



DEMOCRATIC REPUBLIC OF THE CONGO

December 2023

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERIA, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE DEMOCRATIC REPUBLIC OF THE CONGO

In the context of the Fifth Review under the Extended Credit Facility Arrangement, 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 and summarizing the views of the Executive Board as expressed during its December 14, 2023, consideration of the Staff Report on issues related to the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 14, 2023, following discussions that ended on October 31, 2023, with the officials of the Democratic Republic of the Congo on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 4, 2023.
- A **Statement by the Executive Director** for the Democratic Republic of the Congo.

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International Monetary Fund
Washington, D.C.



IMF Executive Board Completes the Fifth Review Under the Extended Credit Facility Arrangement with the Democratic Republic of the Congo

FOR IMMEDIATE RELEASE

- *The IMF Executive Board has completed the fifth review under the Extended Credit Facility arrangement with the Democratic Republic of Congo. The decision allows for an immediate disbursement of US\$ 202.1 million towards international reserves, to continue building buffers.*
- *Notwithstanding the challenging socio-political and security situation, the authorities remain committed to preserving program objectives, including by limiting macroeconomic slippages and continuing implementing the economic reform agenda.*
- *While growth remains resilient, fiscal, depreciation and inflationary pressures are high. This challenging macroeconomic context calls for prudent fiscal policies, including curbing non-essential spending and improving spending efficiency, governance, and transparency. Efforts to strengthen monetary policy implementation are also warranted.*

Washington, DC – December 14, 2023: The Executive Board of the International Monetary Fund (IMF) completed the fifth review of the Extended Credit Facility (ECF) arrangement for the Democratic Republic of the Congo (DRC) approved on July 15, 2021 ([see PR 21/217](#)). The completion of the fifth review allows an immediate disbursement equivalent to SDR152.3 million (about US\$ 202.1 million) to support balance-of-payments needs, bringing the aggregate disbursement to date to SDR913.8 million (about US\$ 1219.1 million).

The socio-political and security situation is increasingly challenging, reflecting the upcoming December 20, 2023 general elections and the ongoing conflict in Eastern DRC. Notwithstanding this context, the economy remains resilient, with real GDP projected at 6.2 percent in 2023, supported by the extractive sector which remained dynamic despite negative terms of trade shocks. The sharp depreciation of the Congolese franc weighted on inflation which surged to 23.3 percent year-on-year in July 2023, before declining moderately, following policy actions from the Central Bank of the Congo (BCC). The current account deficit remains elevated, as terms of trade deteriorated, and imports were higher than anticipated. Reserve accumulation slowed due to a shortfall in dollar-denominated mining tax revenues and the BCC's interventions in light of exchange rate depreciation pressures. With limited fiscal space due to revenue underperformance, spending was reprioritized towards security and elections at the expense of arrears payments, and the 2023 domestic fiscal deficit is projected at 0.8 percent of GDP. Fiscal policy will focus on revenue mobilization and will be supported by progress in public financial and investment management reforms.

Progress under the ECF arrangement has been broadly satisfactory. All but one end-June 2023 quantitative performance criteria (PCs) were met: the PC on domestic fiscal balance was missed due to central government revenue shortfall and insufficient expenditure adjustments. The continuous PC on introduction of new multiple currency practices was also missed. All

end-June 2023 indicative targets (ITs) were met except two: the one related to the floor on social spending and the one related to the floor on central government revenues. The structural reform agenda is advancing albeit at a slower pace: out of the nine structural benchmarks, six were met, two were implemented with delays, and the last one on the central bank recapitalization was partially met and rescheduled.

At the conclusion of the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director, and Acting Chair, made the following statement:

"The Democratic Republic of the Congo's growth remains resilient despite the negative terms-of-trade shocks and the security and humanitarian crisis linked to the armed conflict in the east of the country. Notwithstanding efforts from the Central Bank of The Congo (BCC) to curb inflation, depreciation and inflationary pressures persist. Despite these headwinds, performance under the Extended Credit Facility arrangement remains broadly satisfactory. While growth prospects remain favorable for 2023 and 2024, risks are heavily tilted to the downside, emanating from the continued fighting, potential discontents on the electoral process, and adverse terms-of-trade shocks.

"The 2023 domestic fiscal deficit, though narrower compared to 2022, is expected to widen relative to the fourth review due to lower-than-envisaged revenues and insufficient adjustment in spending, which was reprioritized towards security and elections. Continued revenue mobilization, contained spending- including through the phasing out of fuel subsidies- and improved efficiency of the expenditure chain are critical for creating space for social spending, priority investment and arrears clearance. Reforms that strengthen fiscal governance and transparency, enhance budget credibility, and limit the usage of emergency procedures and cash management slippages should continue in order to strengthen public financial management and public investment management frameworks.

"Beyond the readiness of the central bank to tighten monetary policy, strengthening the implementation framework of monetary policy is critical for achieving price stability and enhancing the attractiveness of the Congolese franc. Continued efforts to accumulate reserves while safeguarding the role of the exchange rate as a shock absorber are paramount to building external resilience. Efforts to strengthen the governance and safeguards of the BCC and ensure its adequate capitalization need to continue. Implementing the new banking law and the remaining FSSR recommendations will help promote financial stability.

"Advancing reforms to improve governance and transparency, including in mining, strengthening the anti-corruption and AML/CFT frameworks, enhancing the business environment, and building climate resilience, will be critical for supporting private sector development and for promoting diversified, sustainable, and inclusive growth."

Table 1. Democratic Republic of the Congo: Selected Economic and Financial Indicators, 2022-25

	2022	2023		2024		2025	
	Est.	CR No. 23/244	Proj.	CR No. 23/244	Proj.	CR No. 23/244	Proj.
	(Annual percentage change, unless otherwise indicated)						
GDP and prices							
Real GDP	8.8	6.8	6.2	4.7	4.8	5.3	5.6
Extractive GDP	22.2	11.7	9.1	4.3	4.4	4.0	6.4
Non-extractive GDP	3.1	4.4	4.7	4.9	5.0	6.1	5.3
GDP deflator	5.0	11.4	16.7	6.6	13.0	6.2	8.1
Consumer prices, period average	9.3	14.8	19.4	7.1	14.7	7.1	8.5
Consumer prices, end of period	13.1	11.5	20.8	7.1	11.6	7.0	7.0
	(Annual change in percent of beginning-of-period broad money)						
Money and credit							
Net foreign assets	-7.0	22.9	29.8	8.9	10.7	14.1	13.2
Net domestic assets	10.4	-6.0	2.4	4.2	10.0	-0.7	2.8
Domestic credit	16.7	12.4	28.5	6.2	12.6	7.8	11.0
Broad money	3.5	16.9	32.3	13.1	20.7	13.4	16.0
	(Percent of GDP, unless otherwise indicated)						
Central government finance							
Revenue and grants	16.9	14.8	14.3	16.5	14.9	16.8	14.7
Expenditures	17.5	16.1	15.9	17.6	16.3	18.2	15.8
Domestic fiscal balance	-1.2	-0.5	-0.8	-0.2	-0.6	-0.2	-0.4
Investment and saving							
Gross national saving	6.8	4.6	5.1	7.9	6.8	12.0	9.3
Investment	11.8	10.1	10.4	11.8	10.8	14.8	12.6
Non-government	8.0	6.0	6.0	6.0	6.0	8.0	8.0
Balance of payments							
Exports of goods and services	42.1	42.8	42.5	41.1	39.6	38.9	37.2
Imports of goods and services	46.9	48.2	48.0	45.6	45.2	43.2	42.6
Current account balance, incl. transfer	-5.0	-5.5	-5.3	-3.9	-4.1	-2.8	-3.2
Current account balance, excl. transfers	-6.1	-6.3	-6.1	-5.0	-5.4	-4.2	-4.6
Gross official reserves (weeks of imports)	8.3	10.0	9.6	10.2	10.4	11.2	11.0
External debt							
Debt service in percent of government revenue	7.0	7.4	8.3	6.1	7.4	6.1	7.3

Sources: Congolese authorities and IMF staff estimates and projections.



THE DEMOCRATIC REPUBLIC OF THE CONGO

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERIA, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

December 4, 2023

EXECUTIVE SUMMARY

Context. Despite the continuing impact of the armed conflict in the East on the security and humanitarian situation, and approaching elections scheduled on December 20, 2023, the authorities remain committed to preserve program's objectives, including by limiting macroeconomic slippages and continuing implementation of the economic reform program.

Program Performance. The authorities met all but one end-June 2023 performance criteria (PCs). The domestic fiscal balance PC was missed due to a shortfall in revenue, and spending reprioritization toward security and elections at the expense of lower domestic arrears repayment. The continuous PC on non-introduction of multiple currency practices (MCP) was also missed. Without jeopardizing the main objectives of the program, progress on the structural reform agenda slowed during the electoral cycle, with six of nine Structural Benchmarks (SBs) met, two achieved with delays and the last one on recapitalization partially met and rescheduled.

Key Program Policies. Discussions focused on the need to maintain fiscal discipline by keeping non-essential expenditures under control, together with continued reform efforts to strengthen the budget process, enhance fiscal governance, and improve spending efficiency. Other issues discussed included monetary policies to contain inflationary pressures, the need to strengthen the monetary policy implementation framework to improve the transmission of monetary policy, reforms in the financial sector, and progress on governance and on the fight against corruption.

Approved By
Annalisa Fedelino
(AFR), Geremia
Palomba (SPR)

Discussions took place October 18-31, 2023, in Kinshasa. The staff team comprised C. Ahokposi (head), G. Nolin, M. Oikonomou and M. Pohl (all AFR), J. Boussard (SPR), G. Leost (resident representative), and E. Gbadi and H. Katuala (local economists). Ms. Nkusu (OEDAF) participated in the meetings. The mission met with President Chief of Staff Guylain Nyembo Mbwizya, Vice-Prime Minister and Minister of Economy Vital Kamerhe, Vice-Prime Minister and Minister for Public Service Jean-Pierre Lihau, Minister of Finance Nicolas Kazadi, Minister of Employment, Labor, and Social Insurance Claudine Ndusi Ntembe, Deputy Budget Minister Elysée Bokumuamua Maposo, Deputy Finance Minister O'Neige N'Sele Mimpa, Central Bank of Congo Governor Malangu Kabedi Mbuyi, other senior officials, development partners, and representatives of the private sector and civil society organizations. Ms. Abu Sharar helped with document preparation.

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CONTEXT

1. The authorities remain committed to program priorities despite an increasingly challenging socio-political and security context. Presidential and parliamentary elections are scheduled on December 20, 2023. The conflict in Eastern DRC remains a major source of instability and a humanitarian crisis, amidst recurrent criticism of the UN peacekeeping mission (MONUSCO).¹ In response, the authorities have stepped up army recruiting and operations efforts, in a context of alarming resurgence of violence by armed groups. DRC remains the country with the most internally displaced people in Africa, from 5.76 million at end-2022 to 6.04 million by end-October 2023 according to UNHCR. Elections and security spending are putting pressure on public finances, but the authorities are nevertheless committed to preserve program's objectives, including by implementing policies broadly in line with the agreed macro-framework and pushing ahead with the reform agenda.

RECENT ECONOMIC DEVELOPMENTS

2. Growth remains resilient, driven by robust mining activity. By end-September, cumulative copper exports grew by 13 percent year-on-year, while cobalt exports declined by 4 percent year-on-year reflecting the sharp slowdown in prices. Despite weak market conditions, particularly in the cobalt sector, activity is anticipated to strengthen slightly in 2023Q4, following the release of copper and cobalt stocks of a major mine that faced an export ban until May, and the continuous developments of existing mines. Higher-than-anticipated non-extractive activity, particularly for construction and public works, further supported growth.²

3. A sharp depreciation of the Congolese franc in 2023Q3 fueled inflation and triggered policy actions by the Central Bank of The Congo (BCC). The official and parallel exchange rates depreciated by 28.4 percent and 21.3 percent against the US dollar year-to-date through end-October.³ The depreciation passed through to domestic prices, with inflation rising to 23.3 percent in July; food and energy prices being among the most affected (Figure 1).⁴ In response, the BCC sold US\$239 million of FX reserves on a net basis in 2023Q3, increased the policy rate from 11 to 25 percent and raised reserve requirements on local currency deposits from 0 to 10 percent. Subsequently, inflation pulled back moderately to 21.7 percent year-on-year at end-October.

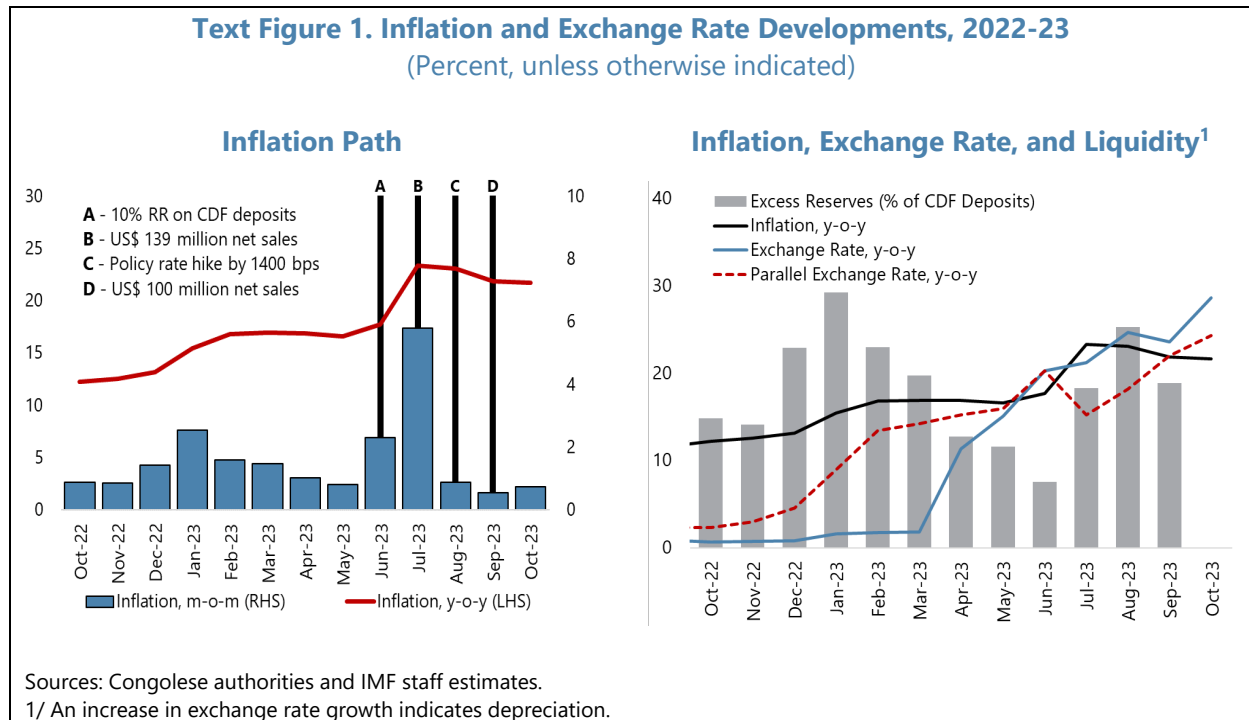
¹ At least 50 people have been killed on August 30, 2023, in Goma, when Congolese soldiers brutally stopped a demonstration against MONUSCO.

² An important driver of construction activity is the implementation of the Local Development Program for PDL-145T in 2023, with the construction of schools, health centers, and administrative buildings.

³ Factors explaining the depreciation include the lagged effect of large arrears repayments at end-2022 combined with large CDF cash withdrawal at BCC, the acceleration of fiscal spending in 2023Q3, and increased risk aversion in a pre-electoral context.

⁴ Depreciation pressures are a key driver of inflation given high exchange rate pass-through (indicatively, the correlation of inflation and the depreciation of the official and parallel exchange rate is 0.87 and 0.92 respectively from end-2021 to date).

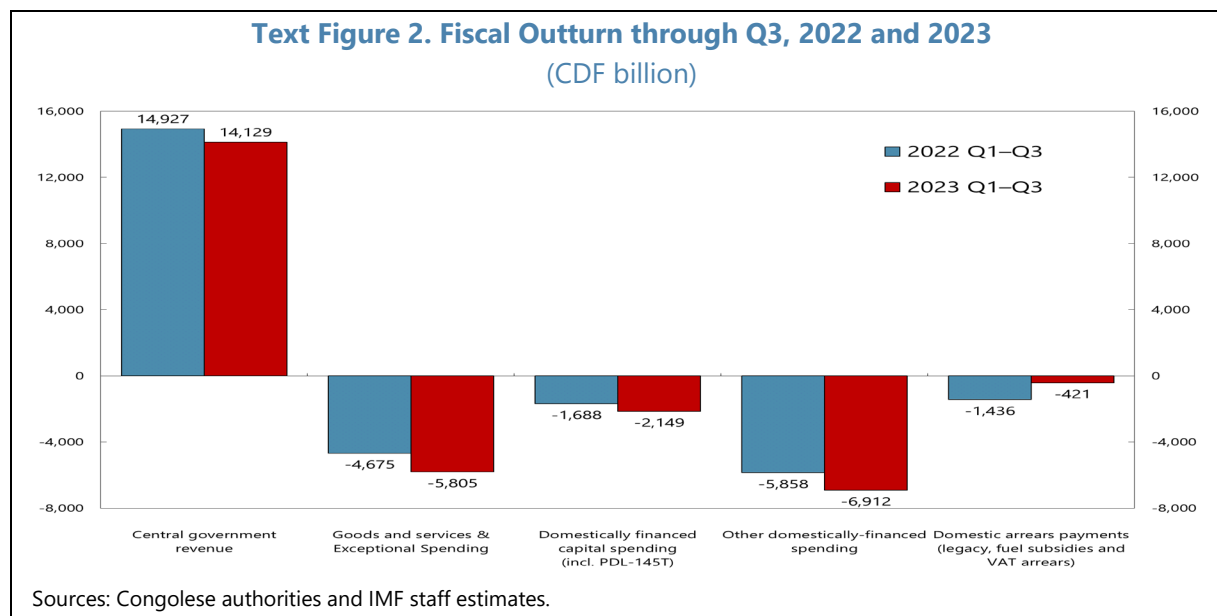
4. Revenue performance weakened significantly through 2023Q3 while spending on goods and services accelerated. A revenue shock due to lower cobalt prices and declining windfall taxes led to a large revenue shortfall of 1.3 percent of GDP relative to fourth review projections. Faced with significant spending pressures and lower funding, the authorities opted to focus on goods and services spending—partly explained by conflict-related expenditure—and to preserve investment, at the cost of a sharp reduction in arrears payments. Other spending categories were not materially different from levels recorded during the same period in 2022 (Text Figure 1). As a result, the domestic fiscal deficit widened to 1.0 percent in 2023Q3.



5. The current account deficit remained high, with slower-than-anticipated reserve accumulation. As cobalt and to a lesser extent copper export prices continued to decrease from their 2021 peak and given higher-than-anticipated imports, the current account deficit widened to 5.8 percent of GDP in the first half of 2023. The accumulation of international reserves in 2023H1 was slowed by a shortfall of government revenue in FX. In 2023Q3, the BCC’s net sale of US\$239 million was partly offset by the World Bank’s US\$500 million budgetary grant in July 2023. From US\$4.5 billion at end-2022, gross international reserves (GIR) reached US\$4.9 billion at end-October 2023 (2 months of imports).

6. Bank profitability and credit to the private sector improved, but domestic currency deposit growth remains weak. Lifted by higher dollar interest rates, banks’ returns on assets and net interest margins have significantly increased. Deposits in domestic currency declined by 12 percent year-to-end-September, while deposits in foreign currency increased by 7 percent in dollar terms. Banks’ net foreign assets decreased by 6 percent year-to-end-September in dollar terms. Banks’ credit to the central government decreased marginally year-to-end-September (by 4

percent)), while credit to the private sector remained robust, increasing by 17.2 percent year-to-end-September in dollar terms.



PROGRAM PERFORMANCE

7. Program performance has been broadly satisfactory, as all but one end-June 2023 performance criteria (PC) have been met (Table 9). The domestic fiscal balance PC was missed (Text Table 1), and central government revenue was 1.3 percent of GDP short of the IT floor. The latter, along with security and elections spending pressures, and insufficient expenditure adjustments elsewhere, resulted in the PC

being missed. The authorities have implemented corrective actions to address the missed PC (MEFP ¶16). The continuous PC prohibiting introduction of multiple currency practices (MCP) was missed due to the introduction of a temporary measure giving rise to an MCP in the third quarter of 2023 (MEFP ¶130). Despite lower-than-projected accumulation, the PC floor on net international reserves was met after adjusting for the delayed disbursement in World Bank budget support, which occurred in July. With 80 percent of programmed spending executed, the IT on social spending was not met (Text Table 2).⁵

Text Table 1. DRC: PC on Domestic Fiscal Balance at end-June 2023
(CDF billion)

	CR No. 23/244	Adjusted	Prel. Outturn	Status
Floor on central government revenue (IT)	10,723		8,646	Not Met
Floor on domestic fiscal balance (PC)	-430	1,468	-526	Not Met
Domestic arrears payments			182	
Domestically-financed investment			971	

Sources: Congolese authorities and IMF staff calculations.

⁵ Although missed, this IT (which had been defined in cooperation with health partners) is still to be considered a success, as it prompted public spending and ownership on three programs which were not receiving any government funding before the ECF arrangement.

Text Table 2. DRC: Social Spending Indicative Targets
(CDF billion)

	Dec-22		Jun-23		Dec-23
	Proposed	Actual	Proposed	Actual	Proposed
RMNCAH and primary health care	21.2	15.5	13.3	13.3	26.5
GAVI co-financing and traditional vaccines ^{1/}	36.5	36.9	20.3	20.3	32.3
TB/Malaria/HIV/AIDS co-financing	18.7	3.1	8.2	-	16.4
Total	76.4	55.5	41.8	33.6	75.2

Sources: Congolese authorities and IMF staff estimates.

^{1/} The World Bank is covering the financing of traditional vaccines in 2021-22.

8. Progress on the structural agenda continues (MEFP Table 2). Three of the nine structural benchmarks (SBs) have not been met:

- The decree on PPP (**end-June 2023 SB**) was signed on October 26, 2023.
- The budget execution manual has been updated, but the accompanying decree on public accounting clarifying eligibility for expenditures under emergency procedures (**end-July 2023 SB**) was signed on October 24, 2023. The decree is effective immediately.
- The MoU on the BCC recapitalization (**end-September 2023 SB**) has been delayed. However, on 20 November 2023, a MoU was signed for the transfer of CDF213 billion in share capital, to be disbursed in 2024-25 (MEFP ¶133). The BCC's transition to IFRS (**end-May 2024 SB**) will result in a new assessment of the BCC recapitalization needs, which will form the basis of a future MoU to fully recapitalize the central bank in accordance with its organic law.

OUTLOOK AND RISKS

9. The short and medium-term outlook remains positive (Text Table 3). GDP growth for 2023 is projected at 6.2 percent (from 6.8 percent at the time of the fourth review), driven by robust, though lower than anticipated, activity in the extractive sector. For 2024, growth is projected at 4.8 percent, slightly lower than the authorities' projections, as mining production stabilizes. GDP growth is expected to average 5.1 percent during 2024-28, underpinned by sustained growth of the extractive sector, and the gradual acceleration of the non-extractive growth. Inflation is projected to decline in 2024 to 11.6 percent and to gradually revert to the BCC's 7 percent target by 2025. The current account deficit is projected at 5.3 percent of GDP in 2023, as negative terms-of-trade continue to weigh on the trade balance but is expected to recover over the medium term and support GIR coverage, projected to increase to 3 months of imports by 2028. The June 2023 Debt Sustainability Analysis assessed that the DRC remains at a moderate risk of debt distress, with space to absorb shocks; since this assessment, there have been limited changes to the medium-term macro-framework.

Text Table 3. DRC: Medium-Term Macroeconomic Framework, 2022-28

	2022		2023		2024		2025	2026	2027	2028
	CR No. 23/244	Prel.	CR No. 23/244	Proj.	CR No. 23/244	Proj.	Proj.	Proj.	Proj.	Proj.
Real GDP (percent change)	8.9	8.8	6.8	6.2	4.7	4.8	5.6	5.2	5.7	4.4
<i>of which: extractive</i>	22.6	22.2	11.7	9.1	4.3	4.4	6.4	4.8	5.6	1.0
GDP deflator (percent change)	6.3	5.0	11.4	16.7	6.6	13.0	8.1	6.4	6.2	6.0
CPI inflation, average (percent)	9.3	9.3	14.8	19.4	7.1	14.7	8.5	7.0	7.0	7.0
CPI inflation, eop (percent)	13.1	13.1	11.5	20.8	7.1	11.6	7.0	7.0	7.0	7.0
Domestic fiscal balance (% GDP), cash basis	-1.2	-1.2	-0.5	-0.8	-0.2	-0.6	-0.6	-0.6	-0.6	-0.6
External public debt (% GDP)	15.5	15.0	17.2	17.8	17.2	17.0	16.0	15.1	14.0	13.2
Current account balance (% GDP)	-5.3	-5.0	-5.5	-5.3	-3.9	-4.1	-3.2	-2.8	-2.4	-2.9
Gross international reserves (weeks of imports)	7.9	8.3	10.0	9.6	10.2	10.4	11.0	11.7	12.3	13.0

Sources: Congolese authorities and IMF staff estimates and projections.

10. This outlook is subject to elevated downside risks (Annex 1). On the domestic side, risks arise from continued fighting in the East and potential discontents during or after the electoral process that could disrupt economic activity and reverse reform momentum. On the external side, risks arise from further inflationary pressures stemming from oil and food price volatility. In addition, an abrupt growth slowdown in China and an intensification of regional conflicts, including Russia's war in Ukraine and the conflict in the Middle East, could lower DRC's exports and fiscal revenue further and increase its imports, with severe consequences for the budget and the external position of the country. Considering these uncertainties, it is important that the authorities maintain prudent macro policies to maintain macroeconomic stability.

POLICY DISCUSSIONS

A. Fiscal Policy: Maintaining Stability and Advancing Structural Reforms

11. The authorities are taking steps to accelerate their revenue mobilization efforts, though impacts are only expected in 2024 and beyond (MEFP ¶6, 16, 17). Compared to the fourth review, end-2023 government revenue projections have been revised down by CDF1,649 billion (about 1.0 percentage points of the revised GDP), as the authorities could not offset the impact of lower mining revenue.⁶ Their efforts to collect 2021 windfall taxes are expected to yield around US\$300 million by end-year. At the same time, the authorities have taken policy measures to improve:

- VAT collection, with the aim of making the standardized VAT billing system operational starting January 2024. In this regard, the implementing regulations of the standardized VAT decree were signed in October, with the acquisition and deployment of the new VAT system expected by end-2023.
- Controls on the quantity and quality of mining exports. The authorities launched on November 2 a new laboratory to check the quantity and quality of mining exports. To date, the authorities

⁶ Government revenue excluding grants, special accounts, and annexed budgets (IT definition, Table 3a. and 3b). The revenue loss is 1.5 percentage of GDP between the 4th and 5th reviews if the revision of GDP is not accounted for.

had mostly relied on the volume of mining exports declared by miners, with limited means of checking and validating the said volume.

- The predictability of revenue and reduce spending pro-cyclicality. In this regard, a roadmap was adopted in November 2023 for the transition to a resource-based fiscal framework in the medium term, including the definition and inclusion in budget documents of a fiscal balance excluding extractive resources after IMF TA planned in March 2024.

12. Spending pressures are expected to remain high, and expenditure prioritization will be critical. Spending pressures primarily stem from: i) the elections, with their budget rising to 0.7 percent of GDP, from 0.3 percent at the time of the fourth review; ii) exceptional security spending; and iii) investment spending, including related to PDL-145, i.e. development projects partially financed by the 2021 SDR allocation.⁷ To make room for priority spending in 2023Q4, the authorities will limit current spending to 2 percent of GDP (compared with a 2.5 percent 2023 quarterly average). Domestic arrears repayment will be essentially be limited to US\$140 million towards oil subsidy arrears (113), and domestically-financed investment spending will slow.

13. Despite lower-than-expected repayments in 2023, the stock of arrears is expected to stabilize. While domestic arrears payments are likely to remain limited in 2023, reforms under the ECF arrangement have helped prevent a further significant accumulation of arrears (Text Table 4):

- The instauration of the self-liquidating VAT system in 2022, which stopped the accumulation of VAT arrears at customs.
- Successive pump price increases (including a fuel price increase ranging between 7 and 11 percent on October 24, 2023, Text Figure 3) helped offset the impact of global oil prices increases and exchange rate depreciation. These price increases are expected to limit new liabilities to oil distributors to

Text Table 4. DRC: Evolution of the Stock of Certified Central Government Domestic Arrears

	End-2022		End-2023 (Proj.)	
	(In US\$ millions)	(Percent of GDP)	(In US\$ millions)	(Percent of GDP)
Banque Centrale du Congo ^{1/}	1,988	3.0	1,548	2.3
Advances	862	1.3	585	0.9
Treasury securities	1,126	1.7	963	1.4
Legacy arrears	2,400	3.6	2,585	3.8
Certified, awaiting validation	886	1.3	1,052	1.6
Certified and validated	1,514	2.3	1,533	2.3
<i>Small claims</i>			99	0.1
<i>Large claims</i>			970	1.4
<i>Protocoles d'accord (MoUs)</i>	406	0.6	464	0.7
Recent arrears	1,089	1.7	1,066	1.6
VAT (customs)	670	1.0	644	1.0
Oil subsidy	418	0.6	423	0.6
Total	5,476	8.3	5,200	7.7

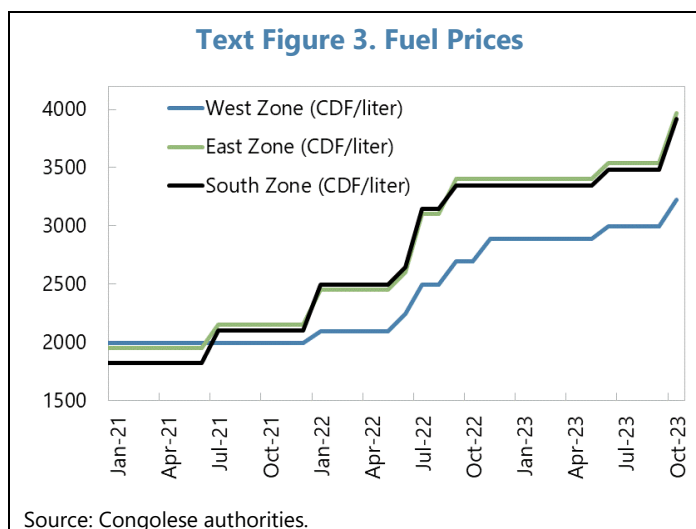
Sources: Congolese authorities and staff calculations.

1/ BCC arrears are denominated in Congolese francs.

⁷ See Box 1 of CR No 23/244 for more details on PDL-145. The end-2022 PDL-145T execution report is available here: <https://finances.gouv.cd/annonces/titre-rapport-de-suivi-de-lexecution-du-pdl-145t-a-fin-decembre-2022-76>

US\$160 million in 2023 and US\$100 million in 2024, compared with \$447 million in 2022. A payment of US\$140 million to oil distributors is expected in 2023Q4.

