the Central Bank of Congo	Minister of Finance

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF THE CONGO

April 16, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS UNDER THE COVID-19 SHOCK[1]

Approved By
Annalisa Fedelino (IMF, AFR), Seán Nolan (IMF, SPR), and Marcello Estevão (IDA)

Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA)

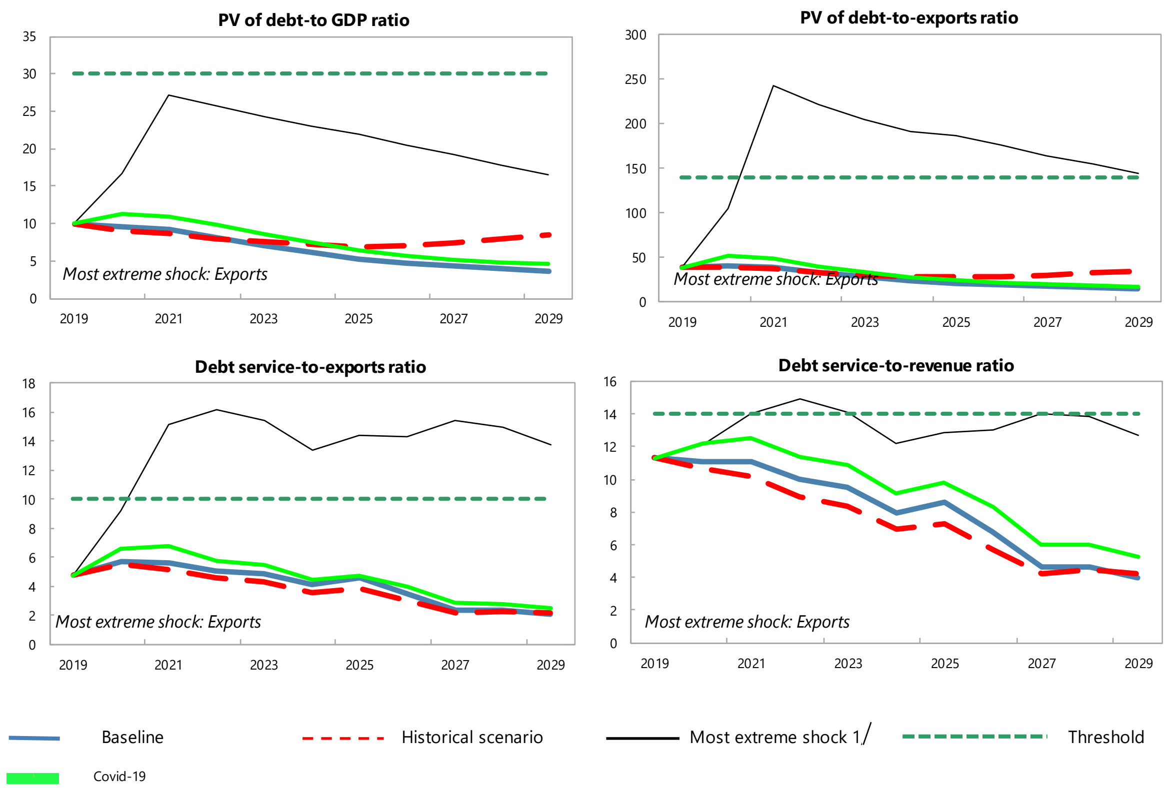
Risk of external debt distress:	**Moderate**
Overall risk of debt distress	**Moderate**
Granularity in the risk rating	**Some space to absorb shocks**
Application of judgment	**No**

DRC's debt is assessed to remain sustainable with a moderate risk of debt distress under the COVID-19 pandemic shock although its debt-carrying capacity remains weak.[2] The new baseline in this Staff Report is shown as a stress test in the figures and tables herein, together with the scenarios of the previous Debt Sustainability Analysis (DSA) of December 2019. The main channels through which the pandemic affects DRC's economy are through lower commodity prices, and supply and demand disruptions in the local economy. The larger current account deficit and especially the less favorable fiscal position in the new baseline give rise to larger financing needs. Still, typical debt and debt-service ratios remain within reasonable bounds as the shock is not as extreme as the standard exports shock. The shock reflects currently available information. Given the rapidly evolving nature of the COVID-19 crisis, risks are heavily tilted to the downside

[1] The COVID-19 Pandemic scenario is based on the projections described in the Staff Report, while other scenarios, including the baseline in this Annex, are based on the DSA of the previous Staff Report of December 2019 (See Country Report No. 19/388).

[2] DRC's Composite Indicator (CI) score is 2.03, corresponding to a weak debt-carrying capacity as confirmed by the October 2019 WEO assumptions and 2018 Country Policy and Institutional Assessment (CPIA).

Annex Figure 1. Democratic Republic of the Congo: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2019–29



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

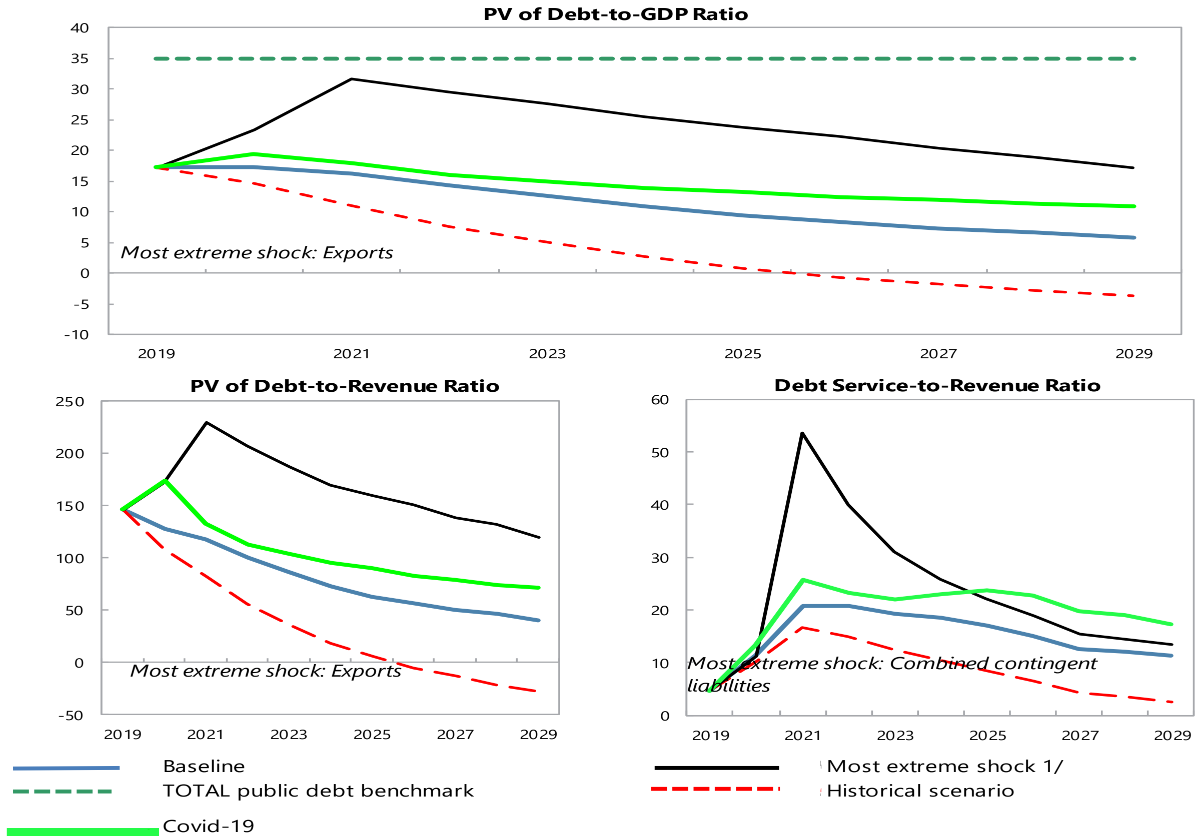
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Annex Figure 2. Democratic Republic of the Congo: Indicators of Public Debt Under Alternative Scenarios, 2019–29



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	39%	39%
Domestic medium and long-term	0%	0%
Domestic short-term	61%	61%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.0%	0.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	0.1%	0.1%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

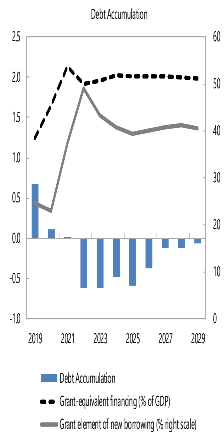
1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

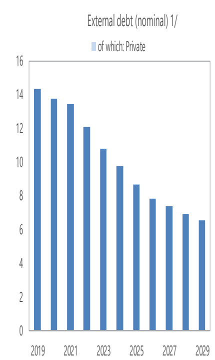
Annex Table 1. Democratic Republic of the Congo: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(in percent)