- The implementation of the domestic arrears' clearance strategy, adopted in May 2023, which was delayed partly due to budget constraints but expected to begin in 2024.⁸ The ad hoc payments of domestic arrears outside of this strategy (CDF348 billion, or around



US\$140 million, in 2023) are undermining its credibility. To address these challenges, the authorities adopted in November a timeline for the implementation of the arrears repayment strategy (MEFP ¶120) which specifies that (i) claims under US\$300,000 (for a total of US\$99 million) and residuals on large claims will be paid in April 2024; (ii) large claims will be securitized in March 2024, with the first buyback operation scheduled for July 2024; (iii) the payment of arrears subject to *protocoles* (MoUs) will resume in May 2024. The strategy required the strengthening of institutional debt management capacity, which is facilitated by a regional debt management advisor.

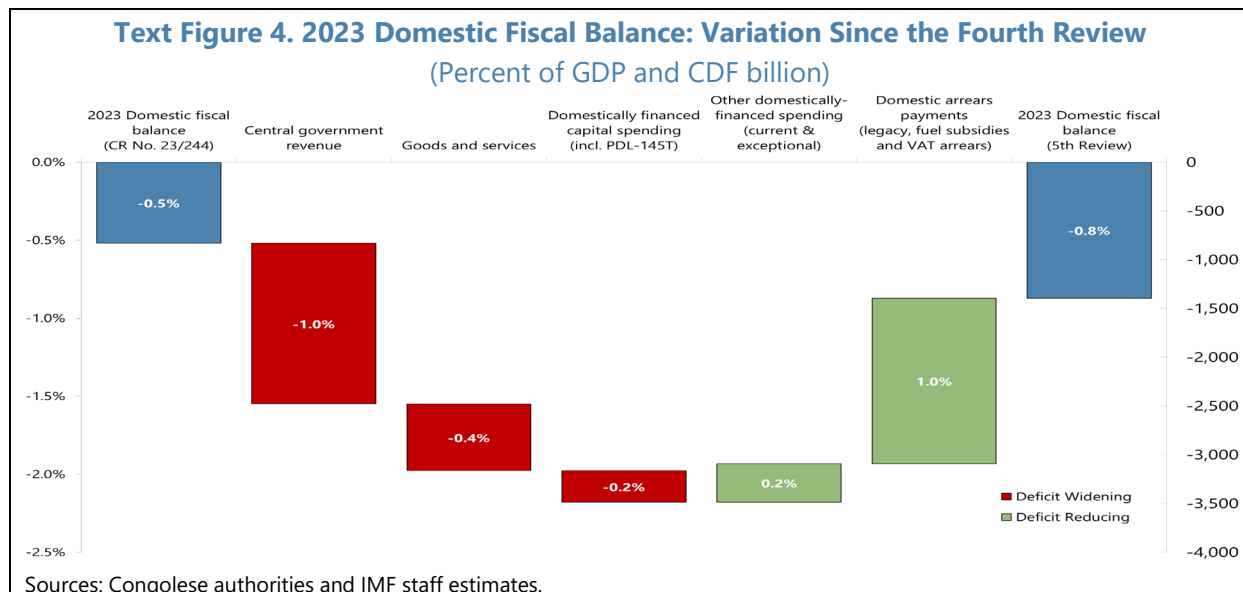
- The absence of monetary financing, the repayment of past BCC advances in line with the signed MoU, and the scheduled CDF213 billion partial recapitalizations of BCC.

14. These revenue and expenditure measures will help generate a surplus of the domestic fiscal balance in 2023Q4—denoting the authorities' tightening efforts. However, for the year as a whole, the domestic fiscal deficit would increase by 0.3 percent of GDP relative to the fourth review (MEFP ¶113). Despite pressures, spending remains limited by available resources, which reflect the embryonic domestic financial market and the prohibition of monetary financing—a key safeguard and crucial program achievement. Amid revenue shortfalls and higher spending, including investment, the 2023 domestic fiscal deficit is projected at 0.8 percent of GDP (against 0.5 percent of GDP at the fourth review). The authorities are requesting a modification of the related PC (Text Table 1 and Text Figure 4). The tighter fiscal stance in 2023Q4, with a domestic fiscal balance surplus of 0.2 percent of GDP, provides reassurance on the authorities' policy intentions.

15. The 2024 draft budget law is broadly in line with program objectives, although several features have been recalibrated to account for recent developments (MEFP ¶114). The draft law, which has been approved by both chambers of Parliament and will be promulgated by December 15, is based on optimistic growth and inflation assumptions, but on credible revenue projections.

⁸ The domestic arrears strategy covers legacy arrears going back to 1971.

Staff revenue projections are slightly lower to account for more conservative macroeconomic assumptions (notably on extractive sector growth), lower windfall taxes and transfers to special accounts (¶116); central government revenue mobilization is projected to increase very modestly to 11.4 percent of GDP in 2024, down from 14.3 percent fourth review projection and up slightly from 11.3 percent in 2023. The substantial revision relative to the fourth review reflects the negative impact on mining sector revenue from the downward revision of the prices of key commodities exported by the country. To adjust to lower revenues, current spending has been contained to 10.3 percent of GDP, including the wage bill at 4.2 percent of GDP, in line with the program; this includes an upward correction for goods and services, which appeared to be underestimated in the budget. Exceptional spending has been revised upward from the 4th review to account for the persistence of the conflict in the East.⁹ The public investment envelope is projected to increase significantly, reflecting political ambition; program projections have been scaled back based given its under-execution in recent years. To ensure consistency with program objectives, quarterly budgetary commitment plans will be published in 2024Q1, as was done this year.



16. The draft budget projects an increase of funds directed to special accounts, weakening public financial management (MEFP ¶114), including the creation of an Armed Forces Support and Development Fund (FSD-FARDC, CDF297 billion) and an Environmental Intervention Fund (FIPE, CDF40 billion). Approximately CDF120 billion of mining royalties have also been redirected from the Treasury to the Fund to support access to justice, reparation, empowerment and community recovery for victims and their beneficiaries (FONAREV). The authorities remain committed to rationalizing parafiscal charges, annexed budgets and special accounts and have completed their inventory (**end-June 2023 SB**). With FAD support, the rationalization process is expected to continue.

⁹ Staff projects that exceptional spending will decline from 2.4 percent of GDP in 2022 to 1.9 percent in 2023 and 1.2 percent in 2024 (0.2 percent in fourth review projections).

17. The fiscal-structural reform agenda is progressing, but many challenges remain:

- **Revenue Mobilization (MEFP ¶117).** In addition to the measures discussed in ¶111, the STDA excise tax system was rolled out in 2023Q3. Going forward, revenue mobilization needs to focus on tax base expansion and payment compliance, restoring the VAT functioning, improving the capacity of revenue agencies, streamlining non-tax and parafiscal charges, rationalizing tax expenditures and increasing excise tax rates where appropriate. Improved control of mineral production and export flows is also critical for a sustainable revenue increase.
- **Wage bill (MEFP ¶122).** The 2023 wage bill remains within the planned envelope, but Army recruitment needs, and inflation will likely lead to wage bill pressures in 2024. The signing in July 2023 of an inter-ministerial order specifying that salary increases must be approved jointly by the Ministers of Budget, Finance and Civil Service (**end-July 2023 SB**) is a positive step. The authorities noted that broad civil service reform (wage bill strategy, census of public agents, reorganization of social protection and retirement reforms) will only take place after the upcoming elections.
- **Fuel subsidies reform (MEFP ¶121).** The reform continues, following the recommendations of the May 2023 price structure audit and the July 2023 IMF technical assistance. In November, the authorities adopted a roadmap for the implementation of the TA recommendations, including the simplification and transparency of the price formula, the end of subsidies to the mining sector and the reconsideration of exemptions.
- **Social spending.** While social spending is among the government’s highest priorities—social ministries (including education, health, social and humanitarian affairs) accounted for about 30 percent of total executed budget in 2022, a proportion preserved in 2023 and in the 2024 budget—the government’s ability to respond the deteriorating humanitarian situation is weak.
- **Public Financial Management (MEFP ¶125).** The PFM reform agenda continues with extensive FAD TA, with priorities including (i) the operationalization of the General Directorate of the Treasury and Public Accounting (DGTCP); (ii) establishing the Single Treasury Account; and (iii) the expenditure chain. The government requested a Public Expenditure and Financial Accountability (PEFA) assessment to refine this reform agenda, expected by mid-2024. The increase in spending under emergency procedures in 2023Q3 is concerning (**end-September IT**). The updated budget execution manual and the accompanying decree on public accounting clarifying eligibility, accounting, and regularization for expenditures under emergency procedures¹⁰ (**end-July 2023 SB**) is expected to help contain the volume of spending under emergency procedures going forward.

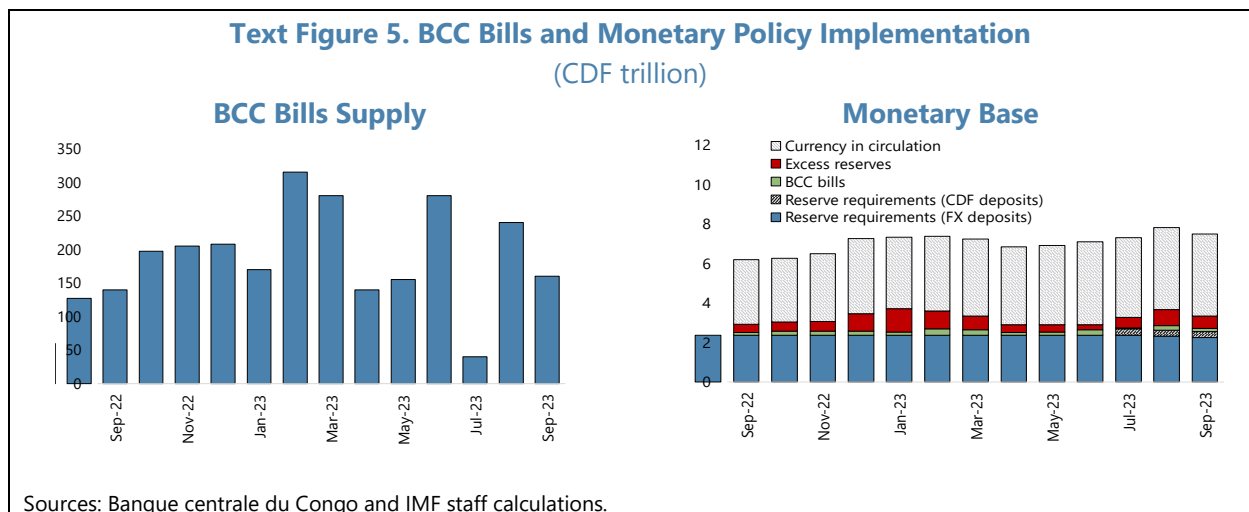
¹⁰ The decree and the manual clarify spending procedures that public accountants must follow going forward, including the mandatory authorization (“ordonnancement”) phase. The non-respect of the “ordonnancement” (or other spending phases) leading to expenditures made under emergency procedures (as defined in the TMU) should therefore be limited in the future. The only exception is for spending of urgent nature, generated by an

(continued)

- Public Investment Management (MEFP ¶24).** PIMA recommendations are included in a roadmap presented to the Council of Ministers on November 3rd, 2023. After the signing in May 2023 of a decree on public investment management, the authorities finalized a procedures manual, including climate impact assessments, approved by the council of Ministers on November 11, 2023 (**end-December 2023 SB**). In addition to quarterly execution reports for PDL-145T, the government published in June 2023 a report on the use of the SDR allocation in 2022.

B. Monetary and Financial Sector Policies: Maintaining Monetary Policy Tightening and Advancing on Safeguards

18. Monetary policy needs to remain tight and responsive to inflationary pressures (MEFP ¶28). In response to the inflation surge, the BCC sharply raised its policy rate and conducted FX interventions (¶3). The reinstatement of reserve requirements on domestic currency deposits in June (at 10 percent), also helped absorb excess liquidity, but the supply of BCC bills did not materially increase in 2023Q3 (Text Figure 5). Required reserves were made unavailable to banks (they previously followed an averaging rule over the maintenance period), which contributed to increased usage of the BCC’s refinancing window to borrow francs at the increased policy rate. Following these measures, inflation moderated (Text Figure 1). The BCC stands ready to use its available tools should inflation be more persistent than expected, including adjusting the reserve requirements and the supply of BCC bills.



19. Given the need to improve the transmission of monetary policy and reduce excess liquidity, the BCC should consider additional measures to strengthen the implementation framework of monetary policy (MEFP ¶28 and 31). With limited credit in local currency and few remunerated deposits, monetary policy transmission remains weak. Among all instruments, only CDF195 billion BCC bills at end-August 2023 were remunerated close to the policy rate, compared with excess reserves of 860 billion and total bank reserves of 3,400 billion (Text Figure 5). In addition

unforeseeable event, in particular a natural disaster, external aggression, armed conflict, or an epidemic, as well as the provision of funds under chapter 5 of the new manual, limited to minor operating expenses.

to this partial use of BCC bills, and two refinancing windows that are also available to banks at the policy rate, the BCC's preferred instrument for liquidity management are unremunerated reserve requirements despite their distortionary effects.¹¹ Staff recommended that BCC bills be auctioned on a fixed rate, full allotment basis and that reserve requirements on domestic currency be remunerated. The BCC preferred further examining the proposals and has requested technical assistance from the IMF. The implementation of the Forecasting and Policy Analysis System (FPAS) is ongoing, with IMF TA.

20. Sustained efforts to bring reserves to an adequate level remain necessary (MEFP 129).

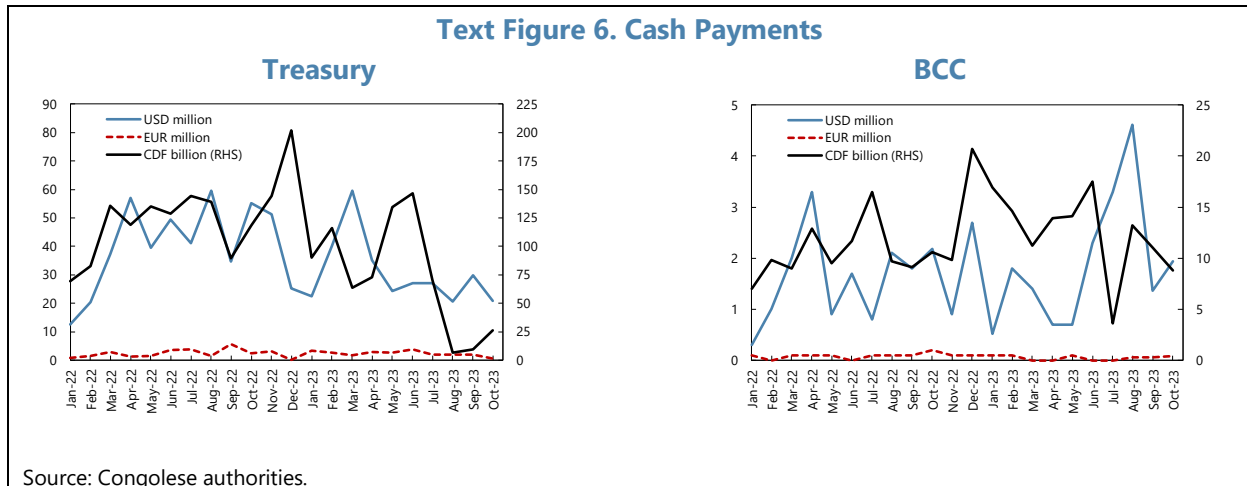
The shortfall in FX mining revenue, government spending in FX and BCC interventions to alleviate pressures in the foreign exchange market in July weighed on reserve accumulation in 2023. Consequently, NIR accumulation (excluding IMF disbursements) is projected at US\$250 million (from US\$700 million projected in the 4th review), with import coverage reaching 2.2 months at end-2023. In addition, the government announced in July 2023 that mining companies would no longer have to pay their taxes by depositing the FX-equivalent at BCC to obtain the necessary Congolese francs. While the scope of this measure and its effect on the foreign exchange market remain uncertain, the BCC stands ready to purchase any excess supply resulting from mining companies' exchanging foreign currency to cover their tax needs. To continue to support reserve accumulation, the BCC and MoF have stressed their coordination to limit domestic payments in foreign currency, and the BCC has committed to lower foreign currency deposits held with domestic correspondents.

21. The BCC remains committed to exchange rate flexibility (MEFP 130). The absence of a significant spread between the official and parallel exchange rates since May 2023 is a welcome development.¹² The BCC is committed to improve the implementation of FX operations in line with recommendations from the IMF TA on FX market operations. In the face of pressures in the FX market in third quarter of 2023, the BCC introduced a temporary measure prohibiting banks from selling to their clients the FX received from the BCC during FX auctions at a rate depreciated by more than 1.5 percent vis-à-vis the official exchange rate from the previous day's BCC FX auction. The measure, which gave rise to an MCP due to the lack of a mechanism to prevent a spread of more than 2 percent between the rates used for resale of auction receipts and the prevailing retail exchange rates, is no longer in effect and the authorities have committed not to use it in the future.

22. The Ministry of Finance and the BCC are committed to strictly limit cash transactions (MEFP 132). Restrictions on cash payments at the BCC were publicly announced in July; Treasury cash payments subsequently fell in francs but remained elevated in dollars (Text Figure 6). The BCC committed to publishing an instruction banning its residual cash payments to its staff starting in November 2023. Both the Ministry of Finance and the BCC have committed to limiting spending execution in cash by establish a framework for the execution of Treasury and BCC operations in accordance with the AML/CFT law (**end-May 2024 SB**).

¹¹ See "Technical Assistance Handbook, Reserve Requirements" (IMF-ECB, July 2022).

¹² The spread between the official and parallel rates stood at 0.12 percent at end-October 2023.



23. Concerted efforts are necessary for the BCC to address slow progress in implementation of outstanding recommendations from the 2020 safeguards assessment (MEFP ¶133). While the BCC has taken steps to reinforce its procurement processes and enhance the independence and capacity of its internal audit function, significant work and diligence are still required to strengthen transparency and accountability mechanisms. The BCC’s external auditors issued a modified (qualified) opinion on the FY 2022 financial statements, and recommended in their management letter measures to address vulnerabilities in accounting controls and procedures in line with safeguards concerns from the 2020 assessment. The implementation of International Financial Reporting Standards (IFRS) and central bank recapitalization continue to be a work in progress with IMF TA. The BCC remains committed to issue IFRS-compliant financial statements, starting with the adoption of its 2023 financial statements by the BCC Board (**proposed end-May 2024 SB**). Ongoing work towards IFRS led to a reassessment of the BCC’s recapitalization needs; as a result, the related MoU (**end-September 2023 SB**) has been postponed and an alternative recapitalization approach has been adopted instead (¶18). The commitment to prepare a plan to close all FX accounts at domestic commercial banks has not been met; the BCC cited the difficulty of conducting international transactions due to unresolved commercial arrears and requested technical assistance. Other safeguards-related commitments include further work to: (i) enhance governance arrangements and frameworks in the areas of foreign reserves management and lending operations; and (ii) operationalize the newly created function for internal and external compliance.

24. The implementation of the new banking law and FSSR recommendations is progressing (MEFP ¶134, 35). Between July and September 2023, the BCC (with IMF TA) has introduced 16 *instructions* implementing provisions of the new banking law for deposit-taking, microfinance, payments institutions, credit institutions and financial companies (end-November 2023 SB). However, bankers expressed serious concerns about the provision requiring all banks to have at least 4 shareholders with a minimum stake of 15 percent each, which would force all banks to simultaneously find new investors or to merge. In May 2023, the BCC published prudential regulation on payment institutions and a regulation on related-parties transactions (end-November 2023 SB). On-site controls on credit risk assessment resumed in June 2023, while a unit dedicated to IT risks was created in September 2023. The financial inclusion strategy—including a roadmap

through 2027—was finalized in June 2023, with WB TA. A financial stability unit, including a macroprudential policy unit, is expected to be established by April 2024, with support from IMF TA.

C. Structural Reforms to Promote Diversification and Private Activity

25. Fighting corruption, and improving governance and transparency remain of paramount importance (MEFP ¶136). Corruption remains pervasive and measures to fight it face reportedly resistance from vested interests, despite efforts from the anti-corruption and control agencies, including the General Inspectorate of Finance and the *Cour des comptes*, whose budget has risen sharply in 2023 and will increase again in 2024. On the mining sector, the government continues to support the Extractive Industries Transparency Initiative (EITI). Continuous commitment towards the timely publication of mining contracts, including renegotiated ones, within the 60 days of signature, remains critical for transparency. All such publications are up to date (**continuous SB**).

26. Improving the business climate is critical to support sustained and inclusive growth (MEFP ¶137). While improving the business climate remains a priority for the authorities (with an emergency reform plan adopted on November 2, 2023, focusing on tax and control rationalization, the publication of all judiciary decisions, the revitalization of the Single Window for Business Creation, and the continuation of reforms on public procurement), it remains affected by a complex tax system, lack of basic infrastructure, financing, and an unreliable rule of law and judiciary. The private sector is also concerned about the haphazard implementation of the law on subcontracting and administrative hassles.

27. Building on the December 2022 AML/CFT law, the authorities need to implement the action plan agreed with the FATF to exit its grey list (MEFP ¶138). Recent progress includes (i) the finalization of the AML/CFT national strategy in October 2023; (ii) the adoption of six decrees creating an FATF steering committee in August 2023, making CENAREF (National Financial Information Unit) the supervisory authority for all designated non-financial businesses and professions, and defining the functioning of four AML/CFT-related institutions.¹³ The BCC has also revised *Instructions 15* and *15bis*, which implement the AML/CFT law in the financial sector and define exemptions to the \$10,000 limit of transactions in cash or bearer shares for credit institutions and financial companies.

PROGRAM MODALITIES AND FINANCING ASSURANCES REVIEW

28. The authorities request, and staff supports, waivers of nonobservance of the end-June PC on the domestic fiscal balance and the continuous PC prohibiting introduction of MCPs (LOI, MEFP¶16, 30). The request for waiver for the missed PC on the domestic fiscal balance is based on corrective actions geared towards (i) an acceleration of measure to improve revenue mobilization

¹³ CENAREF, COLUB (AML/CFT Consultative Committee), FOLLUCO (fund to fight organized crime) and CILB (Interministerial AML/CFT committee).

and predictability, including the launch of a laboratory to check declared mineral exports, continuing efforts to collect windfall taxes and to implement the new VAT billing system in January 2024 (¶11); (ii) rebalancing the composition of spending by repaying US\$140 million of fuel subsidy arrears in 2023Q4 and increase fuel pump prices to limit the accumulation of new arrears (¶13) and (iii) immediately implementing the Public Accounting Decree clarifying eligibility for expenditures under emergency procedures (¶17). To further support program objectives, the authorities have adopted a repayment schedule to implement the domestic arrears clearance strategy (¶13) and a roadmap for the adoption of a resource-based fiscal framework (¶11). They will also take actions to improve the tracking of arrears accumulation by including the due date of payments in the PFM IT systems. The request of waiver for the missed PC on non-introduction of MCPs is based on the temporary nature of the measure, which is no longer in place, and the authorities' commitment not to use it in the future.

29. The authorities and staff reached an understanding to propose updated program conditionality as follows (MEFP Tables 1-2):

- **NIR.** It is proposed that the end-December 2023 floor on changes in NIR be lowered from US\$700 million to US\$250 million, to partly accommodate the persistent shortfall in FX tax revenues and limited capacity for FX purchases. Notwithstanding these modifications, staff projects that continued reserve accumulation would bring import coverage at the end of the program to a level in line with previous projections.
- **Foreign currency assets of the BCC held with domestic correspondents.** It is proposed that the end-December 2023 and end-March 2024 ceilings on the levels of these assets be lowered from US\$200 million to US\$150 million, to strengthen the governance of FX reserves management.
- **Domestic fiscal balance.** It is proposed that the end-December 2023 floor on the domestic fiscal balance be set at 0.8 percent of GDP (compared 0.5 percent of GDP the 4th review). Staff supports this relaxation in light of the fiscal tightening envisaged for 2023Q4, and revenue and expenditure measures (including the corrective actions above) and the authorities' commitment.
- **IFRS.** It is proposed for the adoption the 2023 financial statements of BCC in IFRS format, following its approval by an external auditor (**end-May 2024 SB**).

30. Financing assurances. The ECF arrangement is fully financed for the next 12 months, hence for the remainder of its duration (Table 8). It has helped catalyze resources, including a WB budget loan of US\$500 million disbursed in July and additional US\$ 405 million will be disbursed in 2024.

31. DRC's capacity to repay the Fund remains adequate but subject to risk (Table 6), with outstanding IMF credit projected to peak at 2.9 percent of GDP and 34.6 percent of GIR in 2024. Annual repayments would not exceed 0.4 percent of GDP, and 1.3 percent of exports. Program implementation of envisioned reforms and the low level of public debt will help build resilience against shocks and mitigate risks.

32. Political assurances. Based on public statements on their party platforms by the main candidates complemented by bilateral discussions with their economic advisors, staff assess that the main candidates support the overall objectives and key policies of the Fund supported program.

33. The authorities continue to make progress on resolving external arrears. Financing assurances reviews will continue to be conducted at each review of the ECF-supported program until all external sovereign and commercial arrears are cleared. External official arrears to four non-Paris Club creditors (0.1 percent of GDP) date from pre-HIPC Completion Point and are either in negotiation or under reconciliation.¹⁴ Specifically, the authorities met with representatives of one of the creditors in August 2023, paving the way for the resolution of a third of DRC's external arrears. Meetings with three of the remaining official creditors are scheduled in the next six months, with enhanced information sharing, to reach an agreement. The remaining external arrears are arrears to commercial creditors. As required under the Lending into Arrears (LIA) policy, the authorities continue to make good faith efforts to resolve arrears to commercial creditors, including from Gécamines, by sharing additional information and communication to facilitate resolution.

STAFF APPRAISAL

34. Growth remains robust but inflation and exchange rate pressures are persisting. Real GDP growth was supported by mining activity, which remained strong despite the sharp reduction in cobalt prices in 2023, and by construction and public works activity. Growth is expected to remain strong in 2024, albeit at a slightly lower rate. Inflation surged in 2023, fueled by depreciation pressures, and is expected to remain above 20 percent by end-2023, before declining below 12 percent at end-2024, as monetary policy transmission remains weak, and the attractiveness of the franc remains low.

35. Risks to outlook are tilted to the downside. External uncertainty stemming from geopolitical developments and terms-of-trade shocks remains high; the continuing conflict in the East and the upcoming elections could continue to add to spending pressures, crowd out social and priority public investment spending and delay much warranted reforms.

36. Program performance is broadly satisfactory. At end-June 2023, all but one quantitative PCs and all but two ITs were met. The central government revenue IT and the domestic fiscal balance PC were missed by a large margin, as the authorities prioritized security and elections spending and did not sufficiently reduce expenditures elsewhere to compensate for the revenue shortfall. Strong corrective actions are being implemented to address the missed PC. Six out of nine SBs for the fifth review are met, two were implemented with a delay and the last one was partially implemented.

37. The authorities need to accelerate structural fiscal reforms, to anchor fiscal discipline, mobilize revenues, broaden the tax base, and improve the reliability of revenue projections.

¹⁴ Bilateral arrears to non-Paris Club creditors pre-date HIPC and are deemed away in the presence of a representative Paris club agreed minute underpinning the HIPC process.

Efforts to strengthen domestic revenue mobilization, particularly mining sector revenue and effective VAT collection, will provide room for critical priority and development spending. Strict controls on goods and services spending and a clear roadmap towards the repayment of domestic arrears are needed to improve the quality of spending. Efforts to reduce cash payments and spending under emergency procedures are essential to improve governance and public financial management.

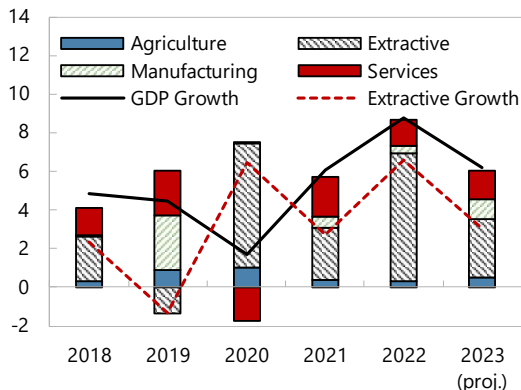
38. With the BCC's sharp tightening in 2023Q3, inflationary pressures have moderated, but risks remain heavily tilted to the downside. Tight monetary policy should be sustained until inflation recedes, and the BCC should stand ready to tighten further using all available instruments. Given the weaknesses in the transmission of monetary policy, the BCC should consider additional measures to strengthen the implementation framework of monetary policy, with IMF support if necessary. Given reserve inadequacy, it should refrain from resorting to FX interventions to achieve monetary policy objectives. Full BCC recapitalization remains essential to macroeconomic stability and de-dollarization; the adoption of a medium-term plan towards this end is feasible despite the large costs.

39. Staff supports the authorities' requests for waivers for the missed PCs, for the modification two PCs, the completion of the fifth review under the ECF-arrangement and the financing assurances review. A strong commitment to improve the composition of public spending and to tighten policies to contain the public deficit and curb inflation, together with structural reforms while building capacity, will support the authorities in meeting program objectives.

Figure 1. Real Sector Developments, 2018-23

The extractive sector dominates growth dynamics...

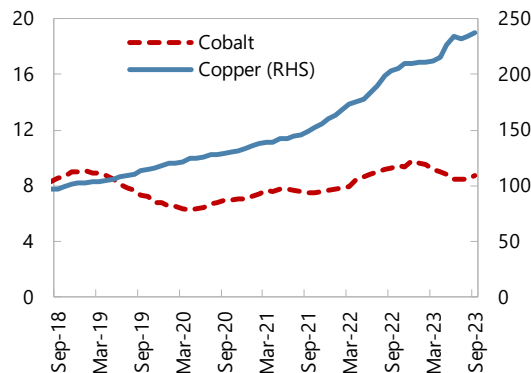
Contribution to Real GDP Growth (Percent)



...with growth benefitting from increasing copper and cobalt mining production despite weaker metal prices.

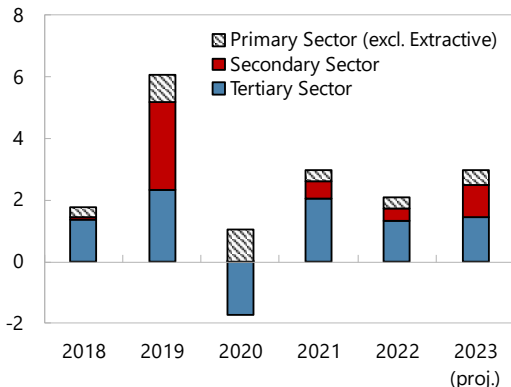
Cobalt and Copper Production

(Thousand metric tons, 12-month rolling avg.)



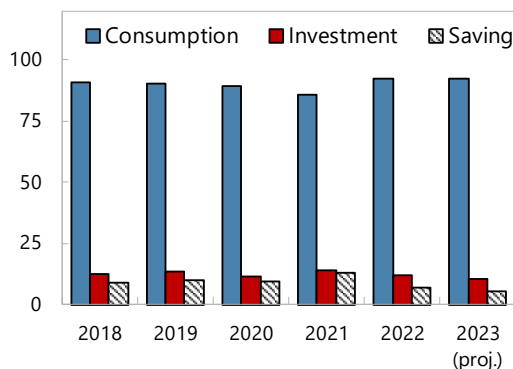
Non-extractive growth was supported by strong construction activity...

Non-Extractive Real GDP Growth (Percent)



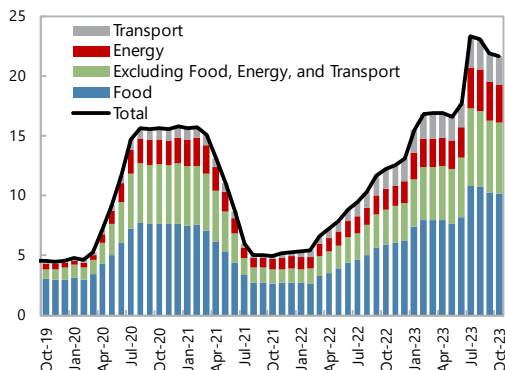
...despite somewhat moderated investment.