	Actual			Projections												Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2039	Historical	Projections
External debt (nominal) 1/	17.6	16.9	13.7	14.3	13.8	13.4	12.1	10.8	9.7	8.6	7.8	7.4	6.9	6.5	4.9	23.3	10.1
of which: public and publicly guaranteed (PPG)	17.6	16.9	13.7	14.3	13.8	13.4	12.1	10.8	9.7	8.6	7.8	7.4	6.9	6.5	4.9	23.3	10.1
Change in external debt	4.2	-0.7	-3.2	0.6	-0.6	-0.3	-1.3	-1.3	-1.1	-1.1	-0.8	-0.5	-0.5	-0.4	-0.1		
Identified net debt-creating flows	2.0	0.0	-1.5	0.0	0.3	-0.6	-1.1	-1.3	-1.1	-1.2	-1.5	-1.4	-1.6	-1.8	-2.0	-1.7	-1.0
Non-interest current account deficit	4.1	3.2	4.6	3.3	4.1	3.5	3.0	2.6	2.6	2.4	2.0	2.0	1.7	1.4	0.5	4.2	2.6
Deficit in balance of goods and services	6.1	3.7	3.6	2.4	3.4	4.1	3.6	3.3	3.3	3.1	2.6	2.6	2.3	2.0	0.9	4.4	3.0
Exports	32.8	31.0	34.1	26.2	23.5	23.9	24.7	25.2	25.8	24.9	24.9	24.9	24.5	24.5	16.1		
Imports	38.9	34.7	37.7	28.7	26.9	28.0	28.3	28.5	29.1	28.0	27.6	27.5	26.9	26.5	17.0		
Net current transfers (negative = inflow)	-3.6	-3.4	-2.6	-1.3	-1.6	-2.8	-2.9	-2.9	-2.9	-2.8	-2.8	-2.7	-2.7	-2.6	-1.9	-4.2	-2.5
of which: official	-3.2	-1.9	-0.6	-0.8	-1.4	-2.6	-2.6	-2.6	-2.7	-2.6	-2.6	-2.5	-2.5	-2.4	-1.9		
Other current account flows (negative = net inflow)	1.6	2.8	3.5	2.2	2.3	2.2	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.0	1.5	4.0	2.2
Net FDI (negative = inflow)	-2.5	-2.8	-2.7	-3.2	-3.6	-3.9	-3.7	-3.5	-3.4	-3.3	-3.2	-3.2	-3.1	-3.0	-2.3	-4.0	-3.4
Endogenous debt dynamics 2/	0.5	-0.4	-3.3	-0.2	-0.2	-0.3	-0.4	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2		
Contribution from nominal interest rate	0.1	0.1	0.1	0.4	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1		
Contribution from real GDP growth	-0.3	-0.6	-0.8	-0.6	-0.4	-0.5	-0.6	-0.5	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.2		
Contribution from price and exchange rate changes	0.8	0.2	-2.6	...	...	...	...	...	...	...	...	...	...	...	...		
Residual 3/	2.2	-0.7	-1.7	0.7	-0.8	0.3	-0.2	-0.1	0.1	0.1	0.7	0.9	1.1	1.4	1.9	-4.8	0.4
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators																	
PV of PPG external debt-to-GDP ratio	...	...	9.9	9.9	9.5	9.1	8.1	7.0	6.2	5.3	4.7	4.3	3.9	3.7	2.9		
PV of PPG external debt-to-exports ratio	...	...	28.9	37.9	40.6	38.2	32.6	27.8	24.0	21.2	18.7	17.2	16.1	15.0	17.7		
PPG debt service-to-exports ratio	2.2	1.9	1.4	4.8	5.7	5.6	5.1	4.9	4.1	4.5	3.5	2.4	2.3	2.0	1.5		
PPG debt service-to-revenue ratio	6.4	6.1	4.8	11.3	11.1	11.1	10.0	9.5	8.0	8.6	6.8	4.6	4.6	4.0	2.0		
Gross external financing need (Million of U.S. dollars)	813.1	366.3	1084.4	690.3	951.5	541.1	328.9	184.8	181.9	149.9	-286.9	-480.1	-646.3	-949.0	-2593.4		
Key macroeconomic assumptions																	
Real GDP growth (in percent)	2.4	3.7	5.8	4.5	3.2	3.5	4.5	4.3	4.6	4.1	4.1	4.2	4.2	4.3	5.3	6.1	4.1
GDP deflator in US dollar terms (change in percent)	-5.6	-1.0	18.3	1.4	2.1	1.4	1.0	1.7	1.0	1.5	1.5	1.5	1.5	1.6	1.8	3.2	1.5
Effective interest rate (percent) 4/	0.4	0.3	0.4	3.2	1.7	1.5	1.5	1.4	1.3	1.3	1.3	1.3	1.2	1.1	1.5	0.4	1.5
Growth of exports of G&S (US dollar terms, in percent)	14.9	-3.0	38.0	-18.7	-5.4	6.5	9.2	8.4	7.9	2.2	5.7	5.7	4.3	5.8	0.0	12.9	2.9
Growth of imports of G&S (US dollar terms, in percent)	11.5	-8.3	36.1	-19.5	-0.9	9.0	6.8	7.0	7.7	1.7	4.0	5.6	3.6	4.6	0.4	9.6	2.7
Grant element of new public sector borrowing (in percent)	...	...	...	24.7	23.0	37.4	49.2	43.2	40.8	39.4	40.2	40.8	41.3	40.4	34.9	...	38.2
Government revenues (excluding grants, in percent of GDP)	11.2	9.8	10.0	11.0	12.2	12.2	12.6	12.9	13.2	13.1	12.9	12.9	12.4	12.5	12.0	11.9	12.5
Aid flows (in Million of US dollars) 5/	1040.5	754.2	537.1	612.4	990.9	1434.2	1227.7	1298.9	1409.5	1474.9	1559.7	1649.5	1744.4	1835.2	3271.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.2	1.7	2.1	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9	...	1.9
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	46.6	62.6	70.0	88.8	88.1	88.1	87.9	88.2	88.4	88.7	88.6	89.0	...	80.5
Nominal GDP (Million of US dollars)	36,640	37,615	47,099	49,906	52,591	55,159	58,251	61,814	65,316	69,020	72,978	77,217	81,742	86,605	162,413		
Nominal dollar GDP growth	-3.4	2.7	25.2	6.0	5.4	4.9	5.6	6.1	5.7	5.7	5.7	5.8	5.9	5.9	7.2	9.6	5.7
Memorandum items:																	
PV of external debt 7/	...	...	9.9	9.9	9.5	9.1	8.1	7.0	6.2	5.3	4.7	4.3	3.9	3.7	2.9		
In percent of exports	...	...	28.9	37.9	40.6	38.2	32.6	27.8	24.0	21.2	18.7	17.2	16.1	15.0	17.7		
Total external debt service-to-exports ratio	2.2	1.9	1.4	4.8	5.7	5.6	5.1	4.9	4.1	4.5	3.5	2.4	2.3	2.0	1.5		
PV of PPG external debt (in Million of US dollars)			4642.2	4962.8	5021.2	5033.1	4693.4	4333.3	4039.4	3652.1	3396.1	3312.4	3223.8	3177.1	4629.3		
(PVt-PVt-1)/GDPt-1 (in percent)				0.7	0.1	0.0	-0.6	-0.6	-0.5	-0.6	-0.4	-0.1	-0.1	-0.1	0.1		
Non-interest current account deficit that stabilizes debt ratio	-0.2	3.9	7.8	2.7	4.6	3.8	4.4	3.9	3.6	3.5	2.8	2.4	2.2	1.8	0.6		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