Consumption vs Investment (Percent of GDP)



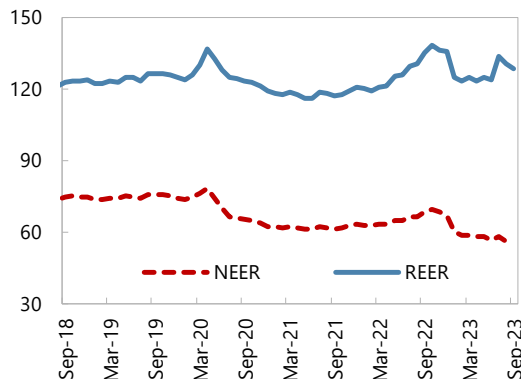
Headline and core inflation have surged recently due to passthrough effect of the exchange rate depreciation...

CPI with Contributions from Major Components (YOY growth rates, in percent)



...as the exchange rate has been under depreciation pressures in this highly dollarized economy.

Nominal and Real Effective Exchange Rates (2010=100; decrease indicates depreciation)



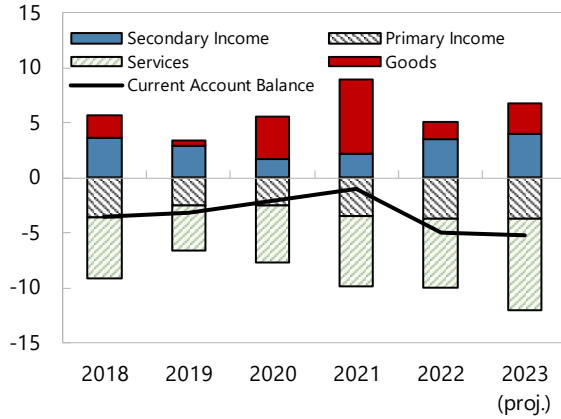
Sources: Congolese authorities; IMF STA INS database; and IMF staff estimates.

Figure 2. External Sector Developments, 2018-23
(Percent of GDP, unless otherwise indicated)

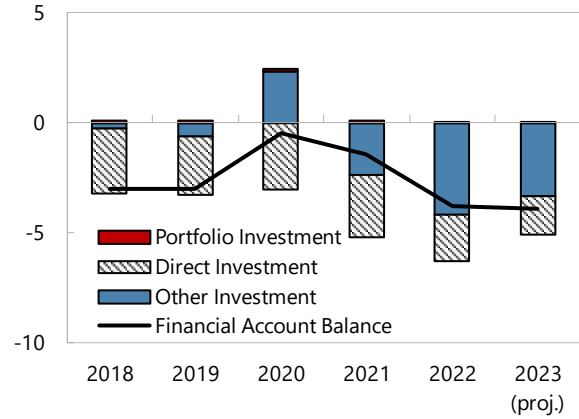
The current account deficit has widened due to higher imports of goods and services...

...and has been financed largely by other investment flows followed by FDI.

Current Account Balance

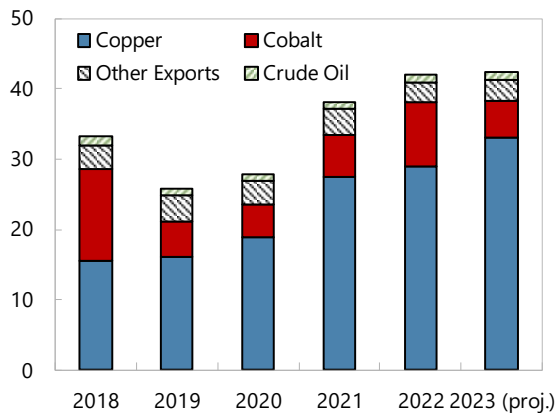


Financial Account Balance



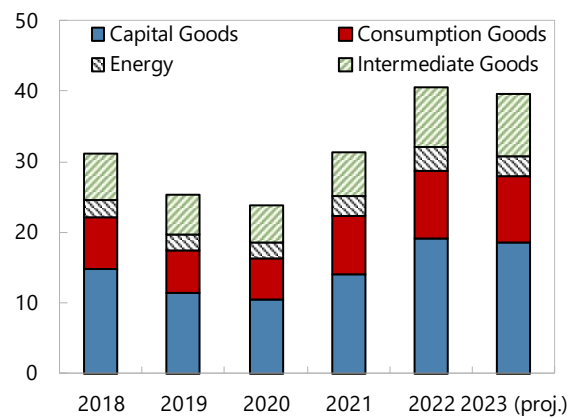
Exports are concentrated in mining products...

Exports of Goods



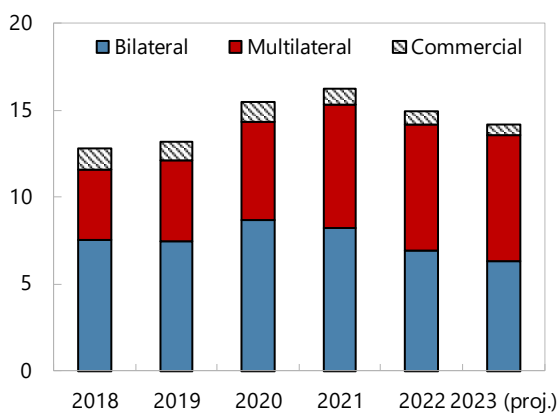
...while broad-based products constitute imports.

Imports of Goods



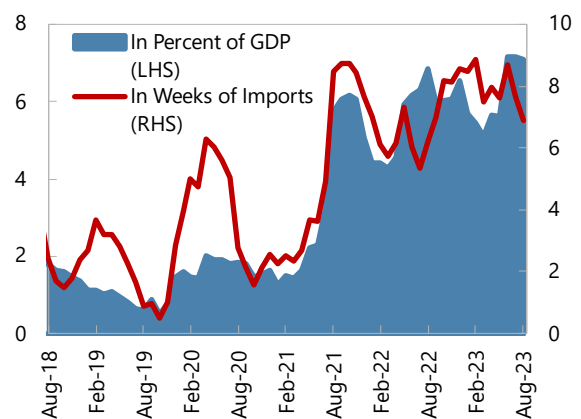
External debt remains subdued...

External Debt



...and reserves have strongly recovered though remain below adequate levels.

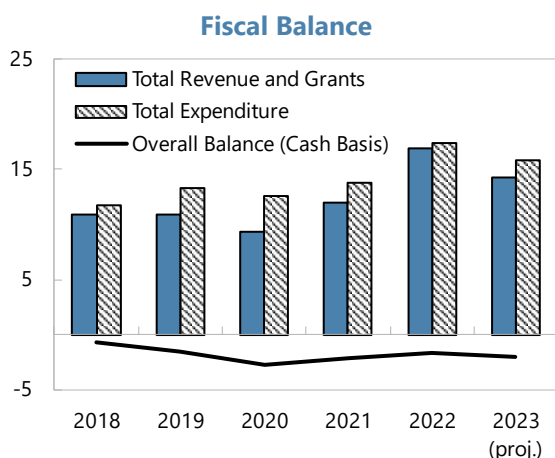
International Reserves



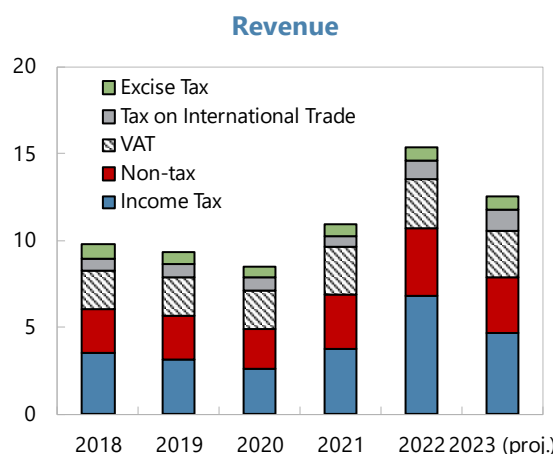
Sources: Congolese authorities and IMF staff estimates.

Figure 3. Fiscal Sector Developments, 2018-23
(Percent of GDP)

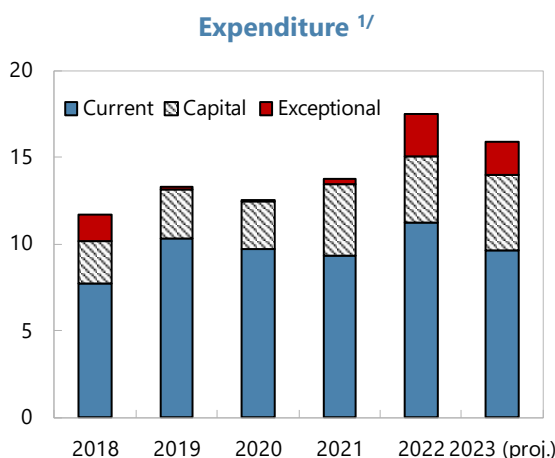
The fiscal deficit has widened...



...as revenues fell from its 2022 highs...

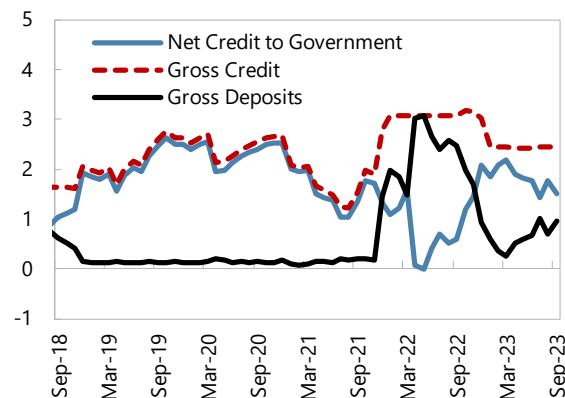


...which was not fully offset by lower spending.

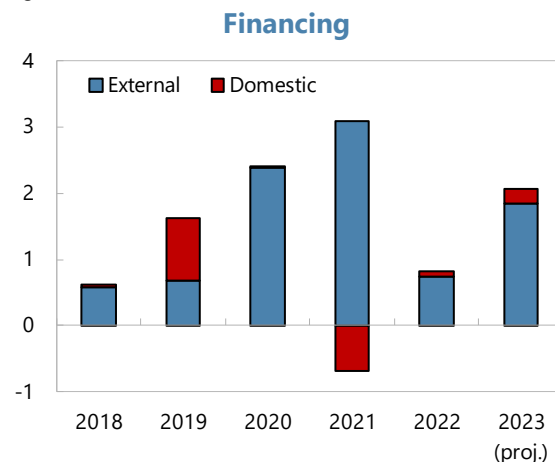


NCG continues to improve following the discontinuation of BCC advances since end-April 2020. 2/

BCC Net Credit to the Government

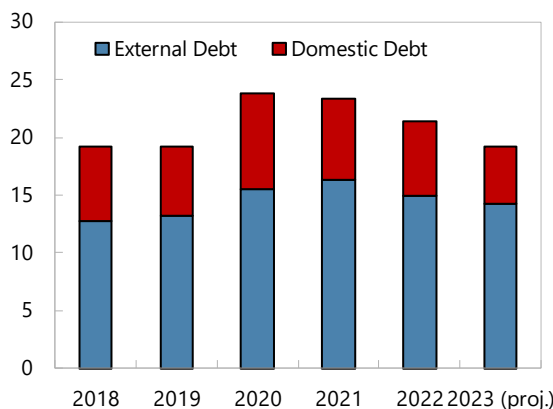


Domestic financing has increased with the higher issuance of government securities ...



...and public debt has remained stable at moderate levels.

Public and Publicly Guaranteed Debt



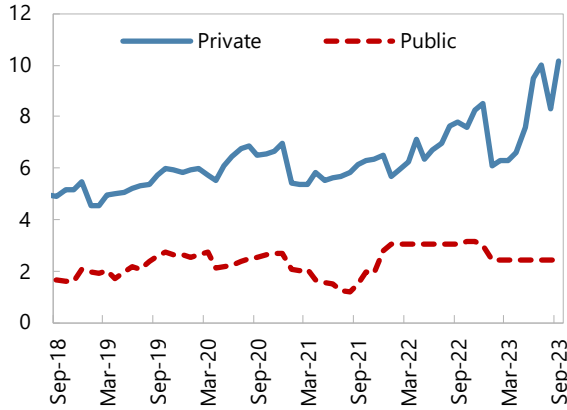
Sources: Congolese authorities; and IMF staff estimates.

1/ Exceptional expenditure includes security, elections, and other exceptional expenditures. 2/ The increase in NCG observed in the late part of 2021 onward is driven by the part of the SDR allocation retroceded to the government as budgetary support.

Figure 4. Monetary and Financial Sector Developments, 2018-23

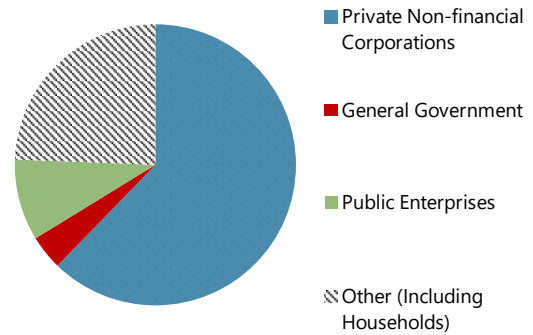
Credit to the economy is increasing, albeit from a low base....

Credit to Private and Public Sector
(Percent of GDP)



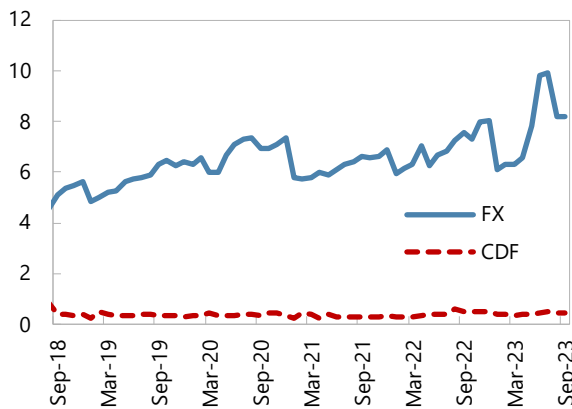
...with most credit allocated to private enterprises.

Bank Credit to the Non-financial Sector
(By sector, in percent of total, as of Sept-23)



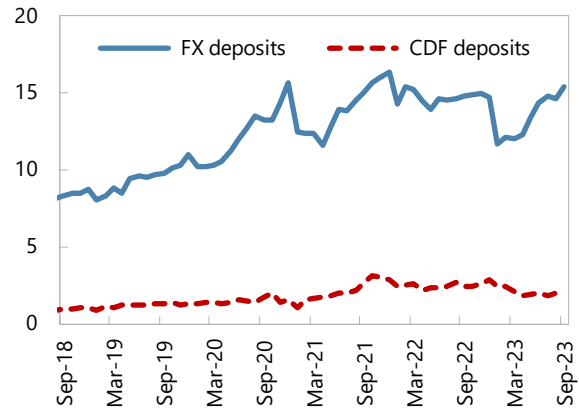
Credit is extended mostly in FX, while credit in Congolese francs remains limited.

Bank Credit to the Non-financial Sector
(By currency, in percent of GDP)



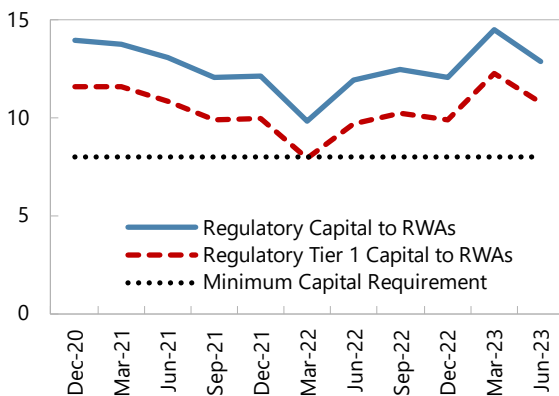
Bank deposits are almost entirely in foreign currency.

Evolution of Private Sector Deposits
(Percent of GDP)



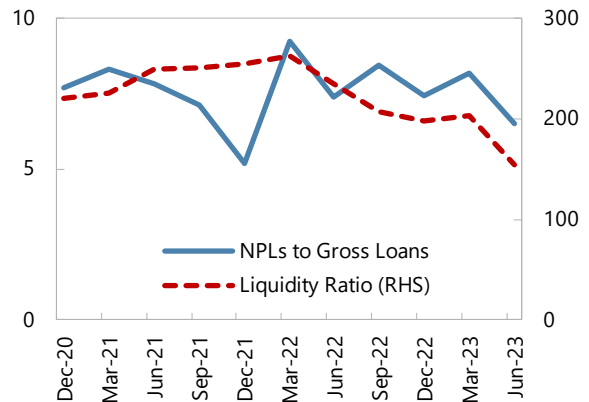
Capital ratios have declined slightly.

Regulatory Capital



After a peak following the reinstatement of credit quality rules, NPLs are declining.

Liquidity and Asset Quality



Sources: Congolese authorities and IMF staff estimates.

Table 1. Democratic Republic of the Congo: Selected Economic and Financial Indicators, 2022-28

	2022		2023		2024		2025	2026	2027	2028
	CR No. 23/244	Prel.	CR No. 23/244	Proj.	CR No. 23/244	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)										
GDP and prices										
Real GDP	8.9	8.8	6.8	6.2	4.7	4.8	5.6	5.2	5.7	4.4
Extractive GDP	22.6	22.2	11.7	9.1	4.3	4.4	6.4	4.8	5.6	1.0
Non-Extractive GDP	3.1	3.1	4.4	4.7	4.9	5.0	5.3	5.4	5.7	6.1
GDP deflator	6.3	5.0	11.4	16.7	6.6	13.0	8.1	6.4	6.2	6.0
Consumer prices, period average	9.3	9.3	14.8	19.4	7.1	14.7	8.5	7.0	7.0	7.0
Consumer prices, end of period	13.1	13.1	11.5	20.8	7.1	11.6	7.0	7.0	7.0	7.0
External sector										
Exports in U.S. dollars, f.o.b. value	27.7	24.9	2.5	3.1	5.4	1.2	5.3	5.3	5.7	1.5
Imports in U.S. dollars, f.o.b. value	46.3	46.3	5.6	0.0	3.8	4.1	5.6	4.4	5.0	4.3
Exports volume	24.5	25.5	11.2	10.6	5.4	3.4	4.2	4.5	5.2	1.3
Import volume	28.9	25.6	4.2	4.8	3.1	1.1	4.8	3.5	4.0	2.8
Terms of trade	-7.7	-10.7	-7.9	-6.7	-0.8	-3.3	0.3	-0.2	-0.6	-1.0
(Annual change in percent of beginning-of-period broad money)										
Money and credit										
Net foreign assets	-7.0	-7.0	22.9	29.8	8.9	10.7	13.2	11.4	10.2	9.1
Net domestic assets	10.4	10.4	-6.0	2.4	4.2	10.0	2.8	2.0	3.6	3.0
Domestic credit	16.8	16.7	12.4	28.5	6.2	12.6	11.0	9.6	9.8	8.1
<i>Of which:</i> net credit to government	0.5	0.5	2.7	1.4	-0.1	1.1	2.2	2.2	2.3	1.5
credit to the private sector	14.9	14.9	8.7	24.7	5.7	10.4	8.0	6.7	6.8	6.0
Broad money	3.4	3.5	16.9	32.3	13.1	20.7	16.0	13.3	13.7	12.0
(Percent of GDP, unless otherwise indicated)										
Central government finance										
Revenue and grants	16.6	16.9	14.8	14.3	16.5	14.9	14.7	14.9	15.1	15.3
Revenue	15.3	15.3	13.7	12.6	15.2	13.2	13.3	13.7	14.1	14.4
Grants	1.3	1.6	1.1	1.7	1.3	1.7	1.3	1.2	1.0	0.9
Expenditures	17.1	17.5	16.1	15.9	17.6	16.3	15.8	15.8	15.8	16.0
Overall fiscal balance (cash basis)	-1.7	-1.7	-2.3	-2.1	-1.6	-2.0	-1.7	-1.4	-1.3	-1.2
Domestic fiscal balance (program target)	-1.2	-1.2	-0.5	-0.8	-0.2	-0.6	-0.4	-0.3	-0.3	-0.1
Non-natural resource overall fiscal balance	-4.0	-3.9	-3.2	-3.9	-3.9	-3.8	-4.0	-4.1	-4.0	0.0
Investment and saving										
Gross national saving	6.2	6.8	4.6	5.1	7.9	6.8	9.3	9.6	9.9	9.4
Government	-1.5	-1.4	-1.5	-1.6	-0.2	-1.8	-1.3	-1.0	-0.6	-0.3
Non-government	7.6	8.3	6.2	6.8	8.1	8.6	10.6	10.6	10.5	9.7
Investment	11.5	11.8	10.1	10.4	11.8	10.8	12.6	12.4	12.3	12.4
Government	3.5	3.8	4.1	4.4	5.8	4.8	4.6	4.6	4.7	5.0
Non-government	8.0	8.0	6.0	6.0	6.0	6.0	8.0	7.8	7.6	7.4
Balance of payments										
Exports of goods and services	43.2	42.1	42.8	42.5	41.1	39.6	37.2	35.5	33.9	31.5
Imports of goods and services	48.2	46.9	48.2	48.0	45.6	45.2	42.6	40.3	38.3	36.5
Current account balance, incl. transfers	-5.3	-5.0	-5.5	-5.3	-3.9	-4.1	-3.2	-2.8	-2.4	-2.9
Current account balance, excl. transfers	-6.2	-6.1	-6.3	-6.1	-5.0	-5.4	-4.6	-4.1	-3.7	-4.2
Overall balance	-1.3	-1.3	-1.5	-1.5	-0.8	-0.9	-0.4	-0.3	-0.2	-0.1
Gross official reserves (millions of U.S. dollars)	4,497	4,563	5,895	5,346	6,356	6,211	6,940	7,796	8,498	9,237
Gross official reserves (weeks of imports)	7.9	8.3	10.0	9.6	10.2	10.4	11.0	11.7	12.3	13.0
External debt										
Total stock, including IMF	15.5	15.0	17.2	17.8	17.2	17.0	16.0	15.1	14.0	13.2
PV of debt (percent of exports of goods and services)	27.2	28.6	29.3	29.3	29.6	30.8	30.3	29.1	27.4	27.6
Scheduled debt service (millions of U.S. dollars)	695	705	696	698	702	718	804	875	1030	1059
Percent of exports of goods and services	2.4	2.5	2.4	2.4	2.3	2.5	2.6	2.7	3.0	3.1
Percent of government revenue	6.9	7.0	7.4	8.3	6.1	7.4	7.3	7.0	7.3	6.7
Exchange rate (CDF per U.S. dollars)										
Period average	2,009.8	2,007.0	...	...	...	...	...	...	...	...
End-of-period	2,046.8	2,016.9	...	...	...	...	...	...	...	...
Memorandum items:										
DRC copper export price (US\$ per ton)	8,354.7	7,980.5	8,528.8	8,247.8	8,502.1	8,038.4	8,105.0	8,165.9	8,200.5	8,207.2
DRC cobalt export price (US\$ per ton)	51,982.5	51,809.9	30,329.3	29,441.9	30,429.2	29,339.7	29,865.6	29,865.6	29,865.6	29,865.6
World crude oil price (US\$ per barrel)	96.4	96.4	73.1	80.5	68.9	79.9	76.0	72.7	69.9	67.5
Nominal GDP (billions of CDF)	132,259	132,352	157,377	164,001	175,652	194,275	221,891	248,232	278,526	308,239

Sources: Congolese authorities and IMF staff estimates and projections.

Table 2. Democratic Republic of the Congo: Balance of Payments, 2022-28
(Millions of US\$, unless otherwise indicated)

	2022		2023		2024		2025	2026	2027	2028
	CR No. 23/244	Prel.	CR No. 23/244	Proj.	CR No. 23/244	Proj.	Proj.	Proj.	Proj.	Proj.
Current Account Balance	-3,495	-3,282	-3,762	-3,546	-2,934	-2,990	-2,669	-2,500	-2,422	-3,202
Current Account Balance (excl. budget grants) [A]	-3,824	-3,619	-3,837	-3,618	-3,023	-3,078	-2,669	-2,500	-2,422	-3,202
Goods balance	1,638	1,014	853	1,873	1,355	1,100	1,083	1,393	1,669	808
Exports of goods	28,336	27,712	29,058	28,562	30,637	28,892	30,428	32,026	33,838	34,351
o/w extractive sector	28,037	27,472	28,737	28,241	30,273	28,503	29,938	31,439	33,131	33,510
Imports of goods	26,698	26,698	28,205	26,689	29,282	27,792	29,345	30,633	32,169	33,543
o/w capital goods	12,590	12,590	13,785	12,518	14,551	12,949	13,829	14,378	15,010	15,476
Services balance	-4,931	-4,156	-4,577	-5,603	-4,787	-5,241	-5,526	-5,793	-6,102	-6,278
Primary income	-2,521	-2,459	-2,792	-2,531	-3,089	-2,537	-2,647	-2,765	-2,898	-2,905
Secondary income (excl. budget support grants)	1,990	1,982	2,679	2,644	3,498	3,599	4,421	4,665	4,909	5,173
Budget grants	329	336	74	72	88	88	0	0	0	0
Capital Account Balance [B]	538	538	501	925	757	1,059	1,031	1,104	1,122	1,188
Net Lending(+)/Borrowing(-) [A+B]	-3,286	-3,080	-3,335	-2,693	-2,265	-2,018	-1,639	-1,396	-1,300	-2,014
Financial Account Balance (excl. IMF and budget loans) [C]	-2,350	-1,992	-2,294	-1,653	-1,628	-1,387	-1,296	-1,090	-1,098	-1,875
Financial Account Balance	-2,876	-2,497	-3,261	-2,621	-2,177	-1,930	-1,639	-1,396	-1,300	-2,014
Portfolio investment	35	35	36	36	40	39	43	48	53	58
Direct investment	-1,409	-1,409	-1,470	-1,208	-1,614	-1,580	-1,860	-1,949	-2,157	-2,355
Direct investment liabilities	1,409	1,409	1,470	1,208	1,614	1,580	1,860	1,949	2,157	2,355
Other investment (excl. IMF and budget support loans)	-2,525	-2,233	-2,259	-1,263	-515	-711	-209	-45	304	-317
of which:										
Project loans	604	615	1,231	860	1,071	1,083	1,017	873	852	1,006
Change in reserves (+: increase)	1,549	1,616	1,398	783	461	865	729	856	702	739
Net Errors and Omissions [D]	81	247	0	0	0	0	0	0	0	0
Overall Balance [A+B-C+D]	-854	-842	-1,041	-1,041	-638	-631	-343	-306	-202	-139
Overall Financing Needs	854	842	1,041	1,041	638	631	343	306	202	139
ECF financing	398	389	378	379	161	155	-157	-194	-298	-361
Disbursements	407	398	409	408	205	204	0	0	0	0
Repayments	9	9	31	29	43	49	157	194	298	361
SDR allocation	0	0	0	0	0	0	0	0	0	0
Other exceptional financing	456	453	664	662	477	477	500	500	500	500
Budget support loans	127	117	589	590	388	388	300	300	300	300
World Bank	127	117								
AfDB	0	0								
Others	0	0								
Budget grants	329	336	74	72	88	88	0	0	0	0
Unidentified exceptional financing	0	0	0	0	0	0	200	200	200	200
Memorandum Items:										
Current account balance (in percent of GDP)	-5.3	-5.0	-5.5	-5.3	-3.9	-4.1	-3.2	-2.8	-2.4	-2.9
Terms of trade (percent change)	-7.7	-10.7	-7.9	-6.7	-0.8	-3.3	0.3	-0.2	-0.6	-1.0
Financial account balance										
(excl. IMF, SDR allocation, and budget loans, in percent of GDP)	-3.6	-3.0	-3.3	-2.5	-2.2	-1.9	-1.6	-1.2	-1.1	-1.7
o/w direct investment liabilities	2.1	2.1	2.1	1.8	2.1	2.2	2.3	4.0	2.1	2.1
Gross reserves	4,496.7	4,563.4	5,894.9	5,346.0	6,356.3	6,210.7	6,940.1	7,796.0	8,498.3	9,237.4
in weeks of non-aid related imports	7.9	8.3	10.0	9.6	10.2	10.4	11.0	11.7	12.3	13.0
Nominal GDP (Million US Dollars)	65,807.5	65,945.1	68,631.8	67,328.1	75,370.0	73,389.4	82,255.4	90,763.8	100,450.2	109,648.3

Sources: Congolese authorities and IMF staff estimates and projections.

Table 3a. Democratic Republic of the Congo: Central Government Operations, 2022-28^{1/}
(Billions of CDF)

	2022		2023		2024		2025	2026	2027	2028
	CR No. 23/244	Prel.	CR No. 23/244	Proj.	CR No. 23/244	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	21,912	22,423	23,361	23,482	29,002	28,980	32,555	37,085	42,006	47,099
Revenue	20,237	20,308	21,635	20,617	26,740	25,602	29,614	34,122	39,216	44,403
Central government revenue (excl. special accounts)	18,928	18,999	20,191	18,542	25,126	22,052	25,945	30,017	34,610	39,306
Tax revenue	15,147	15,147	16,770	15,267	21,264	18,275	21,565	24,436	27,802	31,690
Income tax	9,049	9,049	9,738	7,716	12,684	9,001	10,219	11,359	12,676	13,805
Individuals	1,740	1,740	1,940	2,165	2,768	2,663	3,072	3,471	3,933	4,396
Businesses	6,647	6,647	7,165	5,090	9,058	5,771	6,520	7,210	8,006	8,645
Other unallocable taxes on income, profits, and capital gains	663	663	633	461	858	567	627	678	737	764
Taxes on goods and services	4,628	4,628	5,485	5,548	6,696	6,811	8,532	9,930	11,595	13,783
Value-added tax/Turnover tax	3,679	3,679	4,387	4,372	5,163	5,378	6,880	8,082	9,522	11,374
Excises	949	949	1,099	1,176	1,533	1,433	1,652	1,848	2,073	2,409
Taxes on international trade and transactions	1,469	1,469	1,547	2,003	1,884	2,463	2,813	3,147	3,531	4,103
Non-tax revenue	5,091	5,161	4,866	5,271	5,475	7,327	8,049	9,685	11,414	12,713
Revenue from natural resources and telecommunications	2,496	2,548	2,551	1,550	2,887	1,752	2,067	2,590	2,956	3,267
Mining royalties	1,499	1,499	1,552	1,009	1,772	1,092	1,320	1,678	1,922	2,114
Oil royalty and rent	402	417	338	218	358	268	290	367	415	453
Telecommunications	254	254	319	174	374	209	239	267	300	348
Dividends from state-owned enterprises	341	377	343	148	382	182	219	278	319	351
Fees from sectoral ministries	560	560	550	1,336	618	1,643	1,877	2,488	3,264	3,684
Other	726	745	320	311	357	382	436	502	588	664
Special accounts and budgets	1,309	1,309	1,445	2,075	1,613	3,550	3,669	4,105	4,606	5,097
Grants	1,675	2,115	1,725	2,865	2,263	3,378	2,941	2,964	2,790	2,695
Project	1,015	1,441	1,555	2,691	2,057	3,144	2,941	2,964	2,790	2,695
Budget support	660	675	170	175	206	234	0	0	0	0
Expenditure	22,665	23,113	25,338	26,026	30,891	31,634	35,071	39,129	44,081	49,259
Current expenditure	14,871	14,875	15,798	15,749	19,608	19,971	23,658	26,538	29,630	32,724
Wages	6,578	6,578	7,130	7,130	8,013	8,125	9,116	10,157	11,495	12,732
Interest due	470	474	319	509	401	661	704	834	967	1,092
External	74	78	82	85	122	96	174	248	310	367
Domestic	396	396	237	424	279	566	530	586	657	725
Goods and services	4,159	4,159	3,444	4,128	5,199	4,890	6,937	7,674	8,174	8,682
Subsidies and other current transfers	3,664	3,664	4,905	3,982	5,995	6,295	6,901	7,873	8,994	10,218
Subsidies	2,037	2,037	3,060	1,638	3,903	2,331	2,759	3,205	3,717	4,324
Transfers to other levels of national government	319	319	401	269	479	414	473	564	670	796
Special accounts and budgets	1,309	1,309	1,445	2,075	1,613	3,550	3,669	4,105	4,606	5,097
Capital expenditure	4,605	5,050	6,503	7,240	11,017	9,416	11,081	12,189	13,970	16,008
Foreign-financed	2,229	2,674	4,372	4,786	4,545	6,012	5,684	5,351	5,153	5,523
Domestically-financed	2,376	2,376	2,130	2,455	6,472	3,404	5,397	6,838	8,817	10,485
Exceptional expenditure^{2/}	3,188	3,188	3,037	3,037	265	2,247	332	402	481	527
Elections	798	798	550	1,120	0	200	0	0	0	0
Overall fiscal balance (commitment basis)	-752	-690	-1,977	-2,544	-1,889	-2,654	-2,516	-2,044	-2,075	-2,160
Base domestic fiscal balance	-125	-54	751	-539	515	76	401	591	598	1,034
Change in domestic arrears (repayment = -)	-1,495	-1,495	-1,582	-854	-895	-1,164	-1,305	-1,455	-1,475	-1,496
Domestic fiscal balance (cash basis)	-1,620	-1,549	-831	-1,393	-380	-1,088	-903	-864	-877	-461
Overall fiscal balance (cash basis)	-2,248	-2,186	-3,559	-3,398	-2,784	-3,818	-3,820	-3,499	-3,550	-3,656
Errors and omissions	-77	1,105	0	0	0	0	0	0	0	0
Financing	2,389	1,081	3,609	3,398	2,880	3,818	3,820	3,499	3,550	3,656
Domestic financing (banking system)	919	113	21	364	-21	374	895	1,065	1,238	952
Foreign financing	1,470	968	3,588	3,034	2,901	3,443	2,925	2,434	2,312	2,703
Budget loans (disbursements)	256	235	1,352	1,437	905	1,028	794	794	794	794
Project loans (disbursements)	1,214	1,234	2,817	2,095	2,488	2,868	2,743	2,387	2,363	2,828
Amortization of external debt	0	-500	-580	-498	-492	-452	-612	-747	-845	-918
Other external financing ^{3/}	0	0	0	0	0	0	0	0	0	0
<i>Memorandum items:</i>										
Gross domestic product (billions of CDF)	132,259	132,352	157,377	164,001	175,652	194,275	221,891	248,232	278,526	308,239
Mining revenues	8,894	8,909	10,585	10,265	11,906	12,006	13,380	14,770	16,159	18,280

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

1/ Covers the budgetary central government.

2/ Mainly expenditure related to security and elections.

3/ Includes 50 percent of SDR allocation transferred to the government by end-2021.

Table 3b. Democratic Republic of the Congo: Central Government Operations, 2022-28 ^{1/}
(Percent of GDP)

	2022		2023		2024		2025	2026	2027	2028
	CR No. 23/244	Prel.	CR No. 23/244	Proj.	CR No. 23/244	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	16.6	16.9	14.8	14.3	16.5	14.9	14.7	14.9	15.1	15.3
Revenue	15.3	15.3	13.7	12.6	15.2	13.2	13.3	13.7	14.1	14.4
Central government revenue (excl. special accounts)	14.3	14.4	12.8	11.3	14.3	11.4	11.7	12.1	12.4	12.8
Tax revenue	11.5	11.4	10.7	9.3	12.1	9.4	9.7	9.8	10.0	10.3
Income tax	6.8	6.8	6.2	4.7	7.2	4.6	4.6	4.6	4.6	4.5
Individuals	1.3	1.3	1.2	1.3	1.6	1.4	1.4	1.4	1.4	1.4
Businesses	5.0	5.0	4.6	3.1	5.2	3.0	2.9	2.9	2.9	2.8
Other unallocable taxes on income, profits, and capital gains	0.5	0.5	0.4	0.3	0.5	0.3	0.3	0.3	0.3	0.2
Taxes on goods and services	3.5	3.5	3.5	3.4	3.8	3.5	3.8	4.0	4.2	4.5
Value-added tax/Turnover tax	2.8	2.8	2.8	2.7	2.9	2.8	3.1	3.3	3.4	3.7
Excises	0.7	0.7	0.7	0.7	0.9	0.7	0.7	0.7	0.7	0.8
Taxes on international trade and transactions	1.1	1.1	1.0	1.2	1.1	1.3	1.3	1.3	1.3	1.3
Non-tax revenue	3.8	3.9	3.1	3.2	3.1	3.8	3.6	3.9	4.1	4.1
Revenue from natural resources and telecommunications	1.9	1.9	1.6	0.9	1.6	0.9	0.9	1.0	1.1	1.1
Mining royalties	1.1	1.1	1.0	0.6	1.0	0.6	0.6	0.7	0.7	0.7
Oil royalty and rent	0.3	0.3	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Telecommunications	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Dividends from state-owned enterprises	0.3	0.3	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Fees from sectoral ministries	0.4	0.4	0.3	0.8	0.4	0.8	0.8	1.0	1.2	1.2
Other	0.5	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Special accounts and budgets	1.0	1.0	0.9	1.3	0.9	1.8	1.7	1.7	1.7	1.7
Grants	1.3	1.6	1.1	1.7	1.3	1.7	1.3	1.2	1.0	0.9
Project	0.8	1.1	1.0	1.6	1.2	1.6	1.3	1.2	1.0	0.9
Budget support	0.5	0.5	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Expenditure	17.1	17.5	16.1	15.9	17.6	16.3	15.8	15.8	15.8	16.0
Current expenditure	11.2	11.2	10.0	9.6	11.2	10.3	10.7	10.7	10.6	10.6
Wages	5.0	5.0	4.5	4.3	4.6	4.2	4.1	4.1	4.1	4.1
Interest due	0.4	0.4	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.4
External	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Domestic	0.3	0.3	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.2
Goods and services	3.1	3.1	2.2	2.5	3.0	2.5	3.1	3.1	2.9	2.8
Subsidies and other current transfers	2.8	2.8	3.1	2.4	3.4	3.2	3.1	3.2	3.2	3.3
Subsidies	1.5	1.5	1.9	1.0	2.2	1.2	1.2	1.3	1.3	1.4
Transfers to other levels of national government	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.3
Special accounts and budgets	1.0	1.0	0.9	1.3	0.9	1.8	1.7	1.7	1.7	1.7
Capital expenditure	3.5	3.8	4.1	4.4	6.3	4.8	5.0	4.9	5.0	5.2
Foreign-financed	1.7	2.0	2.8	2.9	2.6	3.1	2.6	2.2	1.9	1.8
Domestically-financed	1.8	1.8	1.4	1.5	3.7	1.8	2.4	2.8	3.2	3.4
Exceptional expenditure ^{2/}	2.4	2.4	1.9	1.9	0.2	1.2	0.1	0.2	0.2	0.2
Elections	0.6	0.6	0.3	0.7	0.0	0.1	0.0	0.0	0.0	0.0
Overall fiscal balance (commitment basis)	-0.6	-0.5	-1.3	-1.6	-1.1	-1.4	-1.1	-0.8	-0.7	-0.7
Base domestic fiscal balance	-0.1	0.0	0.5	-0.3	0.3	0.0	0.2	0.2	0.2	0.4
Change in domestic arrears (repayment = -)	-1.1	-1.1	-1.0	-0.5	-0.5	-0.6	-0.6	-0.6	-0.5	-0.5
Domestic fiscal balance (cash basis)	-1.2	-1.2	-0.5	-0.8	-0.2	-0.6	-0.4	-0.3	-0.3	-0.1
Overall fiscal balance (cash basis)	-1.7	-1.7	-2.3	-2.1	-1.6	-2.0	-1.7	-1.4	-1.3	-1.2
Errors and omissions	-0.1	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing	1.8	0.8	2.3	2.1	1.6	2.0	1.7	1.4	1.3	1.2
Domestic financing (banking system)	0.7	0.1	0.0	0.2	0.0	0.2	0.4	0.4	0.4	0.3
Foreign financing	1.1	0.7	2.3	1.9	1.7	1.8	1.3	1.0	0.8	0.9
Budget loans (disbursements)	0.2	0.2	0.9	0.9	0.5	0.5	0.4	0.3	0.3	0.3
Project loans (disbursements)	0.9	0.9	1.8	1.3	1.4	1.5	1.2	1.0	0.8	0.9
Amortization of external debt	0.0	-0.4	-0.4	-0.3	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3
Other external financing ^{3/}	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>										
Gross domestic product (billions of CDF)	132,259	132,352	157,377	164,001	175,652	194,275	221,891	248,232	278,526	308,239
Mining revenues	6.7	6.7	6.7	6.3	6.8	6.2	6.0	5.9	5.8	5.9

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

1/ Covers the budgetary central government.

2/ Mainly expenditure related to security and elections.

3/ Includes 50 percent of SDR allocation transferred to the government by end-2021.

Table 4. Democratic Republic of the Congo: Depository Corporations Survey, 2022-28
 (Billions of CDF, unless otherwise indicated)

	2022		2023		2024		2025	2026	2027	2028
	CR No. 23/244	Prel.	CR No. 23/244	Proj.	CR No. 23/244	Proj.	Proj.	Proj.	Proj.	Proj.
Depository corporations survey:										
Net foreign assets	15,737	15,737	21,645	23,446	24,333	27,097	32,518	37,954	43,460	49,040
Claims on non-residents	22,220	22,220	30,462	32,784	34,674	38,160	43,880	49,545	55,038	60,354
Liabilities to non-residents	6,483	6,483	8,817	9,338	10,340	11,063	11,362	11,591	11,578	11,314
Net domestic assets	10,076	10,090	8,535	10,714	9,814	14,129	15,286	16,226	18,157	19,978
Domestic credit	13,960	13,935	17,156	21,285	19,040	25,590	30,128	34,711	40,036	45,042
Net credit to the central government	1,455	1,448	2,144	1,812	2,123	2,186	3,081	4,146	5,383	6,336
Credit to other sectors	12,502	12,484	15,013	19,473	16,917	23,404	27,047	30,565	34,653	38,706
Credit to the private sector	11,294	11,276	13,552	17,652	15,271	21,214	24,514	27,701	31,405	35,077
Other items, net	-3,881	-3,842	-8,621	-10,571	-9,226	-11,461	-14,842	-18,484	-21,879	-25,064
Broad Money (M2)	25,813	25,827	30,181	34,159	34,147	41,226	47,804	54,181	61,618	69,017
Narrow Money (M1)	6,468	6,470	7,489	6,720	9,015	9,847	11,875	13,955	16,437	18,554
Currency in circulation	3,542	3,543	4,407	4,009	5,086	4,994	5,872	6,779	7,854	8,943
Demand deposits	2,925	2,927	3,083	2,711	3,930	4,853	5,937	7,082	8,451	9,439
Quasi money	19,346	19,358	22,692	27,440	25,132	31,379	35,929	40,226	45,181	50,463
Time deposits in domestic currency	732	733	793	730	1,011	1,307	1,599	1,907	2,275	2,541
Foreign currency deposits	18,613	18,625	21,899	26,710	24,121	30,073	34,331	38,319	42,906	47,922
Banque centrale du Congo:										
Net foreign assets	4,524	4,524	7,453	7,388	8,349	9,162	11,404	14,072	16,663	19,524
Claims on non-residents	9,636	9,636	14,580	14,815	16,888	18,204	20,463	23,087	25,351	27,654
Gross official reserves	9,204	9,204	14,255	14,722	14,928	16,597	18,856	21,480	23,744	26,047
Liabilities to non-residents	-5,112	-5,112	-7,128	-7,427	-8,539	-9,042	-9,059	-9,015	-8,687	-8,131
Net domestic assets	2,931	2,931	1,676	1,449	1,891	1,495	1,179	572	225	-283
Domestic credit	3,714	3,703	3,759	4,146	2,721	4,399	4,256	4,261	4,265	4,270
Net credit to the central government	2,777	2,770	3,010	2,893	2,210	3,418	3,546	3,546	3,546	3,546
Claims on other depository corporations	832	847	618	1,121	377	846	571	571	571	571
Other items, net	-782	-772	-2,084	-2,696	-830	-2,905	-3,077	-3,688	-4,041	-4,552
Monetary base (broad definition)	7,455	7,455	9,128	8,838	10,240	10,657	12,583	14,644	16,888	19,241
Other depository corporations:										
Net foreign assets	11,213	11,213	14,193	16,057	15,984	17,935	21,114	23,882	26,797	29,516
Net domestic assets	11,290	10,937	11,862	13,803	13,232	18,007	20,463	23,135	26,545	30,096
Claims on the central bank	4,234	4,234	4,614	4,574	5,564	6,020	7,003	8,128	9,259	10,483
Net credit to the central government	-1,323	-1,323	-866	-1,082	-88	-1,232	-465	600	1,837	2,790
Credit to local administrations	211	211	255	446	287	537	621	702	796	890
Credit to public enterprises	997	997	1,205	1,374	1,359	1,653	1,912	2,162	2,452	2,739
Credit to private sector	11,190	11,190	13,422	17,521	15,136	21,079	24,375	27,558	31,257	34,925
Other items, net	-4,020	-4,020	-6,767	-9,031	-9,027	-10,049	-12,982	-16,013	-19,056	-21,730
(Annual percent change)										
Net foreign assets	-9.9	-9.9	37.5	49.0	12.4	15.6	20.0	16.7	14.5	12.8
Net domestic assets	34.7	34.9	-15.3	6.2	15.0	31.9	8.2	6.2	11.9	10.0
Domestic credit	53.5	53.3	18.0	46.6	6.1	19.9	14.1	11.5	12.0	10.6
Net credit to government	9.0	8.5	47.3	25.1	-1.0	20.7	40.9	34.6	29.9	17.7
Credit to the private sector ^{1/}	49.3	49.1	20.0	56.5	12.7	20.2	15.6	13.0	13.4	11.7
Broad Money (M2)	3.4	3.5	16.9	32.3	13.1	20.7	16.0	13.3	13.7	12.0
<i>Memorandum items:</i>										
Nominal GDP (billions of CDF)	132,259	132,352	157,377	164,001	175,652	194,275	221,891	248,232	278,526	308,239
Credit to the private sector (percent of GDP)	8.5%	8.5%	8.6%	10.8%	8.7%	10.9%	11.0%	11.2%	11.3%	8.0%
Velocity (GDP/broad money)	5.1	5.1	5.2	4.8	5.1	4.7	4.6	4.6	4.5	4.5
Foreign currency deposits (percent of M2)	72.1	72.1	72.6	78.2	70.6	72.9	71.8	70.7	69.6	69.4
Foreign currency deposits (percent of total deposits)	83.6	83.6	85.0	88.6	83.0	83.0	82.0	81.0	80.0	80.0

Sources: Congolese authorities and IMF staff estimates and projections.

1/ The increase in credit growth largely reflects loan revaluations due to exchange rate depreciation (private sector credit growth in dollar terms is projected at 21.3 percent y-o-y for 2023).

Table 5. Democratic Republic of the Congo: Financial Soundness Indicators, 2020-23

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Capital Adequacy											
Regulatory capital to risk-weighted assets	14.0	13.8	13.1	12.1	12.1	9.9	11.9	12.5	12.1	14.5	12.9
Tier 1 capital to risk-weighted assets	11.6	11.6	10.9	9.9	10.0	7.9	9.7	10.2	9.9	12.3	10.8
Common Equity Tier 1 capital to risk-weighted assets	11.2	11.1	10.4	9.5	9.5	7.5	9.3	9.8	9.5	11.9	10.5
Tier 1 capital to assets	6.1	5.9	5.6	5.1	4.9	4.4	5.1	5.5	5.5	7.0	6.4
Asset quality											
NPLs to total gross loans	7.7	8.3	7.8	7.1	5.2	9.2	7.4	8.4	7.4	8.2	6.5
NPLs net of provisions to capital	15.5	16.7	16.4	15.1	10.0	24.0	10.9	20.5	18.9	17.6	18.8
Provisions to nonperforming loans	61.4	60.6	58.1	60.2	67.7	58.3	74.2	57.9	58.0	55.1	54.0
Loan concentration by economic activity	51.4	50.1	52.5	54.3	46.9	49.7	50.6	53.8	49.3	44.3	52.2
Earnings and profitability											
Return on assets (net income/total assets)	0.3	1.4	1.4	1.2	1.1	1.4	1.7	1.9	2.2	3.8	3.5
Return on equity (net income/equity)	2.1	16.1	17.2	15.3	15.7	18.2	19.5	23.1	24.7	35.3	35.9
Interest margin to gross income	32.3	30.4	28.1	30.3	28.9	29.5	30.3	29.8	30.8	36.4	37.4
Noninterest expenses to gross income	75.1	67.6	66.2	66.2	66.8	62.0	62.8	59.6	58.1	47.2	49.4
Liquidity											
Liquid assets to total assets	14.6	14.7	13.0	15.4	16.7	15.0	18.4	17.5	21.1	22.5	19.1
Liquid assets to short-term liabilities	42.8	46.5	40.6	46.1	45.0	42.6	53.2	54.8	64.4	69.1	61.9
Customer deposits to total (noninterbank) loans	220.5	224.9	249.7	250.0	254.7	262.5	234.1	207.0	197.9	202.6	154.1
Sensitivity to market risk											
Net open position in foreign exchange to capital	25.2	16.0	12.4	10.9	5.4	53.9	-5.4	13.1	16.2	-0.4	2.4
Foreign currency-denominated liabilities to total liabilities	89.8	87.8	86.7	85.0	85.0	84.1	85.8	85.1	82.8	83.1	86.5
Foreign currency-denominated loans to total loans	90.2	87.7	89.8	88.9	83.6	88.3	87.6	86.6	87.0	86.1	89.0

Source: Banque centrale du Congo and IMF-STA FSI database.

Table 6. Democratic Republic of the Congo: Capacity to Repay the Fund, 2022-34

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total obligations on existing and prospective credit													
Total obligations (In millions of SDRs)	6.6	21.9	36.8	116.7	143.4	219.6	265.3	341.4	276.7	250.0	189.1	112.9	52.0
Principal	0.0	0.0	0.0	79.9	106.6	182.7	228.4	304.6	239.9	213.2	152.3	76.1	15.2
Charges and interest 1/	6.6	21.9	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8
Total obligations (In millions of U.S. dollars)	8.7	29.3	49.4	157.4	194.1	297.7	360.9	464.9	376.7	340.5	257.5	153.8	70.9
In percent of exports of goods and services	0.0	0.1	0.2	0.5	0.6	0.9	1.0	1.3	1.0	0.9	0.6	0.4	0.2
In percent of GDP	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.4	0.3	0.2	0.2	0.1	0.0
In percent of quota	0.6	2.1	3.5	11.0	13.5	20.6	24.9	32.0	26.0	23.5	17.7	10.6	4.9
In percent of total external debt service	1.2	4.2	6.9	19.6	22.2	28.9	34.1	38.6	29.8	27.2	23.0	15.1	7.1
In percent of gross international reserves	0.2	0.5	0.8	2.3	2.5	3.5	3.9	4.8	3.6	3.2	2.3	1.3	0.6
Fund credit outstanding (end-period)													
In millions of SDRs	1,142.2	1,446.8	1,599.0	1,519.1	1,412.5	1,229.7	1,001.3	696.7	456.8	243.6	91.3	15.2	0.0
In millions of U.S. dollars	1,517.8	1,935.5	2,148.5	2,052.1	1,912.2	1,669.6	1,363.8	949.0	622.3	331.9	124.4	20.7	0.0
In percent of exports of goods and services	5.5	6.8	7.4	6.7	5.9	4.9	4.0	2.7	1.7	0.8	0.3	0.0	0.0
In percent of GDP	2.3	2.9	2.9	2.5	2.1	1.7	1.2	0.8	0.5	0.2	0.1	0.0	0.0
In percent of quota	107.1	135.7	150.0	142.5	132.5	115.4	93.9	65.4	42.9	22.9	8.6	1.4	0.0
In percent of total external debt	15.4	17.3	17.4	15.7	14.1	12.0	9.5	6.4	4.1	2.1	0.8	0.1	0.0
In percent of gross international reserves	33.3	36.2	34.6	29.6	24.5	19.6	14.8	9.9	6.0	3.1	1.1	0.2	0.0
Memorandum items													
Exports of goods and services (in millions of U.S. dollars)	27,782	28,612	29,037	30,580	32,186	34,007	34,522	35,267	36,129	39,544	40,541	41,764	44,017
Quota (in millions of SDRs)	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066
GDP (in millions of U.S. dollars)	65,945	67,328	73,389	82,255	90,764	100,450	109,648	119,412	130,299	144,621	158,629	174,608	193,616
Public sector external debt service (in millions of U.S. dollars)	705	698	718	804	875	1,030	1,059	1,205	1,265	1,252	1,122	1,017	994
Public sector external debt (end-period, in millions of U.S. dollars)	9,844	11,190	12,352	13,073	13,595	13,943	14,424	14,940	15,201	15,509	16,000	16,634	17,350
Gross international reserves (in millions of U.S. dollars)	4,563	5,346	6,211	6,940	7,796	8,498	9,237	9,614	10,440	10,803	11,229	11,889	12,191

Source: IMF staff estimates and projections.

1/ Obligations to the Fund in 2020 reflect the relief grant under the CCRT.

Table 7. Democratic Republic of the Congo: Decomposition of Public Debt and Debt Service by Creditor, 2022-24¹

	Debt Stock			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(in M US\$)	(Percent total debt)	(Percent GDP)	(in M US\$)			(Percent GDP)		
Total	13,847.7	100.0	21.0	1,789.4	1,464.4	1,290.1	2.7	2.2	1.8
External	9,844.0	71.1	14.9	705.5	698.1	711.4	1.1	1.0	1.0
Multilateral creditors	4,749.2	34.3	7.2	180.0	168.0	152.3	0.3	0.2	0.2
IMF ²	2,232.8	16.1	3.4	8.7	29.3	49.4	0.0	0.0	0.1
World Bank	2,124.8	15.3	3.2	61.9	72.8	82.9	0.1	0.1	0.1
AfDB	246.3	1.8	0.4	95.5	51.6	5.0	0.1	0.1	0.0
Other Multilaterals	145.4	1.0	0.2	-	-	-	-	-	-
o/w: European Investment Bank	52.4	0.4	0.1	9.4	9.6	9.3	0.0	0.0	0.0
Arab Bank for Economic Development in Africa	40.9	0.3	0.1	0.9	0.6	0.7	0.0	0.0	0.0
Bilateral creditors	4,587.1	33.1	7.0	496.0	449.3	462.6	0.8	0.7	0.6
Paris Club	107.4	0.8	0.2	21.3	20.2	7.9	0.0	0.0	0.0
o/w: France	43.6	0.3	0.1	21.3	20.2	7.9	0.0	0.0	0.0
Exim Bank of Korea	63.8	0.5	0.1	0.0	0.0	-	0.0	0.0	-
Non-Paris Club	4,479.8	32.4	6.8	474.7	429.1	454.7	0.7	0.6	0.6
o/w: Exim Bank of China	4,007.6	28.9	6.1	438.2	395.8	410.5	0.7	0.6	0.6
Exim Bank of India	152.2	1.1	0.2	19.9	20.7	20.3	0.0	0.0	0.0
Bonds	...	...	...	...	...	...	...	...	...
Commercial creditors	507.7	3.7	0.8	29.5	80.8	96.4	0.0	0.1	0.1
o/w: FG Hemisphere	93.2	0.7	0.1	-	-	11.6	-	-	0.0
Financial Investment Holding	31.3	0.2	0.0	7.3	7.2	7.2	0.0	0.0	0.0
Domestic	4,003.7	28.9	6.1	1,083.9	766.3	578.7	1.6	1.1	0.8
T-Bills	91.8	0.7	0.1	192.8	96.4	-	0.3	0.1	0.0
T-Bonds	292.7	2.1	0.4	-	211.2	119.3	0.0	0.3	0.2
Loans	130.2	0.9	0.2	146.0	107.7	19.4	0.2	0.2	0.0
Arrears	3,489.0	25.2	5.3	745.0	351.0	440.0	1.1	0.5	0.6
Memo items:									
Collateralized debt	3,275.4	23.7	5.0						
Contingent liabilities	3,631.1	26.2	5.5						
o/w: Public guarantees	298.7	2.2	0.5						
o/w: Other explicit contingent liabilities	3,332.4	24.1	5.1						
Nominal GDP (in M USD)	65,945.1	...	...	65,945.1	67,328.1	73,389.4	...	...	...

Sources: Congolese authorities and IMF staff estimates.

1/ As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA. Percent of GDP figures are computed using GDP in M US\$ converted from CDF using average exchange rate, which could lead to discrepancies with the DSA.

2/ Including the part of the SDR allocation retroceded to the government as budgetary support.

Table 8. Democratic Republic of the Congo: External Financing Requirements and Sources, 2022-28

(Millions of US\$, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028
Gross Financing Requirements	4,149	4,115	3,563	3,238	3,125	3,193	3,994
Current account deficit excl. grants	3,619	3,618	3,078	2,669	2,500	2,422	3,202
Public sector loan amortization	530	497	485	569	625	771	792
<i>of which: IMF</i>	0	0	0	108	144	248	311
Identified Financing Sources	3,298	3,045	2,882	2,738	2,625	2,693	3,494
Capital account balance	538	925	1,059	1,031	1,104	1,122	1,188
Net foreign direct investment	1,409	1,208	1,580	1,860	1,949	2,157	2,355
Portfolio inflows	-35	-36	-39	-43	-48	-53	-58
Project loan disbursements	615	860	1,083	1,017	873	852	1,006
Other capital flows (net)	2,139	870	63	-396	-398	-683	-258
Change in reserves (+ increase)	-1,616	-783	-865	-729	-856	-702	-739
Net Errors and Omission	247	0	0	0	0	0	0
Financing Gap	851	1,070	680	500	500	500	500
Prospective Financing	851	1,070	680	500	500	500	500
ECF disbursements	398	408	204	0	0	0	0
World Bank	453	662	405	274	274	274	274
African Development Bank (AfDB)	0	0	71	0	0	0	0
Other multilateral and bilateral	0	0	0	26.4	26.4	26.4	26.4

Sources: Congolese authorities and IMF staff projections.

Table 9. Democratic Republic of the Congo: External Borrowing Program, 2023-24

PPG external debt	Volume of new debt in 2023		PV of new debt in 2023 (program purposes)		Volume of new debt in 2024		PV of new debt in 2024 (program purposes)	
	US\$ million	Percent	US\$ million	Percent	US\$ million	Percent	US\$ million	Percent
By sources of debt financing	3304.3	100	1686.8	100	2572.5	100	1887.9	100
Concessional debt, of which	2484.4	75	927.9	55	1050.0	41	476.0	25
Multilateral debt	2484.4	75	927.9	55	950.0	37	444.0	24
Bilateral debt	0.0	0	0.0	0	100.0	4	32.0	2
Other	0.0	0	0.0	0	0.0	0	0.0	0
Non-concessional debt, of which	819.9	25	758.9	45	1522.5	59	1411.9	75
Semi-concessional	219.9	7	158.9	9	380.7	15	270.1	14
Commercial terms	600.0	18	600.0	36	1141.7	44	1141.7	60
By Creditor Type	3304.3	100	1686.8	100	2572.5	100	1887.9	100
Multilateral	2579.4	78	1001.1	59	950.0	37	444.0	24
Bilateral - Paris Club	84.9	3	57.7	3	100.0	4	32.0	2
Bilateral - Non-Paris Club	190.0	6	178.0	11	380.7	15	270.1	14
Other	450.0	14	450.0	27	1141.7	44	1141.7	60
Uses of debt financing	3304.3	100	1686.8	100	2572.5	100	1887.9	100
Infrastructure	2804.3	85	1553.5	92	2322.5	90	1771.0	94
Social Spending	0.0	0	0.0	0	0.0	0	0.0	0
Budget Financing	500.0	15	133.3	8	250.0	10	116.8	6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Congolese authorities and IMF staff estimates.

Table 10. Democratic Republic of the Congo: Reviews and Disbursements Under the Extended Credit Facility Arrangement

Availability Date	Action	Associated Disbursement	Share of Quota (In percent)
On July 15, 2021	Approved three-year ECF arrangement	SDR 152.3 million	14.3
On or after September 15, 2021	Completed the first review based on end-June, 2021 performance criteria	SDR 152.3 million	14.3
On or after March 15, 2022	Completed the second review based on end-December, 2021 performance criteria	SDR 152.3 million	14.3
On or after September 15, 2022	Completed the third review based on end-June, 2022 performance criteria	SDR 152.3 million	14.3
On or after March 15, 2023	Completed the fourth review based on end-December, 2022 performance criteria	SDR 152.3 million	14.3
On or after September 15, 2023	Completed the fifth review based on end-June, 2023 performance criteria	SDR 152.3 million	14.3
On or after March 15, 2024	Completed the sixth and final review based on end-December, 2023 performance criteria	SDR 152.2 million	14.3
Total		SDR 1,066.0 million	100.0

Source: International Monetary Fund.

Annex I. Risk Assessment Matrix¹

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
Potential External Risks – Conjunctural shocks			
<p>Abrupt growth slowdown in China. Greater-than-expected economic disruptions from COVID resurgence, rising geopolitical tensions, and/or a sharper-than-expected slowdown in the property sector disrupt economic activity.</p>	<p>Medium</p>	<p style="text-align: center;">High</p> <p>Lower exports and fiscal revenues would generate BOP and budget financing needs.</p> <p>Lower commodity prices could reduce investment in the extractive sector and dampen DRC's growth prospects.</p> <p>Lower fiscal revenues would put at risk priority spending and exacerbate poverty and inequality, derail government's investment plans and lower growth prospects.</p>	<ul style="list-style-type: none"> - Maintain prudent macro policies to foster macro stability. - Allow the exchange rate to act as a shock absorber and use external buffers to prevent disorderly depreciation that could negatively impact financial stability. - Step up revenue mobilization efforts, limit nonpriority spending to create space for fiscal policy support. - Mobilize external financing support. - Promote economic diversification in exported goods as well as exports' markets destinations.
<p>Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.</p>	<p>High</p>	<p style="text-align: center;">High</p> <p>Supply disruptions and sharper-than-anticipated increases in international energy prices raise the costs of energy imports and other imported goods</p>	<ul style="list-style-type: none"> - Develop a contingency plan that would lower the impact of a delayed economic recovery.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	Medium	High Higher volatility in commodity prices will challenge sustainable macro policies and put pressure on the domestic currency, reserves, and fiscal revenues.	<ul style="list-style-type: none"> - Accumulate international reserve buffers. - Diversify the structure of the economy and export sources. - Increase participation in regional trade area agreements (EAC and AFCFTA). - Use exchange rate flexibility as a shock absorber but intervene to prevent disorderly currency movements
DRC-Specific Risks			
Escalated armed conflicts in the East	High	High Economic activity would be hurt though mostly in areas not well integrated with the rest of the country. Increase fiscal and external imbalances.	<ul style="list-style-type: none"> - Make room for a budgetary contingency for national security emergency. - Provide humanitarian assistance to people hit by the conflict
Political instability and widespread social discontent ahead of the Presidential elections.	Medium	High Policymaking and macro stability could be undermined as well as the ability to advance with ambitious and much needed structural reforms. Social tensions could undermine the ability to advance with ambitious and much needed structural reforms. They could also threaten (limited) external financing flows from international financial institutions.	<ul style="list-style-type: none"> - Maintain commitment and ownership of reforms to build strong institutions; step up governance reforms. - Anchor inflationary expectations by tightening monetary policy. - Increase spending on social protection to the poorest segments. - Identify external financing sources, while remaining prudent on sovereign indebtedness.
Extreme climate events. Extreme climate events cause more severe than expected damage to infrastructure (especially in smaller vulnerable economies) and loss of human lives and livelihoods, amplifying supply chain disruptions and causing water and food shortages, and reducing growth.	Medium	Medium Risks related to floods and landslides natural disasters could trigger further public expenditures and alter the planned reduction of public debt.	<ul style="list-style-type: none"> - Prioritize projects related to climate change - Build infrastructure resilient to natural disaster.