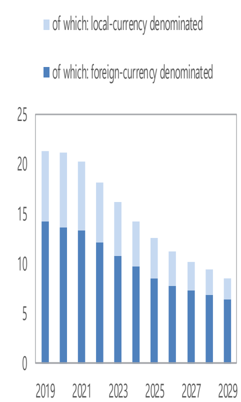
Annex Table 2. Democratic Republic of the Congo : Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–29

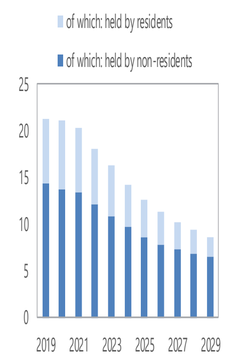
(In percent)

	Actual			Projections							Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	Historical	Projections
Public sector debt 1/	17.6	16.9	20.3	21.3	21.2	20.3	18.1	16.2	14.3	8.5	23.9	14.9
of which: external debt	17.6	16.9	13.7	14.3	13.8	13.4	12.1	10.8	9.7	6.5	23.3	10.1
Change in public sector debt	4.2	-0.7	3.4	1.0	-0.1	-0.9	-2.1	-1.9	-2.0	-0.9		
Identified debt-creating flows	3.3	-3.6	-4.6	1.2	-1.7	-1.4	-1.9	-1.9	-1.9	-1.5	-4.8	-1.5
Primary deficit	0.2	-1.6	-0.4	1.8	-0.6	-0.4	-0.9	-0.8	-1.1	-1.0	-1.9	-0.7
Revenue and grants	14.0	11.7	11.1	11.8	13.5	13.8	14.3	14.7	15.1	14.3	14.4	14.2
of which: grants	2.8	2.0	1.1	0.8	1.4	1.6	1.7	1.8	1.8	1.8		
Primary (noninterest) expenditure	14.2	10.1	10.7	13.6	12.9	13.4	13.4	13.8	14.0	13.3	12.4	13.5
Automatic debt dynamics	3.1	-2.0	-4.2	-0.5	-1.1	-1.0	-1.0	-1.0	-0.8	-0.5		
Contribution from interest rate/growth differential	-0.4	-0.9	-1.2	-0.9	-1.1	-1.1	-1.2	-1.0	-0.9	-0.5		
of which: contribution from average real interest rate	-0.1	-0.2	-0.3	0.0	-0.4	-0.4	-0.3	-0.3	-0.2	-0.1		
of which: contribution from real GDP growth	-0.3	-0.6	-0.9	-0.9	-0.7	-0.7	-0.9	-0.7	-0.7	-0.4		
Contribution from real exchange rate depreciation	3.5	-1.1	-3.0	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.9	2.9	8.0	0.2	1.6	0.5	-0.1	0.0	0.1	0.6	-1.1	0.5
Sustainability indicators												
PV of public debt-to-GDP ratio 2/	...	...	16.5	17.2	17.3	16.3	14.3	12.7	10.9	5.8		
PV of public debt-to-revenue and grants ratio	...	...	148.8	145.9	127.9	118.0	100.4	86.3	72.5	40.6		
Debt service-to-revenue and grants ratio 3/	5.1	5.1	4.3	4.7	11.3	20.8	20.7	19.4	18.5	11.3		
Gross financing need 4/	0.9	-1.0	0.1	2.3	0.9	2.5	2.1	2.0	1.7	0.6		
Key macroeconomic and fiscal assumptions												
Real GDP growth (in percent)	2.4	3.7	5.8	4.5	3.2	3.5	4.5	4.3	4.6	4.3	6.1	4.1
Average nominal interest rate on external debt (in percent)	0.4	0.4	0.4	3.2	1.7	1.5	1.5	1.4	1.3	1.2	0.4	1.6
Average real interest rate on domestic debt (in percent)	-3.8	-29.8	-22.7	-2.9	-5.3	-3.9	-3.4	-3.9	-3.0	-3.0	-11.6	-3.5
Real exchange rate depreciation (in percent, + indicates depreciation)	26.8	-6.7	-19.0	...	...	...	...	...	...	...	-1.8	...
Inflation rate (GDP deflator, in percent)	4.3	43.1	29.8	3.0	5.7	4.9	4.6	5.3	4.5	5.1	15.4	4.9
Growth of real primary spending (deflated by GDP deflator, in percent)	-14.2	-26.1	12.1	32.3	-2.1	7.5	4.7	7.7	5.6	5.0	4.0	6.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-4.0	-0.9	-3.7	0.7	-0.6	0.5	1.3	1.0	0.9	-0.1	-2.9	0.4
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Annex Table 3. Democratic Republic of the Congo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–29

(In percent)