Annex II. External Sector Assessment

Overall Assessment: The external position of the DRC in 2022 was weaker than the level implied by fundamentals and desirable policies. In addition, the level of reserves remained low at 8.3 weeks of imports at end-2022. Falling cobalt and to a smaller extent copper prices are expected to exert further pressure on the external position. Over the medium term, reserves are expected to grow at a slower pace, reaching 3 months of imports only in 2028. The inadequate level of foreign exchange reserves, reflecting protracted balance of payments needs, remains a key challenge for external sustainability.

Potential Policy Responses: Reserve accumulation is a key objective of the ECF arrangement. Fiscal and structural reforms are projected to help raise sustainable growth, improve the business and institutional environments, and contribute to unshackling investment, both domestically- and externally financed. Governance reforms will help catalyze further concessional lending and grants, which would reduce the pressure on FX reserves and support external sustainability.

Foreign Assets and Liabilities: Position and Trajectory

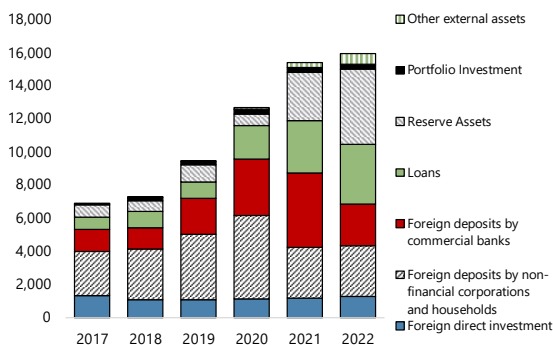
Background. The latest data on the net international investment position (NIIP, 2022) shows a broadly stable net debtor position (-42 percent of GDP) with assets and liabilities accounting for 24 and 66 percent of GDP, respectively. The bulk of assets are international reserves (24 percent of foreign assets) and deposits abroad by commercial banks, non-financial corporations, and households (39 percent of foreign assets). In 2019, close to three quarters of liabilities were foreign direct investments— notably in the mining sector, and the remaining quarter were mainly loans to the public and private sectors. Deposits abroad have been sharply decreasing since 2020, from US\$8.6 billion to US\$6.2 billion, but remain elevated given the slow development of domestic investment opportunities. In 2022, FDI accounted for 72 percent of external liabilities, while the general government’s external debt (entirely long-term) accounted for 13 percent, and private external debt (nearly entirely long-term) for 7.2 percent.

Assessment. The net debtor position of the NIIP does not imply substantial risks to external sustainability. The net debtor position of the NIIP reflects protracted BOP needs and sustained development needs. Moreover, the asset and liability structure is favorable, as external assets are primarily in the form of deposits and reserves, and external liabilities in the form of FDI.

Foreign Assets and Liabilities

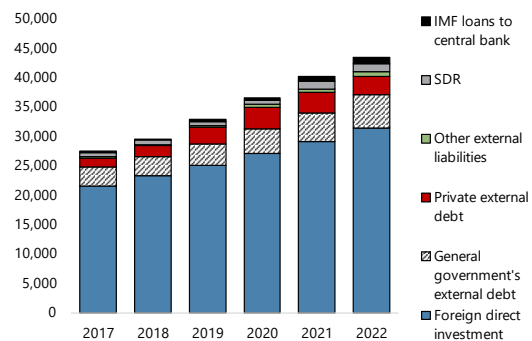
Deposits abroad account for the bulk of external assets.

External Assets
(US\$ million)

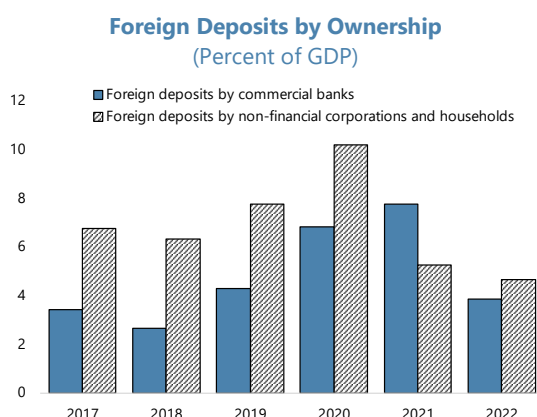


FDI accounts for the bulk of external liabilities.

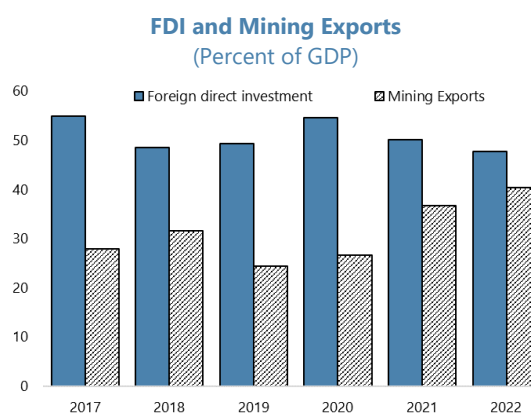
External Liabilities
(US\$ million)



Deposits abroad have been increasing.



FDI liabilities remained high as mining exports grew.



Note: FDI stocks after 2019 are computed using BOP flows.

Sources: Congolese authorities and IMF staff estimates and projections.

2022 (% GDP)	NIIP: -42	Gross Assets: 24	Debt Assets: 5	Gross Liab.: 66	Debt Liab.: 15
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Current Account

Background. The current account deficit had dipped below its 2017-2021 average (2.6 percent of GDP) in 2021, to 1 percent of GDP in 2021 thanks to a surge in copper and cobalt prices (respectively accounting for 70 and 21 percent of total goods exports). However, the current account deteriorated in 2022 to a 5 percent-of-GDP deficit in 2022, as nominal imports surged in 2022 and terms-of-trade deteriorated following the war in Ukraine. The bulk of imports are in capital goods (48 percent of goods imports) – mainly in the mining sector, and consumption goods (24 percent of goods imports) – mainly food products. Preliminary data for 2023 suggest that the current account deficit remained elevated in the first half of the year (at 5.7 percent of GDP) as import growth remained high. In 2023H2 and 2024, the current account deficit is set to decrease thanks to a slowdown in capital goods import, as high imports in 2022 and 2023H1 partly reflected investments from mining companies on the opening of new mines. The current account deficit is expected to below 3 percent of GDP in the medium-term.

Assessment. The current account position is weaker than the level implied by fundamentals and desirable policies. The EBA-lite Current Account (CA) model derives and compares the cyclically adjusted current account to a cyclically adjusted current account norm. Cyclical adjustment involves stripping off the effects of cyclical components, natural disasters, and conflict factors. The current account norm is obtained as the difference between the fitted value of a

regression equation capturing the macroeconomic fundamentals behind current account dynamics, and a policy gap. Given an actual current account balance of -5 percent of GDP in 2022, strong growth

Democratic Republic of the Congo: EBA-lite Model Results, 2022 (Percent of GDP)

	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
CA-Actual	-5.0	
Cyclical contributions (from model) (-)	1.1	
Additional temporary/statistical factors (-) 2/	0.0	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	-6.1	
CA Norm (from model) 3/	-3.7	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	-3.7	
CA Gap	-2.4	2.3
o/w Relative policy gap	2.3	
Elasticity	-0.3	
REER Gap (in percent)	9.5	-9.0

1// Based on the EBA-lite 3.0 methodology.

2/ No additional adjustment.

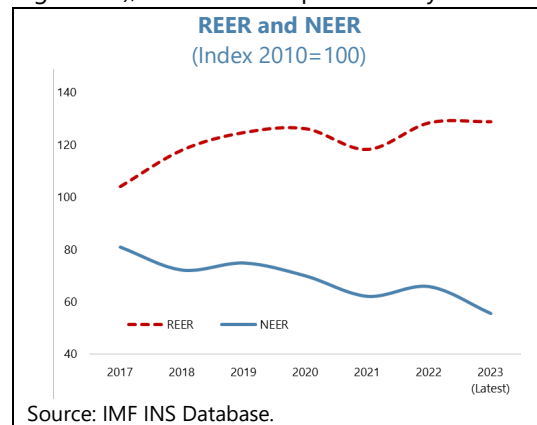
3/ Cyclically adjusted, including multilateral consistency adjustments.

performance and the effect of the conflict in the East produce a cyclically adjusted current account balance of -6.1 percent of GDP. With desirable policies, that is a lower cyclically adjusted fiscal deficit, higher private credit and a slightly positive real interest rate, the current account norm is -3.7 percent of GDP. The resulting gap is a deficit of 2.4 percent of GDP, which suggests a REER that is overappreciated by 9.5 percent.

Real Exchange Rate

Background. The real effective exchange rate appreciated by 8.6 percent in 2022 while the nominal effective exchange rate (NEER) appreciated by 6.0 percent. While the appreciation of the NEER slows a trend sustained depreciation, the REER continued to follow a historical trend of persistent appreciation, due to higher-than-average inflation in DRC than in trading partners. In 2022, the Congolese Franc depreciated by 1 percent relative to the US dollar (looking at period-average rates), after it had depreciated by 12 and 8 percent in 2020 and 2021, respectively. In 2023H1, the Congolese Franc sharply depreciated and stabilized 30 percent above its end-2022 level.

Assessment. The EBA-lite REER model points to an undervaluation of the real effective exchange rate of 9 percent. However, given the relatively short data sample available for the DRC (data coverage for the DRC starts in 2005 while the full sample used for the cross-country regression starts in 1995), the EBA-lite REER model is assessed as inadequate. For this reason, the overall assessment of the REER gap is based on the CA model.



Capital and Financial Accounts: Flows and Policy Measures

Background. Without access to international financial markets, the DRC's capital and financial accounts are dominated by public sector flows (the capital and other investment accounts), mining-related flows (FDI), and commercial banks' flows (deposits abroad backed by domestic FX deposits).

Assessment. The repatriation requirement of 60 percent of mining export receipts in place since 2018 is a capital flow management measure (CFM) under the Fund's Institutional View on capital flows (IV). It should be scaled back as adjustment progresses and balance of payments pressures subside. On the upside, potential new inflows in the form of FDI or project loans could materialize as terms of trade continue to improve.

FX Intervention and Reserves Level

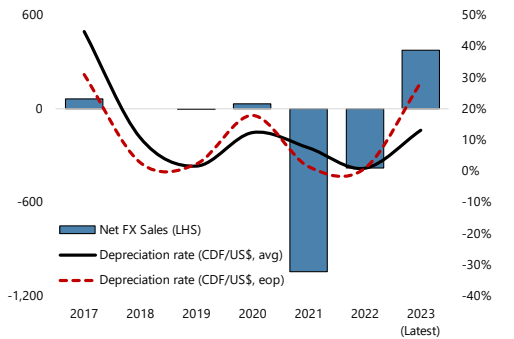
Background. Reserves increased to 8.3 weeks of imports (US\$4.6 billion) at end-2022, from 2.3 weeks of imports (US\$807 million) at end-2020. Advances to the government were the key drains on the BCC reserves in the past, but such advances have stopped since the RCF disbursement of April 2020, and the start of the ECF *arrangement* in 2021. Reserves accumulation in 2022 was further supported by strong exports and BCC's net FX purchases of US\$381 million through market auctions. Against the background of a decrease in DRC's staple commodities prices, the BCC has intervened to limit depreciation (with net sales of US\$339 million from January to September 2023), slowing reserve accumulation so far in 2023, with gross reserves reaching US\$4.9 billion at end-October (8.7 weeks of import).

Assessment. Despite a significant build-up in 2021 and 2022, reserves' import coverage remains inadequate compared to the three-month norm. Low reserves reflect protracted balance of payments needs, and boosting reserve coverage is a key objective of the ECF arrangement, which would help build resilience against external shocks. In terms of the 20% broad money norm, reserve coverage has been satisfactory since 2021.

Central Bank's Foreign Exchange Interventions

The 2022 net FX purchases occurred following a slower depreciation of the Congolese Franc.

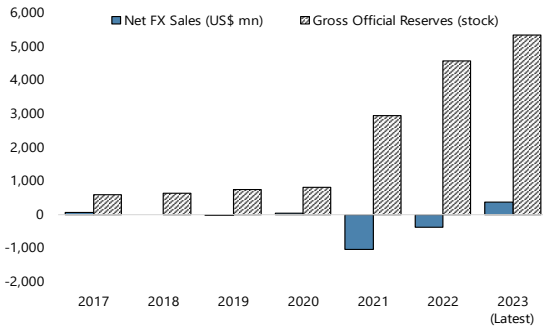
Net FX Sales vs. One-Period Lagged Depreciation Rates
(Net FX sales in US\$ millions, depreciation in percent)



Note: Depreciation rates appear on the right-hand scale.

Net FX purchases in 2022 contributed to the build-up of reserves.

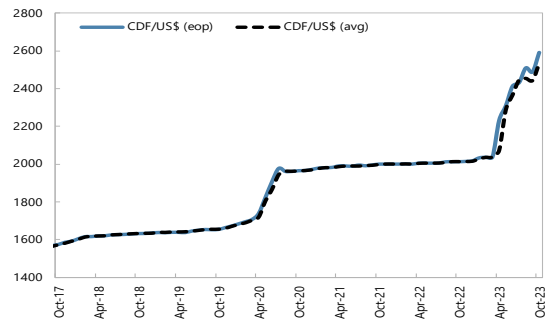
Net FX Sales vs. Gross Official Reserves
(US\$ million)



Sources: Congolese authorities and IMF staff estimates.

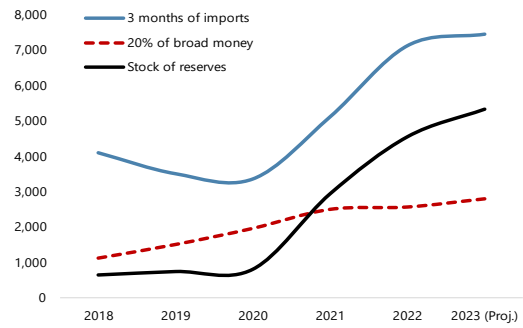
The Congolese Franc has been depreciating steadily vis-à-vis the US dollar.

Congolese Franc
(Specified units)



The reserves build-up of 2022 still leaves an important gap in reserves coverage.

Reserves Coverage
(US\$ million, unless otherwise specified)



Appendix I. Letter of Intent

Kinshasa, DRC
December 4, 2023

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Madam Managing Director:

1. **We remain committed to implementing the policies and reforms associated with the Extended Credit Facility arrangement** aimed at maintaining macroeconomic stability, increasing fiscal space, and promoting sustainable growth, while fostering better governance.
2. **We are faced with a challenging environment.** We are still confronted with a large-scale security shock deriving from the conflict in the East, which is having major economic and humanitarian repercussions, on top of the costs of organizing the December 20, 2023, elections, as well as a terms of trade shock, with a decline in the prices of the minerals that we export, combined with rising international oil prices.
3. **Notwithstanding this environment, growth remains resilient.** After reaching 8.8 percent in 2022, the best performance since 2013, growth has remained resilient since early 2023. Mining output remains buoyant, and non-mining output—despite the impact of insecurity in the East and the effect of inflation on private consumption—is benefiting from the buoyancy of the construction sector. All in all, performance since the start of the year is consistent with growth exceeding 6 percent in 2023.
4. **Our fiscal and monetary policies are designed to maintain macroeconomic stability and to meet our commitments under the program.** To preserve the macroeconomic stabilization achieved in recent years, and notwithstanding the below expectations tax revenues recorded in the first half of 2023, we have refrained from engaging in any direct monetary financing and we have continued to commit expenditures in strict accordance with the limits imposed by the available fiscal space. This has necessitated a review of the composition of expenditure, to make room for the indispensable security efforts, while safeguarding capital expenditure to the extent possible. We have also stepped-up measures to ensure that capital expenditures are more effectively managed, more effectively regularized, and reflect good governance. The tightening of monetary policy (with a sharp increase in the policy rate) as well as the decrease in cash payments in domestic currency at the Central Bank window are also expected to curb inflationary pressures. Furthermore, we remain determined to accumulate reserves and to maintain exchange rate flexibility.
5. **The Budget Law for 2024, expected to be promulgated no later than December 15, 2023, is in line with program objectives.** We have taken steps to ensure that the 2024 budget is based on a credible revenue envelope, and to ensure that planned expenditures are in line with the

broad objectives of the program. We are aiming to record a budget deficit that preserves medium-term fiscal sustainability and that is fully funded in a credible manner.

6. **We are committed to meeting conditionality associated with our Fund-supported program.** We have met all the performance criteria (PC) for end-June 2023, apart from the PC for the domestic budget deficit. We are seeking a waiver for nonobservance of this PC, based on the corrective measures described in paragraph 6 of the Memorandum of Economic and Financial Policies (MEFP), as well as modifications of the quantitative criteria for end-December 2023 pertaining to the domestic budget deficit, reserves accumulation, and foreign exchange accounts at local banks. We are also seeking a waiver for introduction of a new multiple currency practice in the third quarter of 2023, which has since been removed. We have met six out of the nine structural benchmarks (SB) for the 5th review, which demonstrates our determination—notwithstanding a more challenging environment and the runup to the elections—to press ahead with key reforms relating to PFM, to improve the monetary and financial surveillance framework, and to enhance transparency and pursue our efforts to combat corruption.

7. **We are requesting completion of the fifth review under the ECF arrangement and the financing assurances review,** which will allow for the disbursement of SDR 152.3 million for balance of payments support. For the final program review, our program will continue to be based on performance criteria (PC) and indicative targets (IT) with end-December 2023 as test date, as well as on structural benchmarks in line with our reform agenda. The conditionalities are described in Tables 1 and 2 of the MEFP and in the Technical Memorandum of Understanding (TMU).

8. **The attached MEFP sets out our objectives and commitments under the ECF arrangement.** We will assess progress in continued consultation with IMF staff, and we stand ready to adopt any additional measures that may prove necessary to achieve the program objectives. We reaffirm our commitment to consulting with the IMF prior to adopting any revisions to the policies set out in the present LOI and MEFP. In accordance with the TMU, we will also provide all data and information required to assess the policies and measures implemented. We consent to publication of this LOI, the MEFP, and the TMU, as well as the IMF staff report on the fifth review under the ECF arrangement, as well as of all the associated documents, upon approval by the IMF Executive Board.

Sincerely yours,

/s/

Jean-Michel Sama Lukonde
Prime Minister

/s/

Nicolas KAZADI
Minister of Finance

/s/

MALANGU KABEDI MBUYI
Governor of the BCC

/s/

Aimé BOJI SANGARA
Minister of State,
Minister of the Budget

Attachments:

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

This memorandum updates the MEFP attached to the fourth review of the government's ECF arrangement, approved by the IMF Executive Board on June 28, 2023.

A. Recent Economic Developments

1. The socio-economic and security context remains difficult, in the runup to the general elections on December 20, 2023. Armed conflicts in the East of the country are continuing, with severe consequences for the population. This situation leads to exceptional expenditures to ensure the re-engagement of the government in these regions, to take charge of displaced populations, and to ensure that humanitarian and security needs are addressed on an urgent basis. Furthermore, the conduct of presidential, legislative, and local elections also has an impact on government expenditure. Finally, we are facing a shock that is impacting the terms of trade, with a decline in prices of the minerals that we export, combined with the recent rise in international oil prices.

2. Although this environment is challenging, growth remains resilient. Growth in 2023 is expected to exceed 6 percent: mining output remains buoyant, despite the ban on exports at the beginning of the year for one major producer, and the decline in world prices of cobalt. Notwithstanding the insecurity in the East and the effects of inflation, non-mining output is benefiting from the buoyancy of the construction sector.

3. The depreciation of the Congolese franc weighed on inflation in 2023. Since the beginning of the year and as at end-October 2023, the official and parallel rates depreciated by 28.4 percent and 21.3 percent, respectively. Driven by depreciation, inflation turned out at 23.3 percent on a year-on-year basis in July 2023. The drastic increase in the BCC policy rate in the month of August, and sizable interventions on the foreign exchange market helped dampen the surge in inflation, which was brought back to 21.7 percent in October 2023.

4. The current account deficit widened somewhat, limiting the accumulation of official reserves. According to preliminary estimates, the current account deficit worsened to 5.7 percent of GDP in the first half of 2023, primarily reflecting a downturn in international copper and cobalt prices. In this context and given the decrease in mining tax revenues in dollars, gross international reserves recorded a moderate increase from US\$4.6 billion at-end 2022 to US\$4.9 billion at mid-October 2023, i.e. 2 months of imports. The accumulation of international reserves was supported in July 2023 by the disbursement of US\$500 million in budgetary assistance from the World Bank, but was constrained by net sales by the BCC in the amount of US\$239 million in the third quarter of 2023.

5. The banking sector remains profitable and credit to the private sector is growing. Banks improved their profitability in the first half of 2023. However, there is a noticeable mismatch between (i) the increase in foreign exchange deposits, and (ii) the increase in export revenues repatriated by mining companies, which suggests that such export revenues are counterbalanced by

foreign exchange outflows. Credit to the private sector, virtually limited to dollar lending, increased by 17 percent from end-2022 to end-September 2023 in dollar terms, yet remains at very low levels (around 10 percent of GDP).

B. Performance of the ECF arrangement

6. Regarding the quantitative objectives for the program, all performance criteria (PC) at end-June 2023 were observed, with one exception, and the continuous PC prohibiting introduction of MPCs was missed (Table 1):

- The indicative targets (**ITs**) for end-June and end-September 2023 on revenues of the central government were missed. At end-June, revenues reached CDF 8,600 billion compared to an IT of CDF 10,700 billion, a shortfall equivalent to 1.3 percent of GDP ; for end-September, revenues amounted to CDF 14,000 billion compared to an IT of CDF 16,000 billion, also a shortfall of 1.3 percent of GDP.¹⁶ This disappointing performance is largely accounted for by the fact that tax receipts originating from the mining sector fell significantly below expectation, particularly at the time of the April 2023 tax deadline. To remedy this situation, we intend to strengthen our capacities to forecast revenues from taxes on mining corporations.
- Given the revenue shortfall and in view of our steadfast commitment to refrain from engaging in any monetary financing of deficits, we have limited the domestic budget deficit (as defined in the TMU) to CDF526 billion in the first half of 2023 compared to a 430 billion PC. However, this adjustment was achieved by altering the composition of expenditures from that envisaged at the time of the fourth review, primarily by reducing the payment of domestic arrears (oil subsidy, VAT, domestic debt), and despite expenditures on goods and services overshooting expectations by 0.5 percent of GDP. Taking into account the adjustors (on domestically funded investments and on repayments of domestic arrears), the adjusted floor on the domestic budget balance for end-June 2023 (**PC**) was a surplus of CDF1,468 billion and was thus missed.
- Accordingly, we are requesting a waiver for nonobservance of this PC, based on the following corrective measures: (i) measures to improve revenues and their predictability (including continuing efforts to collect on windfall profits taxes subject to tax disputes, and to implement standardized VAT invoicing beginning in January 2024 to enhance revenue collection (¶17); (ii) immediate efforts to repay arrears, by repaying a portion of the oil subsidy arrears owed to distributors (¶21); (iii) adoption of a timetable for implementing our domestic arrears clearance strategy (¶20); (iv) adopting a roadmap towards a framework for anchoring fiscal policy on a medium-term balance excluding extractive resources, in an effort to reduce the procyclical nature of our expenditures (¶26); (v) the inclusion of provisions governing emergency spending procedures in the Budget Execution Manual and the signing (on October 24, 2023) of the decree on public accounting clarifying eligibility to the use of emergency procedures (see ¶25); and (vi)

the incorporation of due dates for payments in the PFM IT system, in order to keep track of arrears accumulation.

- The continuous PC on MCPs was missed due to the introduction of a measure giving rise to a new MCP (I130) and we are requesting a waiver for nonobservance based on the temporary nature of the measure and the commitment not to use it in the future.
- The floor on the targeted expenditures of three health programs (**IT**) was also missed; disbursements for end-June 2023 amounted to CDF 33.6 billion, as against an objective set at 41.8 billion (i.e., 80 percent of the target). We are persevering in the face of administrative constraints, particularly those related to procurement. While acknowledging that missing the targets associated with this IT throughout the program is unfortunate, we wish to emphasize that—as acknowledged by partners in the health sector—the current situation represents substantial progress, in comparison with the situation encountered at the time of the ECF arrangement was launched, when the State was not financially involved in these programs.
- All other PC and IT for end-June 2023 were observed. As for the floor on the accumulation of net international reserves (**PC**), the accumulation was lower than the amount forecast for the first half of 2023, but once the floor was adjusted to reflect the delayed World Bank budget support—scheduled for the second quarter of 2023 but disbursed in early July—this criterion was met.

7. In spite of the serious uncertainties and limited room for maneuver ahead of the elections, we remain determined to meet the quantitative performance criteria for end-December 2023, the final test date for the ECF arrangement. We have proposed the modification of certain ITs and PCs, described in the rest of this memorandum, in order to reflect recent developments and the revised macroeconomic framework on which we reached agreement during the discussions held in preparation for this 5th review.

8. Our structural reform program has continued:

- We have met the continuous structural benchmark (SB) pursuant to which mining contracts are to be published within the 60 days following the date on which they are signed.
- We have also observed five of the eight other SBs for this fifth review (see Table 2).
- The reforms planned for the three missed benchmarks have not been abandoned, but have been delayed for the following reasons:
 - i. The manual of procedures on budget execution compliant with the July 13, 2011, Law on Government Finance and incorporating provisions to govern emergency expenditures has been finalized. However, the signing of the accompanying decree, scheduled for end-July 2023, was delayed to some extent, prior to being enacted by the Council of Ministers on October 13, 2023; the decree was signed on October 24, 2023.

- ii. We undertook to sign, by end-September 2023, a memorandum of understanding between the Minister of Finance and the BCC on recapitalizing the BCC. However, the migration of the BCC's accounting system to IFRS has not yet been finalized. This migration will lead to a significant increase in the BCC's recapitalization requirements compared to the BCC's own initial evaluation. A decision has been made to delay the signing of this memorandum. Nonetheless, on November 20, 2023 we signed a memorandum of understanding between the ministry of finance and the BCC to raise the BCC's equity capital to the level specified in the BCC's organic law, i.e., CDF 213 billion. For this purpose, the Treasury will be debited on four occasions at semi-annual intervals between May 2024 and November 2025. Furthermore, we undertake to ensure that by end-May 2024, the BCC's financial statements for FY 2023 are produced in accordance with IFRS standards, audited by an external auditor, and adopted by the BCC Board (**proposed end-May 2024 SB**). Going forward, we intend to set up a credible mechanism for recapitalizing the BCC, consistent with the budgetary capacity of the State.
- iii. The implementing decree for Law No. 18/016 of July 9, 2018, on PPPs was signed on October 26, 2023 (**end-July 2023 SB**), in view of the time required to ensure technical harmonization between the various ministries and agencies concerned.

C. Economic Outlook and Risks

9. The short-term outlook remains favorable. After 6.2 percent in 2023, we project a slowdown in growth in 2024, still supported by the mining sector (4.4 percent), while growth in the non-extractive sector may reach 5 percent. The rise in consumer prices may approach 20.8 percent on a year-on-year basis at end-2023; however, we anticipate that inflation will gradually slowdown in 2024 to less than 12 percent on a year-on-year basis by end-2024. The domestic budget deficit (cash basis) should be limited to 0.8 percent of GDP in 2023 and to 0.6 percent in 2024. The current account deficit, after worsening to 5.3 percent in 2023, is expected to fall to about 4.1 percent of GDP in 2024.

10. We are aware that the short-term outlook is subject to significant downside risks.

These risks include repercussions from the international situation (continuation of the war in Ukraine, the crisis in the Middle East) and other uncertainties (global growth and growth in China in particular, risks affecting the international financial system) which have the potential to impact the terms of trade, particularly through a downturn in prices of mining products. Domestically, if there is no de-escalation in the conflict in the East, our macroeconomic stability could be jeopardized, including due to additional budgetary pressures. We thus stand ready, in the context of our IMF-supported program and through our permanent dialogue, to adjust our economic policies in case of need.

11. The outlook for medium-term growth remains favorable. We project average growth of 5.1 percent per year between 2024 and 2028, driven by the steady growth in mining activity and the pursuit of structural reforms contributing to growth in the non-extractive sector through economic

diversification. We project a gradual decline in the current account deficit, which should turn out at 2 to 3 percent of GDP.

12. Our economic reform program should also help to strengthen inclusive growth, while promoting economic diversification and external competitiveness. We intend to build new commercial opportunities and support economic diversification by: (i) improving our health and education systems; (ii) enhancing the business environment and governance; and (iii) developing basic infrastructures, particularly for transport and communications, energy and access to drinking water. Ambitious structural reforms should help to mobilize FDI, improve the management and mechanism for tracking and assessing our public investments, enhance competitiveness, and strengthen our resilience in the face of external shocks.

D. Macroeconomic and Structural Policies

Fiscal Policy

Budget Execution for Second Half of 2023

13. Budget execution for the closing months of 2023 remains guided by a cautious approach, based on the resources at our disposal:

- In spite of our efforts to raise revenue, including a number of audit adjustments pertaining to the tax on windfall profits of mining enterprises, we will be unable to make up for the shortfall for the first half of 2023. Accordingly, we project that domestic budget revenues will be below the level envisaged at the time of the 4th review, with annual revenues targeted at close to CDF18,500 billion (**end-December 2023 IT**).
- Expenditures are committed strictly on the basis of available revenues. This allows us to target a domestic budget deficit close to [CDF 1,400] billion (**end-December 2023 PC**), equivalent to 0.8 percent of GDP. This reflects investments of CDF2,455 billion, including CDF394 billion for PDL-145T projects financed by the SDR allocation and executed by BCeCo and CFEF.
- This outcome will be achieved by keeping the wage bill at CDF 7,130 billion (**end-December 2023 IT**), while we maintain a level of exceptional expenditures at CDF3,000 billion, give the armed conflict in the East and the elections. The adjustment required to keep the domestic deficit at 0.8 percent of GDP chiefly entails a reduction in the amounts allocated for repayment of domestic arrears, which are estimated to amount to CDF854 billion as compared to CDF1,582 billion projected at the time of the 4th review. However, mindful as we are that this shift in expenditure composition is not in line with program objectives, we have decided to repay US\$140 million for oil subsidy arrears (¶21).
- The expenditure objective for three health programs targeted under the program remains unchanged at CDF 75 billion (**end-December 2023 IT**).