		Projections 1/									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	10	10	9	8	7	6	5	5	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	10	9	9	8	8	7	7	7	7	8	9
A2. Alternative Scenario : Covid-19	10	11	11	10	9	8	6	6	5	5	5
B. Bound Tests											
B1. Real GDP growth	10	10	10	9	8	7	6	5	5	4	4
B2. Primary balance	10	11	12	12	11	11	10	9	9	8	8
B3. Exports	10	17	27	26	24	23	22	21	19	18	17
B4. Other flows 3/	10	11	12	11	10	9	8	8	7	7	6
B5. Depreciation	10	12	9	8	7	6	5	4	3	3	3
B6. Combination of B1-B5	10	15	15	13	12	11	10	9	8	8	7
C. Tailored Tests											
C1. Combined contingent liabilities	10	11	12	12	11	10	9	9	8	8	8
C2. Natural disaster	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
C3. Commodity price	10	11	12	11	10	9	8	7	6	6	5
C4. Market Financing	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	38	41	38	33	28	24	21	19	17	16	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	38	39	36	32	30	28	28	28	30	32	35
A2. Alternative Scenario : Covid-19	38	51	49	40	34	28	24	21	19	18	17
B. Bound Tests											
B1. Real GDP growth	38	41	38	33	28	24	21	19	17	16	15
B2. Primary balance	38	45	50	48	45	41	40	37	35	34	32
B3. Exports	38	105	**243**	**222**	**205**	**191**	**186**	**176**	**164**	**154**	**144**
B4. Other flows 3/	38	48	52	46	40	36	33	30	28	26	25
B5. Depreciation	38	41	31	25	21	17	14	12	11	10	9
B6. Combination of B1-B5	38	71	55	72	64	58	54	49	45	42	40
C. Tailored Tests											
C1. Combined contingent liabilities	38	49	51	47	43	40	38	35	34	33	31
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	38	51	54	46	40	35	32	29	26	24	22
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	5	6	6	5	5	4	5	4	2	2	2
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	5	6	5	5	4	4	4	3	2	2	2
A2. Alternative Scenario : Covid-19	5	7	7	6	6	4	5	4	3	3	2
B. Bound Tests											
B1. Real GDP growth	5	6	6	5	5	4	5	4	2	2	2
B2. Primary balance	5	6	6	5	5	5	5	4	3	3	3
B3. Exports	5	9	15	16	15	13	14	14	15	15	14
B4. Other flows 3/	5	6	6	5	5	4	5	4	3	3	3
B5. Depreciation	5	6	6	5	5	4	4	3	2	2	2
B6. Combination of B1-B5	5	7	9	8	8	7	7	7	5	5	4
C. Tailored Tests											
C1. Combined contingent liabilities	5	6	6	5	5	4	5	4	3	3	2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	5	6	6	6	5	5	5	4	3	3	3
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	11	11	11	10	9	8	9	7	5	5	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	11	11	10	9	8	7	7	6	4	4	4
A2. Alternative Scenario : Covid-19	11	12	13	11	11	9	10	8	6	6	5
B. Bound Tests	11	12	13	11	11	9	10	8	6	6	5
B1. Real GDP growth	11	12	12	11	10	9	9	7	5	5	4
B2. Primary balance	11	11	11	11	10	9	10	8	6	7	6
B3. Exports	11	12	14	**15**	**14**	12	13	13	**14**	14	13
B4. Other flows 3/	11	11	11	11	10	9	9	8	6	6	6
B5. Depreciation	11	14	14	12	11	10	10	8	5	5	4
B6. Combination of B1-B5	11	12	13	12	11	10	10	10	7	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	11	11	11	11	10	9	9	8	5	5	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	11	12	12	12	11	9	10	8	6	6	5
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Annex Table 4. Democratic Republic of the Congo: Sensitivity Analysis for Key Indicators of Public Debt, 2019–29

(In percent)