- Our cautious budget policy through end-2023 is also based on limiting expenditures under emergency procedures to 10 percent of total domestically funded expenditures (**end-December 2023 IT**).
- We will observe the ceiling on the present value of new loans contracted by the public sector, set at US\$2.5 billion (**end-December 2023 PC**).

Budget Law and Budget Forecasts for 2024

14. The draft budget law for 2024, J, is ambitious yet credible:

- The draft budget law submitted to Parliament on September 15, 2023, is based on current revenues projected at CDF24,200 billion, slightly exceeding the revenues envisaged under the program (CDF22,100 billion). It has been approved by the National Assembly on October 24, 2023, and by the Senate on November 18, 2023, with minor changes. It is expected to be promulgated no later than December 15, 2023.
- The wage bill included in the 2024 budget is in line with program objectives, i.e. it amounts to CDF8,125 billion (4.2 percent of GDP).
- The remaining current expenditures addressed in the budget law are also generally in line with program objectives.
- However, there is a significant difference between the capital expenditures specified in the budget law and those indicated in the macroeconomic framework for the program. This difference reflects our political will to set an ambitious target for those investments that are essential for the DRC's development, and further demonstrates our intention to overcome the legal constraints associated with the earmarking of expenditures at the level of the provinces as well as to address the constraints associated with the implementation of investments. With respect to externally funded investments, the amounts allocated are in line with the commitments undertaken by our partners, even if they will have to be adjusted to reflect the status of projects and actual disbursements.
- The amounts allocated for the annexed budgets (*budgets annexes*) and special accounts have significantly increased in comparison with 2023. This partly reflects more accurate accounting, yet also reflects the planned establishment of the Support and Development Fund for the FARDC and Security Services (FSD-FARDC) and the Environmental Intervention Fund (FIPE), in addition to the sizable increase in resources allocated for certain special funds that are already in existence.
- We are committed to repay CDF1,169 billion of domestic arrears, including on the oil subsidy, for the VAT, and towards the domestic arrears clearance strategy.
- We envisage a cash basis domestic deficit limited to less than CDF1,100 billion in 2024, i.e. about 0.6 percent of GDP, entirely financed with credible financing assumptions (primarily Treasury

bills and bonds, and budget loans) and consistent with our goal of preserving fiscal sustainability in the medium term. This reflects domestically-financed investments of CDF3,404 billion, including CDF158 billion for PDL-145T projects financed by the SDR allocation and executed by BCeCo and CFEF.

- To ensure that budget outturn forecasts are consistent with program objectives, we will be publishing quarterly budgetary commitment plans consistent with our program objectives, by end-January 2024, as we did in 2022 and 2023.

15. Our budget policy continues to be guided by the two following principles:

- The complete absence of direct monetary financing of deficits, in accordance with the Organic Law of the BCC, and as reiterated in the August 2020 Stability Pact.
- Our policy remains anchored in the preservation of a moderate risk of debt distress to maintain our access to concessional external financing for our priority projects to the extent possible. The ceiling on the present value of new loans contracted by the public sector is thus set at US\$1 billion for Q1 2024 (IT).

Structural Fiscal Reforms

Revenue mobilization

16. We plan to continue our revenue mobilization efforts, which have already begun to bear fruit. The total tax and non-tax revenues of central government (excluding special accounts) has considerably increased, from 7.7 percent of GDP in 2020 to 14.4 percent of GDP in 2022. The substantial increase in 2022 was partly attributable to an exceptional level of mining sector revenues, particularly reflecting the collection of taxes on windfall profits generated in 2021. While this exceptional level is not expected to be repeated in 2023 (when we anticipate revenues of the order of 11 percent of GDP), we still expect to converge on the average for our peers in sub-Saharan Africa, which stands at approximately 17 percent of GDP.

17. These revenue mobilization efforts are based on the following measures:

- *Broaden the tax base and improve compliance of tax payments*
 - On the basis of the reports on tax expenditures annexed to the Budget Law and pursuant to the plan for rationalizing tax expenditures adopted in October 2022, we plan to reform exceptional tax regimes, and all conventions, licenses, agreements, letters, or other documents allowing tax exemptions other than those set out in the prevailing sectoral codes.
 - We are improving tax compliance by facilitating the registration of taxpayers and increasing the numbers of large-scale, medium-scale, and small-scale taxpayers. We will accelerate digitalization by: (i) ensuring the deployment by end-2023 of the Integrated Tax

Management Software program (ERP) at the General Directorate of Taxes (DGI); (ii) arranging for the launching in Q1 2024 of the biometric registration of taxpayers, whether individuals or legal entities, to make tax lists more reliable; and, (iii) ensuring the expansion of remote filing to include the Tax Centers (remote filing is already mandatory for large taxpayers).

- We are pressing ahead with our efforts to secure the register of taxpayers, by ensuring that access to customs operations, access to government contracts, and the right to issue VAT invoices are limited to those active taxpayers identified by the DGI, as well as by improving the tax filing and payment rate.
- We are working to increase risk coverage through a customized audit plan, and we are pursuing the collection of tax arrears more vigorously.
- In September 2023, the DGI was equipped with a laboratory entrusted with verifying the technical parameters for mining products (moisture, contents and quantities of mineral ores) that are necessary to determine taxable bases and to calculate the taxes owed by mining enterprises. The laboratory was officially launched on November 2. The preliminary results are expected to become available by end-2023.
- *Restore the proper functioning of the VAT*
 - Under international laws and practices, the VAT accounting system implemented in the DRC affects mining companies at the operations stage and not specific products, thereby avoiding the accumulation of further VAT arrears on imports.
 - With regard to the certified stock of VAT arrears owed to mining companies, estimated at approximately US\$800 million in the March 2022 audit by the General Inspectorate of Finance (IGF), we have made refunds amounting to slightly over US\$100 million in 2022 and a little less than US\$30 million in 2023. We are not accumulating further VAT refund arrears at customs thanks to the VAT accounting system implemented in 2022, although we continue accumulating arrears on domestic VAT.
 - Outside the mining sector, we plan to step up ad hoc audits of the VAT and to connect the central directorates to each other and to the operational units: the limited computerization of the tax administration explains the poor VAT collection, as it reduces the ability of the DGI to control the tax base and collect all taxes owed. To improve the situation, on March 3, 2023 the government signed the Decree The Decree regulating the standardized invoice and setting the implementation methods of electronic tax devices, and this decree will enable the tax administration: (i) to use a unique digital code to authenticate each business transaction carried out by economic transactors collecting the VAT; and (ii) to utilize the data on such transactions for auditing VAT statements and assessing the turnover of each economic agent. The implementing texts for the Decree setting forth regulations to govern standardized VAT invoicing were signed on October 23, 2023. To make this system

operational, we intend to acquire an IT management solution, by end-2023, that will make it possible to issue a certification code for each invoice issued and to ensure that it complies with requirements.

- VAT exemptions are costly, and sometimes poorly justified from the economic point of view. Certain existing exemptions should be reviewed. Furthermore, we undertake to grant no further VAT exemptions, except in exceptional circumstances such as those that led to the exemption of certain essential food products.
- *Improve the performance of the General Directorate of Customs and Excise (DGDA)*
 - The modernization of infrastructure is continuing, as is the training of customs personnel—in particular, the utilization of ASYCUDA World, which handles 98 percent of customs revenues.
 - We will strengthen supervision of flows of commodities related to exports of mineral ores. In fact, gaps in supervision of mining exports cause the value of such exports to be underestimated and may result in a sizable revenue shortfall for the State.
 - The reader’s attention is also drawn to the value of imported goods, using enhanced supervision over declared values, particularly in the case of imports of vehicles via a dedicated system in interaction with ASYCUDA World. This serves to enhance administrative supervision over exemptions and conditional import arrangements.
 - In a further effort to improve custom supervision, we are setting up management equipment, resources, and software at five major border posts (Kasumbalesa, Petite Barrière-Goma, Kasindi, Mahagi and Sakania).
 - The dematerialization of customs management procedures is continuing with the implementation of software programs (GELEC, SYSTAD, and BADA), to manage disputes, statistics, and human resources respectively. The goal is to extend the use of these programs to include 10 new customs posts in 2023, resulting in a total of 89 equipped posts out of 108. We are also continuing our efforts to interconnect with the customs administrations of the Republic of Congo, Kenya, Angola, Uganda, Tanzania, and Zambia.
 - The Excise Tracking System [*système de traçabilité des droits d'accises (STDA)*] is now in place. Following tobacco and telecommunications in 2022, the rollout of the necessary equipment among beverage producers has been expedited in 2023. We are expecting significant results from this reform, even though excise duties account for just 0.6 percent of GDP, compared to 1.6 percent on average in Africa.
- *Improve the performance of the General Directorate of Administrative, Government Property, Judicial, and Investment Revenues (DGRAD)*

- The automation of revenue collection procedures is continuing, with support from such partners as the French Development Agency and the European Union. After having rolled out the LOGIRAD software program at six main revenue-producing services (Mines, Environment, Land Affairs, Postal and Telecommunication Services, Hydrocarbons, Interior and Security/DGM), we intend to extend this program to encompass provinces holding considerable revenue potential: Haut-Katanga, Tshopo, Haut-Uele, Bas-Uele, Kongo-Central, Kinshasa, Nord-Kivu, Sud-Kivu, Ituri, Tanganyika, Kasai and Maniema.
- We are strengthening the legal and institutional framework for the DGRAD by reforming the administration regulations pertaining to DGRAD career personnel and by ensuring that the interministerial decrees are consistent with the new measures incorporated into the nomenclature and the procedural regulations.
- We intend to improve the collection of non-tax revenues deriving from: (i) the Congolese National Police and the judiciary; (ii) the issuance of biometric driver's licenses and passports as well as work cards for foreigners; and (iii) the DRC's embassies and consulates abroad.
- We are working to streamline non-tax expenditure on the basis of the plan finalized in October 2022, taking account of IMF TA recommendations. The second phase of the plan for rationalizing non-tax revenues was thus completed in September 2023, following consultation with line ministries on the final list of taxes to be streamlined.
- In June 2023 we finalized the inventory of parafiscal charges, special accounts, and annexed budgets (**end-June 2023 SB**). Over 8,000 auxiliary entities have been reclassified as annexed budgets, public entities, or expenditure services; and a list of 1112 revenue-generating acts for 238 auxiliary agencies (excluding educational and health-care institutions) has been produced, before they are streamlined.
- We will limit the creation of new special funds, given that the establishment of a parafiscal system intended to finance special funds (or to collect certain charges through the DGRAD on their behalf) defeats the purpose of rationalizing parafiscal expenditures, and undermines the goal of raising central government revenue, including by discouraging firms from rejoining the formal sector.

Expenditure Control, Fiscal Risks, and Improve the Quality of Expenditure

18. We will continue to build our capacity to evaluate and manage fiscal risks. With Fund TA, we have prepared a detailed document annexed to the Budget Law containing information on: (i) macroeconomic risks; (ii) public debt related risks; (iii) risks linked to public entities other than the central government; (iv) financial sector related risks; (v) institutional risks; and (vi) long-term risks—in particular, those related to climate change. We continue to improve this document each year, especially in terms of the quantification of these fiscal risks, and of the budgetary costs required to mitigate such risks.

19. With regard to public debt related risks, we remain committed to preventing: (i) the accumulation of arrears on the servicing of external public debt (**PC**); (ii) the accumulation of government wage arrears (**IT**); and (iii) recourse to central bank loans in favor of central government (**PC**). We further undertake to refrain from using central bank deposits as collateral/guarantees for central government borrowing, while we repay such borrowing in accordance with the specified timetable (**IT**).

20. We have specified the timetable for implementing the strategy for eliminating domestic arrears devised with IMF TA:

- Following the completion of an independent audit of the stock of domestic arrears certified in December 2022, the strategy was presented at a meeting of the Council of Ministers on May 19, 2023. This strategy makes provision for the payment, with no haircut, of claims amounting to less than US\$300,000. Other claims will be converted into Treasury Bills, a part of which may undergo early redemption each year through buyback operations (reverse auctions). For this purpose, a decree specifying procedures for the securitization of certified domestic arrears and organizing the buyback of domestic public debt securities was signed on October 24, 2023.
- To ensure transparency and equity in the repayment process, on September 1, 2023, we published a press release calling on creditors to approach the General Directorate of Public Debt (DGDP) in order to open their file. An online application has been developed to enable creditors to track the status of their file.
- Furthermore, a roadmap finalized on November 13, 2023 specifies that the payment of claims amounting to less than or equal to US\$300,000 will be made in 2024, while the process of converting other claims into Treasury Bills will begin in March 2024. We plan to begin early buyback operations starting in July 2024.
- We will refrain from making any payment outside the framework of the domestic arrears clearance strategy.

21. We are continuing the reforms designed to rationalize the oil subsidy with a view to controlling its budgetary cost:

- The gradual increase in prices at the pump since end-2021, between 54 and 112 percent overall according to region and product (including the recent increase on October 25, 2023, and the abolition of the subsidy for fuel purchases by airlines for international flights since end-May 2022) has significantly curbed the rate of accumulation of new liabilities (shortfalls in respect of distributors and supply chain managers determined by the difference between prices at the pump and actual market costs). Overall, the current price structure even generated a surplus in favor of the State in Q2 2023, before international prices of oil per barrel rebounded.
- Since June 2023, we have been publishing monthly on the internet site of the Ministry of National Economy the structure of prices, accompanied by the difference between prices at the

pump and actual market costs, thereby making it possible to estimate the amount of the subsidy.

- Following the audit of the price structure, the final version of which was delivered to the government in early May 2023 and after an IMF TA mission in July 2023, we finalized and validated a roadmap in November 2023, the implementation of which will be overseen by the Ministry of National Economy supported by the full range of stakeholders, encompassing the following priorities:
 - Reform of the price structure through the optimization of certain items (including the Average Frontier Price), in collaboration with the Ministry of Hydrocarbons, given that the audit demonstrated that certain costs may have been overestimated.
 - Further efforts to improve the calculation and certification of shortfalls in the oil sector. A decree specifying eligibility criteria and calculation procedures will be published by end-2023. Shortfalls for a given quarter will be certified within a maximum period of two months.
 - The implementation in early 2024 of the decision adopted pursuant to the March 13, 2023, interministerial decree declaring mining companies ineligible for the diesel subsidy for the Southern supply zone. Discussions regarding the practical arrangements for implementing this reform (including the extension of the molecular tagging program in the Southern and Eastern regions) are in progress with the Ministry of Hydrocarbons and the oil sector.
- We are streamlining exemptions for imports of petroleum products, with the aim of optimizing parafiscal taxation for petroleum products and managing the volumes actually released for consumption. Pending the implementation of a more rigorous evaluation mechanism, the exemptions have been suspended.
- With regards to the elimination of the liabilities owed to oil companies estimated at US\$462.4 million at end-June 2023, we will repay US\$140 million by end-2023 via bank financing, the payment for which is guaranteed by a part of the parafiscal revenue included in the pricing structure for fuels. We will continue to repay these liabilities in 2024.

22. Apart from controlling the wage bill in the short term, wide-ranging reforms of the civil service are essential. After a 20 percent increase in 2022 with the improvement in the basic salary of certain civil servants under the general system and bonuses in the sectors of health, education, and security, the wage bill increased only by 8.5 percent in 2023, in accordance with our commitments under the program. A further commitment fulfilled was that an interministerial decree specifying that any wage increase had to be approved by the ministries of Budget, Finance, and the Civil Service was signed by the ministers concerned at end-July 2023. Finally, the 2024 budget makes provision for a further moderate increase in the wage bill (amounting to approximately 12 percent in nominal terms), which will make it possible to bring the wage bill back to 4.2 percent of GDP, compared to 5 percent of GDP in 2022. Above and beyond these efforts to control the wage bill in the short-term, we have begun to implement a reform of the civil service in the medium term,

including action to define a comprehensive wage policy strategy, a cleanup of the civil service database based on biometric identification of all civil servants and aimed at eliminating all ghost employees, while reorganizing the social security coverage of civil servants and ensuring a financially sustainable pension program. This essential reform and the timetable for its implementation should be specified by the government after the end-2023 elections.

23. Increasing the level and efficiency of social expenditures remains of the utmost importance:

- The three health programs (traditional vaccination of children with GAVI, mother-child health program with the World Bank, and the anti-malaria, TB, and HIV program with the Global Fund) forming part of the IT under the ECF arrangement had been chosen in collaboration with the health care partners, taking account of their importance and the need for direct involvement (including in financial terms) by the government. The co-financing expected from the government has not been achieved except in the case of the vaccination program with GAVI; however, the progress regarding the two other programs is significant and has been welcomed by the partners concerned. We are ready to pursue these commitments in the years ahead, and to extend this partnership to include other programs.
- Apart from these specific health programs, our social priorities include free access to education, reduction of regional inequalities, and the acceleration of food security projects, in an effort to boost the range and supply of food in the context of the Agricultural Transformation Agenda launched by the President of the Republic. Social expenditures mainly come under the following eight ministries: the ministry of primary, secondary, and technical education, the ministry of higher and university education, the ministry of vocational training, the ministry of scientific research and technological innovation, the ministry of public health, the ministry of social insurance, the ministry of social affairs, and the ministry of humanitarian actions and national solidarity. The law on the rendering of accounts for 2022 has shown that these social policy ministries had accounted for about 30 percent of total budgetary expenditure, and the 2024 budget is once again attaching priority to social expenditures.

24. We will improve the efficiency of the management of public investment:

- Our reforms are based on the recommendations of IMF TA missions for the months of March and September 2022 that evaluated the management of public investment (*Public Investment Management Assessment, PIMA*) and which identified structural constraints affecting the entire public investment cycle. The main PIMA recommendations have been incorporated into a roadmap, accompanied by a priority action plan that was presented to the Council of Ministers of November 3, 2023. Following validation by all the ministries concerned, this roadmap was adopted by the Council on November 3, 2023.
- We are pursuing our efforts to strengthen the monitoring of externally funded projects through: (i) restructuring and strengthening of the Project and Program Monitoring Unit (CSPP), with the signing of the decree restructuring the CSPP in May 2023, followed by the recruitment on a

competitive basis of its leadership team which took office in September 2023; (ii) broadening of the functions of the CSPP, which now include, in addition to the projects of the World Bank and the African Development Bank, the projects of the International Fund for Agricultural Development, the French Development Agency, the Arab Fund for Development, the German Agency for International Cooperation, and the Japanese International Cooperation Agency (JICA); (iii) development of indicators for ensuring real-time monitoring of projects and programs and the improvement of the follow-up action to process dossiers in the interest of reducing administrative turnaround times; and (iv) evaluation of performance contracts signed in 2022 between the government and the coordinators of the project management units (PMU), the results of which were announced in February 2023 in the presence of the Prime Minister.

- The strengthening of the CSPP is part of the process of creating a single office for the coordination and monitoring of externally funded projects; this process also makes provision for merging the CSPP with the Central Coordination Office (BCeCo), the Financial Unit for Fragile States (CFEF), and the Support Unit for the Authorizing Agent of the European Development Fund (COFED). The various stages of this process, including a timetable, will be specified by mid-2024 on the basis of the work of a consultant who has been selected to support the Ministry of Finance.
- Furthermore, (i) the decree on the management of public investments encompassing all phases of the project cycle was signed on May 31, 2023; (ii) work to assign a unique digital identifier to each projected financed by the government or its development partners will be completed by end-April 2024; (iii) a manual of procedures for standardizing public investment management methodologies, including the evaluation of climate impacts, has been produced and adopted by the government on November 11, 2023 (**end-December 2023 SB**) ; (iv) for the first time, a multiyear public investment program (2024-2026) has been annexed to the Budget Law for 2024.
- The execution of the first component of the Local Development Program for 145 Territories (PDL-145T), partly funded by the August 2021 general SDR allocation (US\$511 million in 2022 for schools, health-care centers, and administrative buildings) is gathering momentum: at end-September 2023, more than 90 percent of the facilities are being built (approximately 10 percent have been completed), with a disbursement rate of over 55 percent (compared to around 20 percent at end-2022). Following the change in strategic orientations decided in the Council of Ministers, a portion of the remaining \$203 million in Special Drawing Rights (SDRs) is allocated for the acquisition of equipment to be deployed in all 145 territories of the country for the rehabilitation of agricultural feeder roads (\$80 million, of which \$40 million will be disbursed in November 2023) and for the construction of the Kisangani-Béni road, for which an advance payment of \$30 million has already been disbursed. However, the funding for amendments related to the first phase of the PDL will continue in 2024 after the finalization of the related estimations by the three executing agencies. We are exercising close supervision over the physical implementation of PDL-145T, including detailed project schedules and geolocation for each infrastructure project, and we are enhancing compliance with the procedures for public

financial management and government procurement. In terms of transparency and given the commitments which we have undertaken, in addition to the quarterly reports produced by the implementing agencies within one month after each quarter, we published in June 2023 an annual report for 2022 on the utilization of the SDR allocation and the implementation of PDL-145T. In addition, the government has opened an information site (<https://pdl145.gouv.cd/>).

- Efforts to strengthen the BCeCo are continuing. The steering committee, with a representative from the finance ministry at the helm, is overseeing the policies and governance of the BCeCo. In response to the audits of the BCeCo from 2017 to 2021, which show the need to improve project organization and internal processes (archiving, reporting, tracking of provisional vouchers (*bons provisoires*), and accounting organization), an action plan is currently being finalized under the supervision of the Ministry of Finance. Going forward, we will publish independent external audits on an annual basis, including auditors' observations. The supervision of the BCeCo for PDL-145T is exercised by the National Program Supervision Committee in accordance with Order 23/003 of January 2023, by the Audit Office, and by the General Inspectorate of Finance.

Improving Public Financial Management (PFM)

25. We are continuing our efforts to implement the fiscal reform strategy. To take stock of the reforms undertaken in recent years and to update our action plan for the coming years, the Minister of Finance officially made the request on September 7, 2023, for multi-donor funding in support of a new Public Expenditure and Fiscal Accountability (PEFA) assessment, the results of which are expected during the first half of 2024.

- *Fiscal reform and credibility*
 - We are strengthening fiscal credibility, specifically through enhanced interinstitutional coordination, macroeconomic framework formulation, and fiscal revenue forecasting, particularly for mining revenue.
 - In June 2023, we submitted to Parliament and the Court of Auditors the Draft Budget Accountability Law for the 2022 fiscal year, that was examined by Parliament during the September 2023 budget session. As a further measure to strengthen fiscal credibility and transparency, we published execution of the cash flow plan for 2022 and for the first half of 2023, at the website of the Ministry of Finance, respectively in June and September 2023. We are committed to publishing this document on a quarterly basis.
 - In the migration to the program-budget, the decentralization of authorizations will be tested in four pilot ministries, for which decrees on the "creation of accounting positions" have been issued by the Ministry of Finance. In addition, the extension of the computerized public expenditure chain to sector authorizing officers is being finalized. In August 2023, the government held the first performance conferences for seven pilot ministries.

- To improve the budget process at the subnational level, in May 2023, we signed the regulatory texts defining the mechanisms for the allocation of transfers and revenue at the national level.
- *Tax policy and strengthening of the tax administrations* (see ¶16-17).
- *Public expenditure reform:*
 - *We would like to strengthen the expenditure chain and limit the use of emergency procedures.* The proportion of expenditure executed under the emergency procedure increased from approximately 8 percent in 2021 to 13.3 percent in 2022 (and this figure is more than 20 percent when wages are excluded). Emergency expenditure declined to 11.8 percent during the first quarter of 2023, and rose to 15.2 percent during the second quarter, particularly in connection with the organization of the Francophone Games [*Jeux de la Francophonie*] and the security situation. However, we are determined to limit expenditure under emergency procedures with a target of 10 percent of expenditure from own resources in 2023 and of 8 percent in 2024. We will also continue to publish quarterly reports detailing the type and amount of these expenditure items (the report for second-quarter 2023 was released on October 21, 2023). In addition, expenditure incurred under emergency procedures must be regularized through the Emergency Procedure Expenditure Regularization Committee (including staff from the Ministry of Finance, including the Directorate General of Treasury and Public Accounting—DGTCP; and the Ministry of Budget), that was reactivated in early May 2023 to avoid delays in these regularizations. We have also updated the Expenditure Procedures and Circuit Manual, signed on September 28, 2023, to include the provisions of the Public Finance Law, with performance-based budget management and decentralized authorization procedures. The decree on public accounting clarifying the criteria governing the use of emergency procedures for expenditure was signed on October 24, 2023 (**end-July 2023 SB**).
 - *We are strengthening the expenditure reconciliation procedures.* Public expenditure monitoring, recording, and transparency are regular tasks of the Expenditure Reconciliation Committee (encompassing staff of the Ministry of Finance, including the DGTCP; the Ministry of Budget; and the BCC), which has met weekly since May 2023.
 - *We are improving the transparency and efficacy of public procurement.* The new decree on public procurement procedures was adopted and published in the Official Gazette of March 7, 2023. This Decree includes, in particular, the provisions of the law required to support the identification and release of effective ownership information, as recommended by IMF technical assistance. A roadmap has been finalized and is expected to be adopted by the Council of Ministers in November 29 2023, that will make it possible to deploy the Integrated Public Procurement Management System (SIGMAP) beyond the pilot units.
 - *We are strengthening public debt management.* In accordance with the Interministerial Decree of December 5, 2020, the Directorate General of Public Debt (DGDP) assesses and

monitors all new debt agreements. The Decree-Law on Public Debt harmonizing the legal framework for public debt management was signed on September 11, 2023, ratified by Parliament, and promulgated.

- *We are improving the supervision of public enterprises (PE) and management of the relevant risks.* The financial statements from the main public enterprises (*Générale des carrières et des Mines* (Gécamines) [quarries and mines], *Société Minière de Bakwanga* (MIBA) [mining], *Régie de Distribution d'Eau* (REGIDESO) [water distribution], *Société Nationale d'Electricité* (SNEL) [electricity], *Régie des Voies Aériales* (RVA) [airways], *Société Nationale des Chemins de Fer du Congo* (SNCC) [railroads], and *Société Commerciale des Transports et des Ports* (SCTP) [ports and transportation] were produced and published at the website of the Higher Portfolio Council. In addition, with technical assistance from the IMF, the government produced a report on the consolidated financial position of public enterprises that accompanied the 2024 Draft Budget Law and is published at the website of the Ministry of Budget.
- *Strengthening public investment management* (see ¶24).
- *Public accounting and cash management:*
 - *We are restoring the government accounting function by making the Directorate General of Treasury and Public Accounting (DGTCP) operational.* After the March 2022 signing of the decree establishing the DGTCP and the December 2022 signing of the decree establishing the framework and organizational structures of the DGTCP, appointments to key positions were finalized in February 2023 after a competitive recruitment process. The DGTCP must now be made operational. This process includes ensuring that it has the financial and material resources to operate properly. The decree organizing the operation of the national network of public accountants was signed in March 2023. Work on production of the draft decree establishing procedures for the collection and accounting of public revenue is in progress, along with the preparation of the compendium of government accounting standards.
 - *We are strengthening cash management.* It is essential to strengthen coordination at the technical level to ensure informed fine tuning of cash management. For that purpose, the Cash Plan Commission led by the DGTCP, and comprising experts from the Ministry of Finance, the Ministry of Budget, and the BCC, was reactivated in May 2023 to discuss recorded and expected cash flows, both in revenue and expenditure, on a weekly basis.
 - *We are progressing towards the establishment of the Treasury Single Account (TSA).* With technical assistance from the IMF, we drafted the decree defining the perimeter and structure of the Treasury Single Account and establishing the mechanisms for its operation, that was signed on May 31, 2023. We are gradually consolidating all government accounts, including those related to special accounts and supplementary budgets. The process of making the CUT operational includes a survey of the accounts of administrations on the books of the central bank, which has been completed, and of the accounts on the books of

commercial banks (the field missions have been completed and the analysis of the data collected will be completed by the end of 2023).

- *We are reducing government payments in cash.* In connection with the implementation of the new Anti-Money Laundering and Financing of Terrorism Law of December 27, 2022, we are committed to establishing a framework for the execution of treasury operations, in accordance with the Law, particularly with regard to Articles 23 and 24, with the aim of significantly reducing cash payments (paragraph 32, structural benchmark). To ensure that payments by bank transfer become generalized, public institutions were instructed to open operational subaccounts with the BCC.
- *We are continuing the digitization of the public financial management system.* In addition to the digitization of revenue collection, the government intends to establish an integrated public financial management (PFM) system to interconnect the various existing computer systems and to develop accounting and fiscal management modules. Accordingly, the digitization plan for the public financial management system was adopted by the Council of Ministers on October 27, 2023. In addition, the institutional framework for coordination and steering of the digital PFM system will be established with the signing of a decree creating the Directorate General of Financial Information Systems. The mission of this public service will be to plan the evolution and development of fiscal information systems, to assist in project management in connection with public financial management, and to ensure the security, integrity, reliability, and technical regulation of the fiscal information systems.

26. We would like to move forward with the overhaul of the fiscal framework to provide an anchor for fiscal policy with a balance that does not include extractive resources.

To continue to strengthen the fiscal framework and to avoid procyclical fiscal policies, we have developed a roadmap moving towards a fiscal framework that would make it possible to manage the challenges arising from mineral price volatility. This roadmap provides (i) the reinforcement of our statistics so that extractive revenue can be more effectively identified; (ii) the development of fiscal risk analysis in connection with the volatility of mineral prices in the framework of the annex published each year with the Budget Law; (iii) ongoing efforts to strengthen our administration's capacities to analyze and forecast revenue from the extractive industry using the Extractive Industries Tax Analysis Model (FARI) with the support of the IMF and other partners, including the German government cooperation authorities (GIZ); and (iv) still with technical assistance from the IMF, the definition of a budget balance excluding extractive resources as an analytical tool that can ultimately be used as an anchor for medium-term fiscal management.

Improving Government Finance and Debt Statistics

27. Improved government finance and debt statistics will strengthen our institutional capacity. After having strengthened our fiscal statistics with the preparation and regular publication of the table of government financial operations (TOFE) in the Government Finance Statistics Manual (GFSM) format by the DGTCP based on the GFSM 1986 TOFE, for publication in the IMF Statistical Yearbook, we intend to make the new limited accounting framework operational with a view to

using the Treasury Trial Balance (BGCT) as the main source for the TOFE in GFSM 2014 format. For public debt statistics, the DGDP intends to reinstate the regular quarterly publication of public sector debt statistics according to the 2013 Guide for Compilers and Users, to be published under *Quarterly Public Sector Debt Statistics (QPSDS)* from the second quarter of 2023.

Monetary, Financial, and Exchange Rate Policies

Monetary Policy

28. In light of the inflationary pressures, we have tightened monetary policy and are prepared to use the various tools at our disposal to limit the level of excess liquidity:

- The BCC's Monetary Policy Committee (MPC) sharply raised the policy rate from 11 percent to 25 percent at an extraordinary meeting held on August 8, 2023. At the MPC meeting of September 18, 2023, the policy rate was kept unchanged. The reserve requirement ratio on domestic currency deposits has remained unchanged at 10 percent since June 2023. The stock of BCC bills [*bons BCC*] outstanding stood at CDF160 billion at end-September 2023.
- The BCC is prepared to tighten monetary policy further if required by developments in relevant indicators. This tightening would be carried out through an expansion of the supply of BCC bills, an increase of the reserve requirement ratio on sight deposits in national currency, or by a combination of these two measures, with the objective of curbing excess liquidity over time.
- To strengthen the institutional framework for monetary policy, the BCC will conduct a study on the measures to be implemented to enhance monetary policy transmission. In line with discussions during the IMF mission, this study will also focus on the possibility of remunerating banks' mandatory reserves in CDF and on a new operating mechanism for auctions of BCC bonds. In November 2023, the BCC has requested IMF technical assistance to improve the efficiency of its monetary policy.