		Projections 1/									
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
PV of Debt-to-GDP Ratio											
Baseline	17	17	16	14	13	11	9	8	7	7	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	17	15	11	8	5	3	1	-1	-2	-3	-4
A2. Alternative Scenario : Covid-19	17	19	18	16	15	14	13	12	12	11	11
B. Bound Tests											
B1. Real GDP growth	17	18	19	17	16	15	14	13	13	13	12
B2. Primary balance	17	21	23	21	18	16	15	13	12	11	10
B3. Exports	17	23	32	30	28	26	24	22	20	19	17
B4. Other flows 3/	17	19	20	18	16	14	13	11	10	9	8
B5. Depreciation	17	19	17	14	12	10	8	6	4	3	2
B6. Combination of B1-B5	17	19	18	15	13	11	9	8	7	6	5
C. Tailored Tests											
C1. Combined contingent liabilities	17	24	22	20	18	16	14	13	12	11	10
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	17	18	19	18	18	17	16	16	15	15	15
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	146	128	118	100	86	72	63	56	50	47	41
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	146	109	82	56	35	18	6	(5)	(13)	(21)	(28)
A2. Alternative Scenario : Covid-19	5	13	26	23	22	23	24	23	20	19	17
B. Bound Tests											
B1. Real GDP growth	146	135	134	120	109	98	92	89	87	88	84
B2. Primary balance	146	155	168	144	125	109	98	91	84	81	73
B3. Exports	146	172	230	207	188	170	160	151	139	132	119
B4. Other flows 3/	146	140	142	124	108	94	84	77	69	65	58
B5. Depreciation	146	141	123	102	83	65	51	40	30	22	12
B6. Combination of B1-B5	146	140	131	105	87	71	60	53	47	44	38
C. Tailored Tests											
C1. Combined contingent liabilities	146	176	160	137	120	104	94	86	80	77	70
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	146	145	144	136	127	116	110	106	103	105	101
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	5	11	21	21	19	19	17	15	13	12	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	5	10	17	15	12	11	9	6	4	3	3
A2. Alternative Scenario : Covid-19	5	13	26	23	22	23	24	23	20	19	17
B. Bound Tests											
B1. Real GDP growth	5	12	24	27	27	28	27	26	24	24	23
B2. Primary balance	5	11	40	50	37	29	24	20	17	17	16
B3. Exports	5	11	22	24	22	21	19	19	19	19	18
B4. Other flows 3/	5	11	21	21	20	19	17	16	14	13	13
B5. Depreciation	5	12	23	20	21	19	18	16	12	11	10
B6. Combination of B1-B5	5	11	20	29	23	20	17	15	12	12	11
C. Tailored Tests											
C1. Combined contingent liabilities	5	11	54	40	31	26	22	19	15	14	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	5	12	23	23	29	32	31	30	27	27	26
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Statement by Mr. Mohamed-Lemine Raghani, Executive Director for the Democratic Republic of the Congo, and Mr. Marcellin Koffi Alle, Senior Advisor to the Executive Director

April 22, 2020

Our Congolese authorities would like to thank the Executive Board, Management and Staff for the support to the Democratic Republic of Congo (DRC). They appreciate the Fund's swift response to their request for an emergency assistance under the Rapid Credit Facility (RCF). This assistance will be critical to supporting the authorities' efforts to cope with the human and economic impact of the COVID-19.

The DRC was hit hard by the global coronavirus outbreak at a time when the country was emerging steadily from years of economic woes. The new government appointed in mid-2019 committed to restore good governance, fight corruption and initiate structural reforms for economic transformation. In this regard, the authorities renewed full engagement with the IMF and subsequently embarked on a Staff-Monitored Program in December 2019 while securing support under the RCF to boost the central bank's international reserves. The COVID-19 pandemic has affected the economy of DRC significantly, through direct and indirect channels and as a result of riposte measures. In this context, the authorities are requesting an assistance under the RCF to support their domestic efforts. The disbursement will help reduce the financing gap and catalyze support from other donors.

Our authorities would have opted for a higher access given the financing gap as of now and the difficulty to secure additional funding at comparable cost as the RCF resources. Moreover, they expected the country to reap the benefits of the Board's recent decisions to increase the annual access limit under the RCF's exogenous shock window from 50 percent of quota to 100 percent of quota and to ensure additionality of Fund resources with a view to helping member countries meet their urgent and unprecedented financing needs due to the COVID-19.

Against this background, the authorities look forward to another disbursement under the RCF in due course to help them effectively address the effects of the continued fall in revenue and increasing COVID-19 related spending.

1. The Human and Economic Impact of the COVID-19 Pandemic

The DRC reported its first case of COVID-19 infection on March 10; as of April 18, the case count has climbed to 327, of which 27 cured and 25 fatalities. The Government's emergency health response to the pandemic was swift and included thus far, containment and mitigation measures such as: suspension of all international flights; closing of schools, churches, bars and restaurants, ban on public gatherings; and limitation of public service to essential workers. The authorities have also prepared a COVID-19 national response plan to fast-track related health care delivery and procurements for medical supplies. They are also considering additional measures as more cases are confirmed.

The economic impact of the COVID-19 is being severe in the DRC. The country was affected early on by the effects of trade disruptions, notably with China, the main recipient of its mineral exports. Low global demand has caused a 20 percent fall in copper prices, the main export product, since the pandemic outbreak. Falling commodity prices and declining trade are having an adverse impact on import-dependent activities as well as custom and fiscal receipts. Furthermore, containment and mitigation measures are expected to have an adverse impact on many SMEs, including in the leisure sector - restaurants, hotels and amusement activities - which will pay a heavy toll to the pandemic.