Exchange Rate Policy

29. We are determined to continue to strengthen our external position:

- At US\$4.9 billion in end-October 2023, gross international reserves increased sharply from their very low pre-program level (just under US\$803 million, equivalent to two weeks of imports at the end of 2020), and they significantly exceed the level projected at the beginning of the program. However, they are still inadequate, representing only approximately nine weeks of imports. We are determined to continue strengthening them, with the goal of achieving coverage of approximately 10 weeks by the end of 2023 and 13 weeks of imports in the medium term.
- During the first half of 2023, in a much less favorable environment than in 2022, we accumulated US\$96 million in net reserves, against an adjusted target of US\$23 million (**end-June 2023 PC**). This program criterion has therefore been met.

- However, as a result of a significant FX shortfall, linked to the decline in the Treasury's mining revenue (for which the equivalent in U.S. dollars is the main source of foreign exchange for the foreign exchange budget of the BCC and the Treasury), and the need for foreign exchange market interventions during the third quarter to address extreme exchange rate volatility, the original net international reserve (NIR) accumulation target for all of 2023 can no longer be achieved, although we are still determined to take every opportunity to accumulate reserves. In light of the increased uncertainties and risks, we are requesting a modification of the performance criterion for end-2023, and we are now aiming for an accumulation of US\$250 million (**end-December 2023 PC**). This level also reflects the expected decline in the foreign exchange account balances with domestic correspondent banks, the absence of any new guarantees on central government borrowing, and the planned reimbursement of existing guarantees.
- We are also committed to improving the data on external reserves. To prevent assets that are encumbered or not unconditionally available from being recorded under net international reserves, these specific assets will now be held in separate, dedicated subaccounts that were opened in September 2023 with the Bank for International Settlements (BIS).

30. We remain committed to maintaining exchange rate flexibility. For that purpose:

- It is important for the exchange rate to retain its role as a buffer for external shocks. Our foreign exchange policy will still be guided by the objectives of adequate reserves and price stability. The BCC's FX intervention policy will continue to be guided by the need to accumulate reserves, on the one hand, and to mitigate episodes of extreme exchange rate volatility that could compromise macroeconomic stability, on the other hand. We are committed to strengthen the foreign exchange market intervention framework, based on the conclusions of the IMF technical assistance.
- We will continue to ensure that the official CDF exchange rate reflects market forces. The BCC therefore no longer intends to use an exchange rate ceiling and will no longer prevent banks from offering foreign exchange to their clients at a rate depreciated by more than 1.5 percent vis-à-vis the official exchange rate from the previous day on the BCC's bilateral auction market. This measure had been used exceptionally during a period of extreme exchange rate volatility in the third quarter of 2023.
- We will continue to meet our commitments (i) not to impose or intensify restrictions on the making of payments and transfers for current international transactions; (ii) not to introduce or modify multiple currency practices; (iii) not to conclude bilateral payment agreements that are inconsistent with Article VIII; and (iv) not to impose or intensify import restrictions for balance of payments reasons (continuous PCs).

Structural Reforms

31. The modernization of the monetary policy framework is still in progress:

- The prudent monetary policy stance is based on the absence of any advances from the BCC to finance the public budget deficit, in accordance with the Organic Law of the BCC, the Public Finance Law, and the Stability Pact between the government and the BCC. For that purpose, we will respect the ceiling on changes in the BCC's net credit to government and the BCC's net domestic assets (**PCs**). The BCC will not issue any new guarantees for central government borrowing. In addition, as outlined in the program, deposits used as guarantees for existing borrowing will be credited to international reserves on maturity (**IT**).
- Since January 2022, the compulsory reserve on foreign exchange deposits has been established in foreign exchange for deposits exceeding their end-2021 level. The portion of this reserve established in domestic currency, a set stock of CDF 2,375.6 billion inherited from the former system, was reduced by CDF59 billion (2.5 percent) in August 2023 and converted into compulsory reserves for banks in foreign exchange, in the dedicated account with the BIS. As provided in the program, a further reduction will be made by the end of the year, bringing the cumulative reduction to CDF118.7 billion (5 percent) by end-2023.
- As part of the IMF's multiyear technical assistance program, we will finalize implementation of the Forecasting Policy and Analysis System (FPAS) by the end of 2024 and will take steps to make it operational and integrated in the monetary policy decision making process. We will apply the necessary accompanying measures to improve the BCC's economic analysis and forecasting capabilities, as well as its communication.
- In accordance with the principles of the [Central Bank Transparency Code](#), regular meetings of the MPC are held according to a pre-established schedule. We remain committed to communicating extensively on the Committee's decisions, particularly through a BCC press release and press conference following these meetings. Actions to strengthen communication will also cover the policies and reforms implemented by the BCC, to increase their visibility.

32. The government and the BCC are committed to strictly limiting cash transactions at BCC counters. An important step in this direction was an instruction issued in July 2023 by the President of the Republic, which has led to a significant decrease in cash payments in domestic currency since August 2023. We are also committed to reduce foreign exchange cash payments at the BCC counters. These efforts align with the requirements of the Anti-Money Laundering and Financing of Terrorism Law (AML/CFT) of December 27, 2022. We have committed to establish a framework for the execution of Treasury and BCC operations, in accordance with the aforementioned Law, particularly with regards to Articles 23 and 24 (**end-May 2024 SB**). Relatedly, the Council of Ministers will adopt a decree stipulating that no payments exceeding the threshold specified in the aforementioned law can be made in cash or with bearer securities on behalf of the central government, or its agencies, through the BCC or commercial banks, whether in CDF or in foreign exchange. In this context and to contribute to the DRC's exit from the Financial Action Task Force (FATF) Grey List, the BCC has revised Instructions 15 and 15*bis* to align them with the FATF Standards. Furthermore, it will issue an instruction mandating that the execution of its expenditures is to be fully compliant with the provisions of the aforementioned law concerning cash payments. In

this context, the few benefits of its staff that were still being paid in cash will be paid via bank transactions starting from the payroll of November 2023.

Safeguards

33. We will continue to strengthen the BCC's governance arrangements by implementing the recommendations of the 2020 Safeguards Assessment:

- There has been some delays in the ongoing work to issue the BCC's financial statements in accordance with the International Financial Reporting Standards (IFRS), although this work is continuing with technical assistance from the IMF. In this regard, we are committed to (i) recruiting and training staff on IFRS; (ii) addressing the external auditor's management letter recommendations; and (iii) conducting an actuarial study on staff benefits. We undertake to issue the BCC's 2023 financial statements in compliance with IFRS, and to have these be independently certified by the external auditor (**proposed end-May 2024 SB**).
- This transition to the IFRS will increase the amount of capital required to achieve the level of equity capital set out in the BCC's organic law, relative to the amount presented in the analysis of the BCC's recapitalization needs validated by its Board on November 7, 2022. We therefore did not proceed as planned with the signing of a new memorandum of understanding between the government and the BCC on implementation of this recapitalization (**end-September 2023 SB**). However, the recapitalization corresponding to the capital stock (CDF213 billion, determined in the Organic Law of the BCC) will be initiated in 2024 with an automatic debit from the general account of the Treasury according to an agreed schedule between the BCC and the Ministry of Finance in the Memorandum of Understanding, approved by the Board of the BCC and signed on November 20, 2023. The terms and timing of the remaining part of recapitalization will be specified in a memorandum of understanding as soon as the BCC's transition to the IFRS has been completed.
- A manager was appointed for the unit responsible for procurement in June 2023, followed by the appointment of three staff members in August 2023. This unit will be responsible for finalizing the procurement rules, for which the BCC has received technical assistance from the World Bank. The Board of Directors of the BCC will adopt these rules by the end of 2023. This unit will ultimately take responsibility for procurement, which is now the responsibility of a commission.
- The BCC will strengthen foreign exchange reserve management by applying a ceiling to foreign exchange deposits with local correspondents (excluding deposits used as collateral for central government borrowing) of 150 million at the end of December 2023 (amendment of the **end-December 2023 PC**). In addition, the BCC will not debit international reserves if this should lead to an increase in the balance of accounts with local correspondents above this limit. The BCC remains committed to closing all of its foreign exchange accounts with local correspondents. However, the opening of an external correspondent account, for which the work is in progress, is still an important prerequisite.

- The BCC will establish a compliance function with AML/CFT, ethics, and the fight against internal and external fraud as its pillars. An AML/CFT internal risk map is being developed and will be validated by the Board of the BCC.
- The BCC will continue to strengthen the independence and capacity of its internal audit function. In this context, the Board of the BCC adopted an internal audit charter in June 2023. Additionally, training activities were conducted to strengthen the capacities of the auditors and the members of the Audit Committee of the Board of the BCC.
- The external audit report for 2022 was finalized on August 28, 2023 and will be published in full as part of the 2022 Annual Report of the BCC.
- The BCC will strengthen the operational framework and governance of its international reserve management.
- The BCC will establish an emergency liquidity support framework for solvent financial institutions facing temporary liquidity risks with the aid of technical assistance from the IMF (paragraph 34).

Financial Sector

34. Implementation of the recommendations from the Financial Sector Stability Review (FSSR) is essential in strengthening financial sector supervision and regulation. Building on the technical assistance program for 2023-26 supported by the IMF, our strategy is to implement the following recommendations:

- *Financial sector Regulation:* the promulgation of the new banking law in December 2022 was an essential step in advancing reforms, particularly in revising or defining new prudential rules for credit institutions and financial companies, including payment institutions. From July to September 2023, the BCC, supported by technical assistance from the IMF, has introduced or revised 16 instructions, including Instructions 17, 18, 21, and 22 for credit institutions and financial companies other than microfinance institutions; Instruction 19 for credit institutions and financial companies; and Instructions 7, 8, and 41 for microfinance institutions. In doing so, the BCC has aligned its regulations with the new banking law and with international standards. The BCC has also issued three new Instructions (52, 53, and 54), relating to *the conditions for licensing and corporate governance of financial companies in general*, and instruction 55 relating to market discipline. Furthermore, it has revised Administrative Instruction 6 on financial messaging systems. (**end-November 2023 SB**). Beginning in May 2023, the BCC also issued an instruction establishing the rules for transactions of credit institutions and financial companies with related parties in accordance with the 20th Basel Core Principle (**end-November 2023 SB**).
- *Financial sector supervision and banking stress tests:* Following the conclusion in May 2023 of a pilot mission to monitor credit cases (with IMF technical assistance), on-site supervision activities on credit risk assessment were resumed in June 2023. We established a committee responsible

for stress tests; this committee is primarily responsible for identifying the major risks and exposures of the financial system and for preparing questions on these risks, with technical assistance from the IMF. We will finalize the recruitment of banking experts to strengthen the BCC's capacities. In addition, risk-based supervision was operationally implemented with the launch of the second general bank rating exercise. A dedicated information technology risk department within the Financial Intermediaries Supervision Directorate (DSIF) was established in September 2023.

- *Crisis management and financial safety net:* By the end of September 2024, the BCC will adopt an instruction specifying the elements to be included in banks' prevention and recovery plans, including scenarios of liquidity crisis and the loss of one or more correspondent banking relationships. Commercial banks will be required to submit these plans to the BCC by December 2024. The BCC will align its framework for providing emergency liquidity to solvent financial institutions facing temporary illiquidity to international best practices, and will review cross-border cooperation agreements with all countries of origin of the parent companies of banks established in the DRC, with a view to including recovery and resolution planning.
- *Mandate of financial stability and macroprudential policies:* to support the work of the Financial Stability Committee established in November 2021, we will create a financial stability function and provide it with the required resources; we will continue to strengthen the surveillance of non-bank financial institutions; and we will develop monitoring and early warning tools to analyze sector interdependence and interconnections.

35. Our National Financial Inclusion Strategy was finalized in June 2023. It is based on the World Bank report on financial sector development. The objectives of the strategy are: (i) to improve access to financial services and instruments; (ii) to provide more credit to households and small and medium-scale enterprises; (iii) to increase the use of mobile money and other financial technology services; (iv) to educate and protect consumers; (v) to strengthen the infrastructure and institutions; and (vi) to increase the range of insurance services available to individuals and enterprises. We will also work to restructure and strengthen microfinance institutions, which have the potential to support financial inclusion.

Structural Reforms: Improving Governance and the Business Environment

36. Improving governance and fighting corruption remain at the core of the government's strategy:

- We are strengthening the Agency for the Prevention and Fight against Corruption (APLC), that reports to the Presidency, in line with the United Nations Convention against Corruption (UNCAC) and international best practices. The review cycle under this Convention is ongoing, and responses have been provided for the first and second cycles.
- After the validation of the National Justice Reform Policy (PNRJ) and the adoption in October 2022 of the National Anti-Corruption Strategy, a priority action plan was prepared and

is monitored regularly by the Ministry of Justice, the APLC, the Observatory for Surveillance of Corruption and Professional Ethics (OSCEP), other institutions, and partners.

- Since August 2023, a database on corruption activities has been established for 10 provinces, with coverage of the remaining 16 provinces scheduled for the first quarter of 2024.
- After the heads of the Court of Auditors and its new magistrates have been appointed and taken the oath of office, on August 31, 2022, we continued to strengthen the resources of the Court of Auditors. Its budget allocation, that increased from CDF 22 billion in 2022 to CDF 87 billion in 2023, is established at CDF 96 billion the 2023 Budget Law. The General Finance Inspectorate has also carried on with its monitoring tasks and has published several reports at its [website https://igf.gouv.cd/rapports/RAPPORT_FINAL_DE_CONTROLE_DE_LA_GESTION_DES_ENVELOPPES_DES_PRIMES_ALLOUEES_AUX_CADRES_ET_AGENTS_DES_MINISTERES_DES_FINANCES_ET_DU_BUDGET_-_JUILLET_2020/14](https://igf.gouv.cd/rapports/RAPPORT_FINAL_DE_CONTROLE_DE_LA_GESTION_DES_ENVELOPPES_DES_PRIMES_ALLOUEES_AUX_CADRES_ET_AGENTS_DES_MINISTERES_DES_FINANCES_ET_DU_BUDGET_-_JUILLET_2020/14).

37. We will continue our efforts to improve transparency and governance in the mining sector:

- The validation process of the DRC by the International Secretariat of the Extractive Industries Transparency Initiative (EITI) has been finalized, and the EITI Board of Directors announced on October 13, 2022 that the DRC had achieved a high overall score and had satisfied most of the requirements. According to this validation, however, there is still scope for progress, particularly in terms of increasing transparency and the disclosure of the ultimate beneficiaries of mining agreements. The government is committed to implementing these recommendations. In addition to this validation, the government will continue to support the work of the EITI, which includes providing the budget allocations required for its operation. In addition, the EITI accounts for the past two years will be subject to an external audit.
- In particular, the government will rely on several recently published EITI reports: on the strengthening of information from public enterprises in the extractive sector; on the social and environmental obligations of extractive enterprises in Haut Katanga, Lualaba, and Haut-Uélé; and on the artisanal sector for the production of copper, cobalt, and zinc.
- We will continue to publish new agreements (**ongoing structural benchmark**) in accordance with the relevant provisions of the Mining Code and the requirements of the EITI Standards, including renegotiated agreements.¹⁷ In addition, Gécamines' 2022 financial statements, including the comments from the auditors, have been published, as had already been the case for the 2020 and 2021 accounts.

38. We undertake to improve the anti-money laundering and financing of terrorism (AML/CFT) framework by implementing the action plan agreed with the Financial Action Task

¹⁷According to Law 18/001 amending and supplementing Law 007/2002 on the Mining Code, all mining agreements must be published within 60 days after the effective date of the agreement.

Force (FATF) so that the country can be removed from the list of jurisdictions under increased monitoring (the “Grey List”):

- The promulgation of the new AML/CFT Law (22/068) in December 2022 was a key factor in our commitment. This Law has introduced innovations such as: (i) extending the application of AML/CFT measures beyond banks to the financial sector; (ii) prohibiting anonymous bank accounts; (iii) strengthening electronic transfer verification measures for politically exposed persons (PEPs); (iv) establishing basic prior customer due diligence requirements for correspondent banks; and (v) strengthening asset declaration procedures for PEPs.
- The National AML/CFT Strategy prepared by the Advisory Committee on Fighting Money Laundering and the Financing of Terrorism (COLUB) was validated at their meetings on October 19 and 20, 2023 and was submitted to the government for consideration by the Council of Ministers.
- The report on the National Risk Assessment (NRA) in connection with Money Laundering and the Financing of Terrorism, prepared with technical assistance from the World Bank, was presented to the Council of Ministers in April 2023 and to the FATF International Cooperation Review Group in May 2023. A summary of the NRA is available at the website of the National Financial Intelligence Unit (CENAREF).
- The decree endorsing the establishment of the Technical Assistance Committee, responsible for driving the required reforms in the framework of the national strategy and monitoring their progress, was signed in September 2023. This includes a high-level committee headed by the Prime Minister, an inter-institutional committee, and a technical secretariat. Within the framework of this committee, the CENAREF’s work on implementing the action plan benefits from the advice and technical assistance of the EU *Global Facility* on AML/CFT and several partners (including the World Bank, the U.S., and Germany).
- Further important progress has been made, including: (i) the signing of a decree designating the supervisory authority for designated non-financial businesses and profession; (ii) a gradual increase in the CENAREF’s resources and the strengthening of its technical and human capacities; (iii) implementation of an internal application known as “Transactus” for declarations by taxable persons; and (iv) strengthening of investigation and prosecution capacities in AML/CFT matters through the recruitment of new magistrates and the preparation of a training plan for all investigators.
- We have also forwarded two decrees to the Prime Minister for signing on the following matters: (i) the regime of targeted financial sanctions related to terrorism and its financing; and (ii) the organization and operation of the follow-up committee on targeted financial sanctions relating to terrorism and its financing.

39. We are determined to accelerate reforms to stimulate private investment:

- With the coordination of the Business Climate Unit reporting to the Presidency of the Republic and the National Investment Promotion Agency (ANAPI), the government has adopted, November 2, 2023, a roadmap including around 70 reforms to (i) facilitate the creation of enterprises (the introduction of a business visa; and the establishment of a one-stop shop for issuing licenses, permits, and specific authorizations); to (ii) facilitate access to electricity; to (iii) facilitate transfers of ownership (with a database for property registry transactions, digitization of the Kinshasa cadastral maps, and reduction of transfer times from 38 to 15 days); and to (iv) facilitate international trade (promotion of logistics platforms, establishment of the trade dispute resolution commission, and adoption of the Law on Electronic Exchange and Trade).
- We also want a fair, predictable tax collection system to avoid accusations of tax harassment (the revenue mobilization objective must not be at odds with improving the business climate), and we are working to improve the judicial system for the resolution of commercial disputes, with the application and the protection of ownership and contractual rights.
- Last, the first National Business Climate Barometer, intended to periodically assess the level of satisfaction of economic operators with the reforms and all aspects related to the business environment, was revealed on June 6, 2023. In response to this barometer, that reflects the concerns of economic operators on taxation and parafiscal matters, legal security, the political environment, management of public procurement, and the quality of administration and infrastructures, the government adopted an Emergency Plan at the meeting of the Council of Ministers of July 28, 2023, that is monitored on an ongoing basis and reviewed regularly by the Council of Ministers.

40. We intend to strengthen our legal and institutional framework for managing public-private partnerships (PPPs) and the relevant fiscal risks. Primarily:

- Pursuant to Law PPP 18/016 of July 9, 2018 on Public-Private Partnerships, on October 23, 2023, we signed the implementing decree of this Law regulating: (i) the procedures for granting government guarantees; (ii) the procedures for approving PPP agreements; (iii) the referral [*saisine*] procedures in respect of public institutions; and (iv) the procedures for carrying out the preliminary comparative assessment of PPP options as against other forms of public procurement (**end-June 2023 SB**). To date, we have identified 19 PPP agreements, nine of which are published at the website of the Public Procurement Regulation Authority (ARMP), which undertakes to publish the rest. A comprehensive register, including contracts in preparation, is available from the PPP Coordination Unit (UC-PPP).
- Also, with the aim of strengthening the institutional framework for PPPs, the same decree clarifies the roles and responsibilities (i) of the Ministry of Planning in the identification and selection of projects; (ii) of the sector ministries in the negotiation of PPPs with the assistance of the UC-PPP; and (iii) of the Ministries of Finance and Budget in the approval of PPP projects after their evaluation, including a fiscal risk analysis. The electronic register of guarantees with the DGDP of the Ministry of Finance will be effective by March 2024.

41. We will establish all necessary safeguards before making a national development bank or any new public or parastatal financial institution operational. A business plan, including the identification of funding sources, a fiscal risk analysis, a robust governance structure, and a credit risk analysis system will be prepared in coordination with IMF staff before any of such units become operational. In its operations, this bank will also be required to comply with all procurement procedures applicable to government institutions and will be supervised by the BCC. In addition, we will streamline the public financial companies and agencies to consolidate our efforts.

E. Other Issues and Program Monitoring

42. We will continue to build the capacities of our institutions, with the support of our partners. The technical assistance has contributed to essential diagnostics in the implementation of our reform plans, including a comprehensive diagnostic of governance, the Financial Sector Stability Review (FSSR), and Public Investment Management Assessment (PIMA). An expert from the IMF Fiscal Affairs Department (funded by the Government of Japan as part of the project entitled "Strengthening Fiscal Sustainability in Fragile Sub-Saharan African Countries") has been in place since November 2022, along with two budget and fiscal experts financed by the Belgian cooperation authorities (Enabel) based in Kinshasa, who are working in close collaboration with the IMF technical assistance. We were also pleased to welcome in October 2023 an expert made available to the BCC by the Monetary and Capital Markets Department, IMF.

43. We remain committed to improving our statistics, the quality of which is generally adequate for program monitoring and follow-up.

- We reiterate our commitment to ensure that the data provided in the Technical Memorandum of Understanding (TMU) are proactively submitted within the prescribed time frames.
- After having published the new revised GDP series up to 2019 according to the System of National Accounts (SNA) 1993 and with 2005 as the base year, we updated the series to 2021 and published it in June 2023 with technical assistance from the IMF Technical Assistance Center for Central Africa (AFRITAC Central) and the IMF Statistics Department. The new base year (2019) for GDP will be established in the framework of the migration to SNA 2008 launched in 2023.
- Since March 2023, the BCC has been submitting its financial soundness indicators to the IMF on a quarterly basis, for publication.
- The BCC agrees that the DSIF will provide access rights to statisticians from the Research and Statistics Directorate (DRS) and the Economic Analyses Directorate (DAE) to enable them to remotely load banks' aggregate financial statements with a view to producing more reliable, current monetary data.
- We will continue to support the National Statistics Office and other government institutions responsible for producing official statistics in the fulfillment of their duties, and we look forward to continuing technical and financial assistance from our partners. Our priorities include

improving the collection of data on debt, particularly on public enterprises and the provinces, and debt management; improving the quality and frequency of data transmission by the BCC; and improving the accuracy of the economic indicators.

44. The Extended Credit Facility program will continue to be evaluated on the basis of quantitative performance criteria, indicative targets, and structural benchmarks (Tables 1 and 2) with a final review during the first half of 2024. The definitions of the key concepts and indicators, as well as the data submission requirements, are provided in the attached Technical Memorandum of Understanding. The sixth and final review should be completed on or after March 15, 2024, based on the test date for the periodic performance criteria at end-December 2023. Under the leadership of the Minister of Finance, the Minister of Budget, and the Governor of the BCC, a technical troika chaired by the Ministry of Finance and comprising the Ministry of Budget and the BCC is responsible for monitoring program implementation. The Technical Committee for the Monitoring and Evaluation of Reforms (CTR) will provide coordination, the technical secretariat, and the liaison with the IMF in the transmission of information to be shared with Fund staff in accordance with the TMU. The external auditors of the BCC will validate the quantitative monetary criteria and transactions on the account with the BIS monitored by the IMF on the test dates.

Table 1. Democratic Republic of the Congo: Proposed Quantitative Performance Criteria and Indicative Targets for the Three-Year Extended Credit Facility Arrangement

	2023												2024	
	End-June				End-Sept.				End-Dec.		End-March			
	QPC				IT				QPC		IT			
	CR No. 23/244	Adjusted	Outturn	Status	CR No. 23/244	Adjusted	Prel. Outturn	Status	CR No. 23/244	Proposed	CR No. 23/244	Proposed		
Quantitative Performance Criteria														
Floors on changes in net international reserves of the BCC (US\$ millions)	250	23	96	Met	700	722	188	Not met	700	250	200	80		
Ceilings on changes in net BCC credit to central government (CDF billions) 1/	405	852	-61	Met	405	449	-312	Met	405		0			
Ceilings on changes in net domestic assets of the BCC (CDF billions)	450	897	-110	Met	450	494	-1,080	Met	300		0			
Ceilings on the accumulation of external payment arrears (US\$ millions) 2/	0		0	Met	0		0	Met	0		0			
Floors on the domestic fiscal balance (cash basis, CDF billions)	-430	1,468	-526	Not met	-800	57	-1,691	Not met	-831	-1,400	-213	-462		
Ceilings on contracting or guaranteeing of new external debt by the public sector (present value, US\$ millions)	1,500		454	Met	1,750		454	Met	2,500		1,000			
Ceilings on the levels of foreign currency assets of the BCC held with domestic correspondents (US\$ millions)	250		211	Met	250		139	Met	200	150	200	150		
Indicative Targets														
Ceilings on the changes in deposits of the BCC used as collateral/guarantee for central government loans (US\$ millions)	-34		-34	Met	-47		-48	Met	-61		-6			
Floors on revenues of the central government (CDF billions)	10,723		8,646	Not met	16,321		14,129	Not met	20,191	18,542	4,486	3,545		
Floors on social spending (CDF billions)	42		34	Not met	64		44	Not met	75		21			
Ceilings on the accumulation of wage arrears of the central government (US\$ millions)	0		0	Met	0		0	Met	0					
Ceilings on the wage bill (CDF billions)	3,560		3,504	Met	5,345		5,360	Not met	7,130		0	2,031		
Ceilings on central government expenditures executed under emergency procedures (in percent of total domestically financed expenditures)					12		22	Not met	10		10			
Memorandum items:														
Adjustors														
Balance of payments support (US\$ millions)	600		121		640		622		664	662	250	56		
Privatization proceeds (US\$ millions)	0		0		0		0		0	0	0	0		
External debt service payments (US\$ millions)	165		153		224		193		289	239	100	48		
Statutory reserve requirements for foreign currency deposits (CDF billions)														
Domestic arrears payments (CDF billions)	1,093		182		1,278		421		1,582	854	151	0		
Domestically-financed investment (CDF billions)	1,959		971		1,750		2,149		2,130	2,455	2,172	864		
Central government revenues (CDF billions)	10,723		8,646		15,987		8,646		20,191	19,035	4,486	3,545		

Sources: Congolese authorities and IMF staff estimates.

1/ Ceilings are positive to account for the partial use of SDR allocation for fiscal purposes (see IMF Country Report No. 22/3 Box 1).

2/ Continuous.

Table 2. Democratic Republic of the Congo: Structural Conditionality Under the ECF Arrangement

Actions	Rationale	Date	Status
Request for an ECF Arrangement			
BCC Board fully constituted in accordance with the requirements of the 2018 Central Bank Law	Improve governance of the central bank according to the safeguards assessment recommendations	Prior action	Met
Adopt the EITI roadmap on mining transparency (validated by the Council of Ministers)	Improve transparency in the mining sector	Prior action	Met
First Review			
Publish the full 2020 financial statements of Gécamines, including auditor's comments	Improve transparency in the mining sector	End-August 2021	Met
Consolidate all legal documents on non-tax revenues in a single document	Rationalize non-tax revenues	End-September 2021	Met
Submit to Parliament the draft of the new Commercial Banking Law that integrates IMF's staff comments	Enhance financial stability and banking supervision	End-November 2021	Not met
Publish all new mining contracts	Improve transparency in the mining sector	Continuous	Met
Second Review			
Adopt the new reserve requirement regulation of the BCC on new FX deposits	Enhance financial stability and banking supervision	End-December 2021	Met
Sign an MoU between the BCC and the ministry of Finance to regularize the outstanding credit of the BCC to the government	Provide the BCC with space for monetary policy implementation	End-December 2021	Met
Fully implement ASYCUDA World in the electronic single-window at 10 additional customs offices	Improve customs administration	End-December 2021	Met
Recruit an independent auditor to perform an external audit of BCECO for the years 2017-21	Improving public investment efficiency	End-March 2022	Met
Publish all new mining contracts	Improve transparency in the mining sector	Continuous	Not met

Table 2. Democratic Republic of the Congo: Structural Conditionality Under the ECF Arrangement (continued)

Actions	Rationale	Date	Status
Third Review			
Publish the renegotiated contract allowing the return of mining assets in favor of the State	Improve transparency in the mining sector	Prior action	Met
Revision of instruction decree to make the VAT a self-liquidating system for miners consistent with existing legislation and international best practices, so it applies to mining companies, not to specific products	Improve VAT administration	End-June 2022	Met
Publish the 2022 government spending plans aligned with program targets	Improve fiscal transparency	End-July 2022	Met
Adopt a plan to rationalize non-tax charges	Rationalize the tax system	End-September 2022	Not met ^{1/}
Implementation of the first phase of the excise duty traceability system (STDA)	Improve excise tax administration	End-September 2022	Not met
Adopt a decree on budget governance in line with CD recommendations	Improve public finance management	End-October 2022	Met
Validate the analysis of the BCC's recapitalization needs by the BCC Board	Reinforce the solvency of the BCC	End-November 2022	Met
Publish all new mining agreements in accordance with the relevant provisions of the Mining Code and the requirements of the EITI standards, including renegotiated agreements	Improve transparency in the mining sector	Continuous	Met
Fourth Review			
Complete the audit certifying domestic arrears (¶120)	Improve public finance management	End-December 2022	Met
Adopt a decree on public investment management covering the life cycle of projects, consistent with recommendations in the PIMA report (¶124)	Improve public investment management	End-May 2023	Met

Table 2. Democratic Republic of the Congo: Structural Conditionality Under the ECF Arrangement (continued)

Actions	Rationale	Date	Status
Adopt a regulatory framework defining the perimeter and the structure of the Single Treasury Account (¶125)	Improve public finance management	End-May 2023	Met
Publish all new mining agreements in accordance with the relevant provisions of the Mining Code and the requirements of the EITI standards, including renegotiated agreements (¶137) ^{2/}	Improve transparency in the mining sector	Continuous	Not Met
Fifth Review			
Make an inventory of parafiscal charges in special accounts and supplemental budgets (¶117)	Rationalize the tax system	End-June 2023	Met
Sign all the decrees implementing the law on public-private partnerships (¶140)	Improve public investment management	End-June 2023	Not Met
Update the Budget Execution Manual to include the provisions of the PFM Organic Law and sign the Public Accounting Decree clarifying eligibility for expenditures under emergency procedures (¶124)	Improve public finance management	End-July 2023	Not Met
Sign a decree specifying that any salary increases must be agreed jointly by the Ministers of Budget, Finance, and Public Service (¶122)	Improve public finance management	End-July 2023	Met
Complete the second phase of the non-tax revenue rationalization plan in line with the IMF recommendations (¶116)	Rationalize non-tax revenues	End-September 2023	Met
Sign a memorandum of understanding on the implementation of the BCC's recapitalization (¶133)	Improve the independence of the BCC	End-September 2023	Not Met
Adopt a related parties regulation in line with the Basel Core Principle 20 (¶134)	Strengthen banking regulation and prudential norms	End-November 2023	Met
Revise and expand BCC regulations to comply with the new banking law as described in MEF¶134	Enhance financial stability and banking supervision	End-November 2023	Met

Table 2. Democratic Republic of the Congo: Structural Conditionality Under the ECF Arrangement (concluded)

Actions	Rationale	Date	Status
Publish all new mining agreements in accordance with the relevant provisions of the Mining Code and the requirements of the EITI standards, including renegotiated agreements (¶137)	Improve transparency in the mining sector	Continuous	Met
Sixth Review			
Adopt a public investment management procedures manual (¶124)	Improve public investment management	End-December 2023	
Establish a framework for the execution of Treasury and BCC operations in accordance with the AML/CFT law (¶132).	Strengthen the AML/CFT framework	End-May 2024	
Adopt the BCC's FY2023 financial statements in compliance with IFRS. (¶133)	Strengthen central bank safeguards	End-May 2024	Proposed
Publish all new mining agreements in accordance with the relevant provisions of the Mining Code and the requirements of the EITI standards, including renegotiated agreements (¶137)	Improve transparency in the mining sector	Continuous	
Sources: Congolese authorities and IMF staff. 1/ The plan was adopted on October 7, 2022. 2/ Staff has recently become aware of certain contracts signed in March 2022 that were not published. The authorities have now published all the relevant contracts. However, had this information been available to staff at the time of the third review, it would have affected the assessment of this structural benchmark. According to Law No. 18/001 amending and supplementing Law No. 007/2002 on the Mining Code, all mining agreements must be published within sixty days following the date of the contract's entry into force.			