These adverse developments are being reflected in deteriorating macroeconomic figures. Real GDP growth is projected to fall into negative territories, to -2.2 percent in 2020 - compared to 3.2 percent previously projected - from 4.4 percent in 2019. Public finances are in a dire situation as revenue continues to fall while health-related spending increases. The external position is also reflecting the decline in mining exports and reduced FDI flows. The ensued BOP financing gap is estimated at 1.3 percent of GDP. By the same token, international reserves are expected to fall to 3.6 weeks of imports compared to the 4.2 weeks target under the SMP.

The authorities expect a quick economic recovery by next year if the COVID-19 were to abate in the coming months. A more protracted pandemic with lasting effects on global demand would delay domestic recovery; containment measures may have larger-than-anticipated effects and hence would entail additional support to the economy.

2. The Government's Policy Response to the Pandemic

Fiscal Policy and Debt Sustainability

The authorities' main policy action is the relaxation of the 2020 fiscal stance to accommodate the impact of the COVID-19. The fiscal cost of the pandemic amounts to 1.2 percent of GDP and includes revenue losses, budget-financed outlays in the national response plan and shortfalls in treasury bills issuance. Domestic adjustment efforts were also made to prioritize COVID-19 related spending. In this regard, the government cut current spending excluding wages by about 2 percent of GDP. As well, the operating budget of ministries and public institutions was reduced drastically by 30 percent. Spending in key programs like free basic education was preserved alongside expenditures in health care. Furthermore, the authorities are taking preparatory steps to implement revenue-enhancing measures by the end of the year, should the pandemic recede. This include digitalization of tax procedures, VAT collection, and enhanced controls at the borders.

Our authorities welcome the conclusion of staff's debt sustainability analysis (DSA) that DRC's external and overall debt is sustainable, and that the country continues to be at a moderate risk of debt distress. Going forward, they remain committed to improving DRC's stance on debt sustainability metrics, including higher and broad-based growth, increased domestic revenue mobilization, quality institutions for debt-carrying capacity and sound debt management.

Governance and Financial Transparency

The Congolese authorities put a high value on transparency and accountability in the management of pandemic-related expenditures, including the use of RCF resources. In this regard, they have agreed with staff on reinforced procedures to track COVID-19 related operations and expenditures, which include: elaborating a revised 2020 Treasury Plan with

COVID-19 related expenditures and publishing budget execution monthly; publishing all COVID-19 related public procurement contracts and disclosing beneficial ownership information for contracts exceeding US$ 1 million; and conducting specific COVID-19 related audits.

The authorities are hopeful that the enhanced financial transparency measures will help secure adequate funding from other partners to close the financing gap and deliver an effective response to the pandemic.

Monetary, Financial and Exchange Rate Policies

Accommodative monetary and financial policies make part of the authorities' response to the pandemic. The central bank (Banque Centrale du Congo, BCC) has reduced its policy rate and eliminated the reserve requirement on sight deposits to raise liquidity in the banking system. It has also created a new financing facility to increase credit to the economy. The BCC has taken additional measures to temporarily ease regulation, including postponing new capital requirements and allowing banks to restructure loans of affected borrowers. Likewise, digital payment technologies are being promoted to contain the spread of the virus through bank notes.

While taking measures to keep the banking system afloat to support economic activity in these difficult circumstances, the authorities are cognizant of the need to maintain the health and stability of the financial system. They will continue to monitor developments in the sector accordingly and stand ready to step up reforms when overall conditions improve.

In this period of heightened uncertainty, the authorities are committed to maintaining exchange rate flexibility, which serves the economy well as a shock absorber. At the same time, they are taking the necessary steps to increase foreign exchange reserves, including putting a halt on government financing by the central bank. Assistance from the Fund and other donors would contribute to this end.

Conclusion

The health crisis caused by the COVID-19 is being compounded in DRC by an economic crisis stemming from both the spillovers of dramatically slower global demand and the effects of the pandemic containment and mitigation measures. Our authorities have responded swiftly with measures to contain the spread of the pandemic and dampen its impact on the economy. They remain committed to resuming their macroeconomic adjustment efforts once the crisis subsides.

In view of the sizeable financing gap and balance of payment needs, and the authorities' commitment to pursue the appropriate policies to mitigate the impact of the pandemic and pave the way for a quick and sustained recovery, we would appreciate Executive Directors' support for a disbursement under the RCF.