Attachment II. Technical Memorandum of Understanding

1. This **Technical Memorandum of Understanding (TMU)** contains definitions and adjustment mechanisms that clarify the measurement of quantitative performance criteria and indicative targets in Tables 1 and 2, which are attached to the Memorandum of Economic and Financial Policies. Unless otherwise indicated, all performance criteria and indicative targets will be evaluated in terms of cumulative flows since the beginning of each calendar year.

A. Definitions

2. For purposes of this TMU, **external** and **domestic** shall be defined on a residency basis.

3. **Institutional coverage:** The **central government** comprises all units of government that exercise authority over the entire economic territory. However, unless otherwise indicated for the purposes of this memorandum, the central government does not include nonprofit organizations controlled and financed by the central government. The **banking system** comprises the Central Bank of the Congo (BCC) as well as deposit-taking institutions.

4. The **program exchange rates** for the purposes of this TMU are as follows (BCC indicative rates as of December 31, 2020):

- Variables denominated in U.S. dollars will be converted to Congolese francs by using the program exchange rate of CDF1,971.8046 per U.S. dollar.
- Variables denominated in SDRs will be valued at the program exchange rate of CDF2,852.0774 per SDR.
- Variables denominated in euros will be valued at the program exchange rate of CDF2,421.1594 per euro.
- In addition, variables denominated in currencies other than the U.S. dollar, SDR or Euro will first be converted to U.S. dollars at the December 31, 2020, US\$/currency official exchange rate (obtained from the IMF *International Financial Statistics*), then converted to Congolese Francs by using the program exchange rate CDF/\$.

5. **Quantitative Performance Criteria (QPCs)** included in the program, as defined below, refer to the net international reserves (NIR) of the BCC, foreign currency assets of the BCC held with domestic correspondents, net BCC credit to the government, net domestic assets of the BCC, external payments arrears, contracting or guaranteeing of new external debt by the public sector, and the domestic fiscal balance (cash basis). Performance criteria are set for end-June 2023 and end-December 2023, while indicative targets are set for end-September 2023 and end-March 2024.

6. In addition to the specific QPCs listed in paragraph 5, as for any Fund arrangement, **continuous PCs** also include the non-introduction of exchange restrictions and multiple currency

practices. Specifically, continuous conditionality covers (i) non-imposition or intensification of restrictions on the making of payments and transfers for current international transactions; (ii) non-introduction or modification of multiple currency practices; (iii) non-conclusion of bilateral payments agreements that are inconsistent with Article VIII; and (iv) non-imposition or intensification of import restrictions for balance of payments reasons. These continuous PCs, given their non-quantitative nature, are not listed in the QPC table annexed to the MEFP.

B. Quantitative Performance Criteria and Adjustors

Floors on Changes in Net International Reserves of the BCC

7. Definition: **Net international reserves (NIR)** are defined as the difference between the BCC **gross foreign reserves** and its **total foreign liabilities**, excluding SDR allocations.

8. Definition: **Gross foreign reserves** are defined broadly consistent with the Sixth Edition of the Balance of Payments Manual and International Investment Position Manual (BPM6) and are defined as the sum of the following items: (i) monetary gold holdings of the BCC kept abroad; (ii) SDR holdings kept abroad; (iii) receipts in foreign currency and (v) convertible claims on nonresidents, such as foreign deposits and foreign securities. The following items are excluded from the definition of gross foreign reserves: any claim on residents in foreign exchange, nonconvertible currency holdings, assets whose availability is subject to conditions and assets that are encumbered or pledged in one form or another, including but not limited to reserve assets used as collateral or security for foreign third-party liabilities, and swap transactions.

9. Definition: **Total foreign liabilities** are all BCC foreign exchange liabilities to nonresidents, including the IMF but excluding SDR allocations.

10. The following **adjustments** will be made to the NIR floors:

- **Balance of payments support (BPS):** NIR floors will be adjusted upward by an amount equivalent to 50 percent of BPS in excess of the programmed levels. NIR floors will be adjusted downward by an amount equivalent to 50 percent of the shortfall of BPS relative to programmed levels.
- **External debt service payment:** NIR floors will be adjusted (i) upward by an amount equivalent to under payment of external debt service relative to programmed amounts; or (ii) downward by an amount equivalent to the excess of external debt service payments relative to programmed amounts.
- **Privatization proceeds in convertible currencies (PPCC):** NIR floors will be adjusted upward by 50 percent of total PPCC in excess of the programmed levels. There will be no downward adjustment for any shortfall in these proceeds.

11. Definition: **BPS** is defined as all disbursed foreign grants and loans to the central government, excluding those tied to projects.
12. Definition: **External debt service payments** for the central government are defined as interest and principal due to foreign creditors (excluding the IMF).

Ceilings on the Levels of Foreign Currency Assets of the BCC Held with Domestic Correspondents

13. Definition: **Foreign currency assets of the BCC held with domestic correspondents** are defined as the assets of the BCC (i) denominated in any currency other than the Congolese franc; (ii) held with institutions or subsidiaries domiciled in the Democratic Republic of Congo; (iii) but excluding deposits of the BCC used as collateral/guarantee for central government loans (as defined in ¶29).

Ceilings on Changes in Net Domestic Assets of the BCC

14. Definition: The **net domestic assets** (NDA) of the BCC are defined as narrow base money (¶15) minus NIR (¶17) minus external assets excluded from NIR, minus **Treasury securities issued for the benefit of the BCC** (¶17) minus, beginning in December 2022, reserve requirements fulfilled by deposit-taking institutions. Based on this definition, the NDA of the BCC include: (i) net credit to the central government (¶16); (ii) credit to the private sector; (iii) credit to public enterprises; (iv) credit to commercial banks; (v) other claims on the rest of the economy (on other financial institutions, and other non-financial institutions); and (vi) other net assets.
15. Definition: **Narrow base money** is defined as the sum of (i) currency in circulation; (ii) cash holdings by banks; (iii) bank deposits held with the BCC; (iv) nonbank private sector deposits held with the BCC; and (v) public enterprises deposits held with the BCC.

The following adjustments will be made to the NDA ceilings:

- **BPS:** NDA ceilings will be adjusted downward by an amount equivalent to 50 percent of BPS in excess of the programmed level. NDA ceilings will be adjusted upward by an amount equivalent to 50 percent of the shortfall of BPS relative to programmed levels.
- **External debt service payment:** NDA ceilings will be adjusted (i) downward by an amount equivalent to under payment of debt service relative to programmed amounts; and (ii) upward by an amount equivalent to the excess of external debt service payments relative to programmed amounts.
- **Statutory reserve requirements for foreign currency deposits:** Before December 2022, NDA ceilings will be adjusted upwards (downwards) by the increase (decrease) in the statutory reserve requirements for foreign currency deposits relative to program projections (memorandum item).

- **Privatization proceeds:** NDA ceilings will be adjusted downward by 50 percent of the total amount of privatization proceeds (including PPCC) in excess of the programmed level. There will be no upward adjustment to the NDA ceilings for any shortfall in these proceeds.

Ceilings on Changes in Net Central Bank Credit to the Central Government

16. Definition: **Net central bank credit to the central government** (NCG) is defined as the difference between gross BCC claims on the central government minus central government deposits at the BCC. Government deposits include those related to the Convention on the distribution of SDRs between the government and the BCC. For purposes of program monitoring, central government deposits related to externally financed projects and **Treasury securities issued for the benefit of the BCC** are excluded from NCG.

17. Definition: **Treasury securities issued for the benefit of the BCC** are remunerated securities issued by the Treasury to recapitalize the BCC or to regularize historical claims of the BCC on the government; they cover past operating losses, unsecuritized operating losses from 2011 and later years, unpaid interest payments for securities linked to operating losses of the BCC, and foreign currency translation losses. These securities notably include Treasury bonds redeemable at maturity resulting from the December 2021 *Memorandum of Understanding between the Government and the BCC on the regularization of its claims on the Treasury*, and its April 2022 amendment. Non-remunerated BCC credit to the government, non-interest yielding Treasury securities, and BCC advances to the Treasury are excluded from this definition.

18. **The following adjustments** will be made to the NCG ceilings:

- **BPS:** NCG ceilings will be adjusted downward by an amount equivalent to 50 percent of total BPS in excess of the programmed level. NCG ceilings will be adjusted upward by an amount equivalent to 50 percent of the shortfall of BPS relative to programmed levels.
- **External debt service payment:** NCG ceilings will be adjusted (i) downward by an amount equivalent to under payment of debt service relative to programmed amounts; and (ii) upward by an amount equivalent to the excess of external debt service payments relative to programmed amounts.
- **Privatization proceeds:** NCG ceilings will be adjusted downward by an amount equivalent to 50 percent of total privatization proceeds (including PPCC) in excess of the programmed levels. There will be no upward adjustment for any shortfall in these proceeds.

Floors on the Domestic Fiscal Balance

19. Definition: The **domestic fiscal balance** (cash basis) is defined as domestic revenue minus domestically financed expenditure. **Domestic revenue** is defined as total revenue and grants minus grants. **Domestically financed expenditure** is defined as total expenditure minus externally financed investments (loans and grants) minus foreign interest payments plus the net accumulation of domestic arrears.

20. The following adjustments will apply to the floor on the domestic fiscal balance:

- **Domestic arrears payments:** Domestic budget balance floors will be adjusted downward (higher deficit) by the amount of domestic arrears repayments made above the programmed amount; symmetrically, they will be adjusted upward (lower deficit) by the amount of domestic arrears repayments made below the programmed amount.
- **Domestically-financed investment:** Domestic budget balance floors will be adjusted upward (lower deficit) by the amount of domestically-financed investment made below than the programmed amount.
- **Privatization proceeds:** Domestic fiscal balance floors will be adjusted: (i) upward by an amount equivalent to the full shortfall of privatization relative to programmed levels; (ii) downward by 50 percent of the total amount of privatization proceeds in excess of the programmed levels.
- **Revenues of the central government:** The floors of the domestic fiscal balance will be adjusted upwards by an amount equivalent to 80 percent of the revenues of the central government in excess of the programmed level. There will be no downward adjustment for revenue shortfalls.

21. Definition: **Domestic arrears** are defined as obligations to domestic public suppliers that have not been settled by the date of their due date in accordance with contractual provisions with a delay of at least 60 days, also including VAT credits due but not reimbursed, and which have been certified and validated by the government.

Ceilings on the Accumulation of External Payment Arrears

22. Definition: **External payment arrears** are defined as external debt service obligations (principal and interest) of the central government that were not paid on the contractual due date. The ceilings on new external payment arrears apply **continuously** throughout the period covered by the Extended Credit Facility (ECF) arrangement. It does not apply to external payment arrears in process of renegotiation or to cases in which the creditor has agreed to the suspension of payments pending the outcome of negotiations. For the purposes of this continuous PC, which is monitored continuously, the government will immediately report to the IMF staff any new external arrears it accumulates.

Ceilings on the Present Value of Contracting or Guaranteeing of New External Debt by the Public Sector

23. Definition: The **public sector** comprises the central government, local governments, the BCC, state-owned enterprises,¹⁸ decentralized territorial entities and public entities controlled and financed by the central government.

¹⁸ Only Gécamines, SNEL, and MIBA are included in the QPC.

24. Definition: **Debt** is defined as set out in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No.16919-(20-103), adopted October 28, 2020. The external debt is defined as contracted when all parties signed the debt contract. For program purposes, external debt is measured on a gross basis using the residency criterion.

25. Definition: The **guarantee** of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind), or from any implicit legal or contractual obligation of the public sector to finance partially or in full any shortfall incurred by the debtor.

26. Definition: The **present value** (PV) of new external debt is calculated by discounting all projected disbursements and debt service payments (principal and interest) on the basis of a program discount rate of 5 percent and taking account of all loan conditions, including projected disbursements, the maturity, grace period, payment schedule, front-end fees and management fees. The PV is calculated using the IMF “Fund’s concessionality calculator,” which is based on the amount of the loan and the above parameters. In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the face value.

27. Definition: **Ceiling.** From March 2022, a performance criterion applies to the PV of new external debt (understood as debt by non-residents) contracted or guaranteed by the public sector with original maturities of one year or more. The ceiling applies to debt contracted or guaranteed for which value has not yet been received. It excludes the use of Fund resources as well as normal import credits having a maturity of up to one year.¹⁹

28. Definition: **Reporting Requirement.** The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government and will consult with staff on any potential debt management operation.

C. Indicative Targets

Ceilings on the Changes in Deposits of the BCC Used as Collateral/Guarantee for Central Government Loans

29. Definition: **Deposits of the BCC used as collateral/guarantee for central government loans** cover central government loans guaranteed by the BCC, and is specifically understood to include central government liabilities secured by liens over BCC deposits in local or foreign currency.

Floors on Revenues of the Central Government

¹⁹ A financing arrangement for imports is considered to be “normal” when the credit is self-liquidating.

30. Definition: **Revenues of the central government** are defined in line with the Government Finance Statistics Manual (GFSM 2001) but on a cash accounting basis, excluding grants. Revenue is an increase in net worth of the central government (including its units in the provinces and agencies) resulting from a transaction.

- Revenues of the central government include taxes and other compulsory transfers imposed by central government units, property income derived from the ownership of assets, sales of goods and services, social contributions (excluding pensions contributions received by the central government), interest, fines, penalties and forfeits and voluntary transfers received from nongovernment other than grants. The definition, for program monitoring, excludes grants and other noncompulsory contributions received from foreign governments and international organizations; such transfers between central government units would be eliminated in the consolidation of the fiscal reports and not recorded as revenue. Receipts from the sale of nonfinancial assets (e.g., privatization and signature bonuses from natural resource contracts), and transactions in financial assets and liabilities, such as borrowing but excepting interest payments, are also excluded from the definition of revenue. Transfer of profits from BCC to the Treasury is also excluded from the definition of revenue. The revenue of special accounts and budgets are also excluded.
- Revenues should be recognized on a cash basis and flows should be recorded when cash is received. Exceptional advanced payments will be treated as if received on the normal due date.

Floors on Social Spending

31. Definition: **Social spending** are central government expenditures (excluding wages) and are defined as the sum of:

- Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCAH) and primary health care spending
- Disbursement of Gavi-supported vaccine co-financing and traditional vaccines procurement
- Disbursement of TB/Malaria/HIV/AIDS co-financing

Ceilings on the Accumulation of Wage Arrears of the Central Government

32. Definition: **Wage arrears** are defined as approved personnel wages and salaries that have not been paid for 60 days. Wages and salaries include the total compensation paid to public service employees, including permanent benefits. These arrears will be valued on a cumulative basis from July 1, 2021.

33. Definition: **Public service employees** are defined as civil, police, and military personnel either statutory civil servants or under contract of the central government.

Ceilings on the Wage Bill

34. Definition: The **wage bill** is defined as the total compensation paid to public service employees (see ¶33), including permanent benefits.

Ceilings on Central Government Expenditures Executed Under Emergency Procedures

35. Definition: **Central government expenditures executed under emergency procedures** are expenditures that have not been executed according to the normal procedures of the expenditure chain.

36. Definition: The **ceiling** is defined quarterly as the percentage of central government expenditure executed under emergency procedures relative to total domestically financed central government expenditure.

D. Data to be Reported for Program Monitoring Purposes

The authorities of the DRC will provide IMF staff with the data needed to monitor the program within the prescribed time limits, as indicated in the following table.

Text Table 1. Democratic Republic of the Congo: Overview of Data to be Transmitted by the Authorities				
	Description of Data	Reporting Institution	Data Frequency (Reporting frequency, if different)	Reporting Lag (Business days)
1	Exchange rates and FX market statistics Including rates and volumes submitted by commercial banks, foreign exchange bureaus and the BCC; official exchange rates (<i>cours indicatif</i>); parallel exchange rates; BCC interventions; BCC auctions of FX; FX supply and demand reported by commercial banks	BCC (Direction des Opérations Bancaires et des Marchés (DOBM); Direction de la recherche et des statistiques (DRS))	Daily (Weekly)	1
2	External assets and liabilities of the BCC Disaggregated by category and currency; NIR and GIR under program definition.	BCC (Direction des Opérations Bancaires et des Marchés (DOBM))	Daily (Weekly)	1

Text Table 1. Democratic Republic of the Congo: Overview of Data to be Transmitted by the Authorities (continued)

3	Monetary policy instruments and interventions Bons BCC, swap facility, emergency lending windows, interbank market (rates and volumes, by bank)	BCC	Daily (Weekly)	1
4	Reserves of deposit institutions at the BCC Requirements and excess reserves	BCC (Direction de la surveillance des intermédiaires financiers (DSIF))	Daily (Weekly)	1
5	Depository Corporations Survey (DCS) Central bank and other depository institutions surveys	BCC	Monthly	10
6	Detailed monetary survey Standardized report forms 1SR & 2SR	BCC	Monthly	10
7	Government deposits at the BCC and commercial banks By type, entity, and currency	BCC	Monthly	10
8	BCC Guarantees Promissory notes, term deposits, guaranteed deposits, or any other type of contracted guarantee of the BCC in local commercial banks (by bank, category, term and currency); for guarantees, detailed information on payments related to guaranteed loans, and conditions of those loans and related guarantees.	BCC	Monthly	10
9	BIS 2D FMI USD account statement Account statement (electronic downloadable data format) provided by the BIS for two-day deposit account in USD opened in the BCC books to record IMF-related disbursements	BCC	Monthly	10
10	Quantitative performance criteria monitoring Net international reserves, net BCC credit to the government, BCC net domestic assets, foreign currency assets of the BCC held with domestic correspondents.	BCC	Monthly	15
11	BCC Cash Payments BCC and fiscal agent operations, by currency and execution procedure	BCC	Monthly	10

Text Table 1. Democratic Republic of the Congo: Overview of Data to be Transmitted by the Authorities (continued)				
12	Local currency budget of the BCC	BCC	Monthly	3
13	Commercial Banks' Balance Sheets Detailed asset and liabilities tables, for each deposit institution and aggregated, divided between local and foreign currency.	BCC (Direction de la surveillance des intermédiaires financiers (DSIF))	Monthly	10
14	Financial Soundness Indicators (FSI) Capital adequacy, asset quality, profitability, liquidity, market risk sensitivity	BCC (Direction de la surveillance des intermédiaires financiers (DSIF))	Monthly	10
15	Interest rates term structure Of deposit institutions and of the BCC	BCC (Direction de la surveillance des intermédiaires financiers (DSIF))	Monthly	10
16	FX budget of the BCC (<i>Budget en devises</i>)	BCC (Direction des opérations bancaires et des marchés (DOBM))	Weekly	5
17	Statistical summary Key outputs	BCC	Monthly	15
18	Exports and imports of commodities Value and volume	BCC	Monthly	15
19	Capital and financial account operations of the balance of payments	BCC	Quarterly	15
20	GDP estimates and forecasts	CESCN	Quarterly	45
21	Expenditures made using emergency procedures Amounts approved by the Committee on emergency spending and amounts paid and regularized by the BCC	<i>Comité des urgences</i>	Quarterly	15
22	Revenues from customs and excise taxes Including from the mining sector, broken down by category	DGDA	Monthly	40
23	Revenues from direct and indirect taxes	DGI	Monthly	40
24	Revenues from the mining sector By type	DGI	Monthly	40
25	Corporate tax (<i>IBP</i>) subscriptions	DGI	Annual	20

Text Table 1. Democratic Republic of the Congo: Overview of Data to be Transmitted by the Authorities (continued)				
26	Non fiscal revenues Excluding from provinces, including revenues from mining sector	DGRAD	Monthly	20
27	Privatization proceeds	DGRAD	Punctual, in case of assets sale	15
28	Indicators of domestic production	INS	Monthly	15
29	Consumer Price Index	INS	Weekly	5
30	Estimate of the fuel pricing policy's budgetary cost	Ministry of the Economy (validated by the Ministry of Finance)	Quarterly	40
31	External arrears Updated amounts	Ministry of Finance (Direction Générale de la Dette Publique (DGDP))	Monthly	15
32	External debt service Interest and principal, detailed by creditor	Ministry of Finance (Direction Générale de la Dette Publique (DGDP))	Monthly	10
33	Domestic debt of the central administration Stock and debt service, by category and by creditor	Ministry of Finance (Direction Générale de la Dette Publique (DGDP))	Quarterly	15
34	External public debt incurred Including by the central or local governments, state-owned enterprises (Gécamines, Sicomines, SNEL, MIBA) and the BCC; details about associated guarantees/collateral	Ministry of Finance (Direction Générale de la Dette Publique (DGDP))	Punctual, in case of signature of a debt contract	15
35	Stock of outstanding external public debt Including by the central or local governments, state-owned enterprises (Gécamines, Sicomines, SNEL, MIBA) and the BCC; details about associated guarantees/collateral	Ministry of Finance (Direction Générale de la Dette Publique (DGDP))	Annual	30
36	Status of natural resource revenue collection	Ministry of Finance (Comité Technique de suivi et évaluation des Réformes (CTR))	Quarterly	20

Text Table 1. Democratic Republic of the Congo: Overview of Data to be Transmitted by the Authorities (concluded)				
37	Government cash flow plan (<i>Plan de trésorerie, PTR</i>) Execution and projections	Ministry of Finance (Direction Générale du Trésor et de la Comptabilité Publique (DGTCP))	Weekly	5
38	Treasury bills and bonds Issuance amounts, maturities, and interest rates; amortization.	Ministry of Finance (Comité des titres)	Weekly	3
39	Mining exports By mineral and by company, as well as annual projections	Ministry of Mines (Cellule Technique de Coordination et de Planification Minière (CTCPM))	Monthly & Quarterly	10
40	Budget arrears Updated stock	Ministry of Budget (Direction du Contrôle Budgétaire (DCB))	Annual	15
41	Budget tracking report (<i>État de suivi budgétaire</i>)	Ministry of Budget (Direction Générale des Politiques et Programmation Budgétaire (DGPPB))	Monthly	10
42	Wage arrears Stock, including details per category	Ministry of Budget (Direction de la Paie)	Monthly	60
43	Projected spending commitment plan	Ministry of Budget (Direction du Contrôle Budgétaire (DCB))	Quarterly	10
44	Economic outlook note Prepared for the meeting with the Prime Minister	Ministry of Planning (Direction des études macroéconomiques (DEME))	Weekly	3

**Statement by Mr. Sylla, Executive Director, and Ms. Nkusu, Senior Advisor to Executive Director,
on the Democratic Republic of the Congo Fifth Review Under the Extended Credit Facility
Arrangement, Request for Modification of Quantitative Performance Criterion, Request for
Waivers of Nonobservance of Performance Criteria, and Financing Assurances Review
December 14, 2023**

On behalf of our Congolese authorities, we would like to express our appreciation to the Executive Board, Management, and staff for the Fund's continued engagement with the Democratic Republic of the Congo (DRC) and the constructive policy dialogue. The Fund's financial assistance and capacity building under the Extended Credit Facility (ECF) have supported the implementation of sound economic policies and key structural reforms set out in the 2019–23 National Strategic Development Plan (NSDP).

While macroeconomic performance and program implementation during the period under review have faced significant challenges, the authorities have preserved macroeconomic stability and successfully advanced their broad reform agenda. These challenges include continued armed groups' attacks in the eastern part of the country with bouts of intensified violence and worsening humanitarian conditions for civilian populations. Exceptional government spending was required to address consequent security and social needs, including the provision of goods and services to a significant number of displaced populations. Those included people affected by landslides and floods from heavy torrential rains in early May 2023 that took more than 400 lives. Other budget pressures stemmed from the high cost of organization of the forthcoming general and presidential elections, scheduled for December 20, 2023. On the external front, a decline in cobalt prices and exports constrained government mining revenue in a context of heightened spending pressures. Despite these adverse developments, the authorities have preserved the objectives of the ECF-supported program. They remain committed to advancing the implementation of their economic reform agenda.

RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

RECENT DEVELOPMENTS

Despite the challenging domestic and global contexts, economic growth has proven resilient though revised downward for 2023. Projected at 6.8 percent at the time of the fourth review, real GDP growth for 2023 has been revised to 6.2 percent, remaining robust. The downward adjustment reflects an underperformance of the extractive sector, partially compensated by stronger-than-anticipated activity in private construction and government infrastructure development.

The outturn for other key macroeconomic indicators was generally less favorable than expected. Fueled by a sharp depreciation of the Congolese franc (CDF), year-on-year inflation accelerated from 13.1 percent at end-2022 to 16.9 percent at end-March 2023, and 23.3 percent at end-July 2023. Inflation receded to 21.7 percent at end-October 2023 after aggressive central bank monetary policy tightening and intervention in the foreign exchange (FX) market. The policy rate was increased from 11 percent to 25 percent in August and net sales of foreign exchanges of US\$239 million in 2023Q3 helped stem excessive exchange rate volatility. Lower international prices of mineral exports, especially cobalt, have considerably affected the country. They led to a shortfall in government revenue and, together with a higher imports bill, contributed to a widening of the current account deficit and a lower-than-programmed

accumulation of FX reserves in 2023H1. During the first 10 months of 2023, the cumulative increase in gross reserves amounted to about US\$400 million, bringing total reserves at end-October 2023 to US\$4.9 billion, equivalent to two months of imports (compared with 1.4 months of imports at end-2021).

PROGRAM PERFORMANCE

Program performance was broadly satisfactory. At end-June 2023, all but one quantitative performance criteria (QPC) and all but two indicative targets (ITs) were met. Reflecting the challenges discussed above, the central government revenue IT and the domestic fiscal balance QPC were missed, as the authorities prioritized security and elections related spending. Nearly all other QPCs were met with large margins. The two missed end-June 2023 ITs are the floors on central government revenue and social spending. As indicated at the time of the fourth review, the social spending target covers only a narrowly defined set of spending under three health programs. It was missed notwithstanding large expenditures allocated to other social areas, including those incurred to address heightened insecurity and population displacements. Nonetheless, there has been an improvement in the execution of social spending relative to program targets to 80 percent at end-June 2023, compared to about 73 percent at end-December 2022. The DRC case illustrates the need for a rethinking by all stakeholders of the definition and use of social spending targets in Fund-supported programs.

The continuous PC on the non-introduction of multiple currency practices (MCP) was missed. The breach resulted from the BCC's introduction, during a period of excessive volatility of the CDF exchange rate in 2023Q3, of temporary limits on the exchange rate at which banks could offer FX to their clients relative to the official exchange rate from BCC FX auction transactions. The authorities have rescinded the measure and committed to not resort to the practice in the future.

Six of the nine structural benchmarks (SB) were met and the remaining three were implemented either with delay or partially for various reasons. The signing of the decree for the implementation of the law on public-private partnerships (PPPs), an end-June 2023 SB, occurred on October 26, 2023. The somewhat long time required to ensure technical harmonization between relevant entities, various ministries and agencies, explains this delay. The dual end-July 2023 SB consisting of updating the Budget Execution Manual to include the provisions of the public financial management (PFM) Organic Law and signing the Public Accounting Decree clarifying criteria governing the eligibility of expenditures for execution under emergency procedures was implemented with delay. The manual was completed and the decree on public accounting signed in September and October, respectively. The signing of a memorandum of understanding (MoU) between the Ministry of Finance and the BCC on the recapitalization of the latter, an end-September 2023 SB, has been delayed. There would be a new assessment of the BCC's recapitalization needs that could result in higher than previously envisaged equity capital requirement after the BCC transitions to issuing its financial statements in accordance with the International Financial Reporting Standards (IFRS). However, an MoU on the recapitalization corresponding to the capital stock determined in the BCC's Organic Law was signed on November 20, 2023, for the transfer of CDF213 billion from the Treasury to the BCC starting in 2024 according to an agreed schedule. Once an assessment of recapitalization needs based on IFRS-compliant financial statements of the BCC is completed, another MoU will be signed to fully recapitalize the BCC.

OUTLOOK AND RISKS

Growth is projected to moderate but remain strong, notably reflecting a base effect in 2024, and key macroeconomic indicators are expected to improve. For 2024, as mining output stabilizes, real

GDP growth is expected to slow to 4.8 percent, almost as projected at the time of the fourth review. For the medium-term, GDP growth is projected to average about 5 percent sustained by both the extractive and non-extractive sectors. In anticipation of a prudent monetary policy coupled with a supportive fiscal policy, consumer price inflation is projected to fall from under 21 percent at end-2023 to 11.6 percent at end-2024 and further decelerate at end-2025 to 7 percent, which is the BCC's inflation target. The current account deficit is projected to narrow over the period 2023–2028 by about 2.5 percentage points to 2.9 percent of GDP. The improvement of the current account would contribute to a gradual buildup of official FX reserves, projected to reach US\$9.2 billion at end-2028 or 3 months of imports compared with 2.2 months of imports at end-2023.

The authorities and staff concur that uncertainty remains elevated, and the outlook is subject to significant downside risks. These risks stem from the intensification of geopolitical tensions associated with the war in Ukraine and the conflict in the middle East that could result in commodity price volatility; an abrupt slowdown in economic global growth that could negatively affect DRC exports. On the domestic front, risks include a worsening of the security situation in the East, extreme climate events that could damage infrastructure, and political instability after the forthcoming general elections. The authorities have been reinforcing their military and security forces to defend the country against armed militia and are prepared to adjust their economic policies if warranted to mitigate other risks. They have taken steps to promote peaceful and democratic elections to preserve the economic and sociopolitical gains of the past years.

POLICIES AND REFORMS FOR THE LAST QUARTER OF 2023 AND BEYOND

Our Congolese authorities are strongly committed to the program objectives and to reforms going forward. Determined to prevent reoccurrence of the spending overruns observed up to the end of 2023Q3, they have committed to tighten fiscal policy in 2023Q4 to strengthen fiscal buffers and preserve macroeconomic stability.

FISCAL POLICY AND REFORMS

Beyond 2023, fiscal consolidation will be supported by both strong revenue and expenditure measures. Revenue mobilization efforts will remain focused on broadening the tax base; improving tax compliance by facilitating the registration of taxpayers and accelerating digitalization; containing VAT exemptions, including by refraining from granting ad hoc and unwarranted new exemptions; strengthening the performance of customs taxes, including by modernizing infrastructure; and improving the performance of nontax revenue by the continued automation of revenue collection procedures. On the expenditure side, the authorities are committed to containing the wage bill growth. In the short run, the inter-ministerial order signed in July 2023 specifying that any salary increase must be approved by three ministers—the Ministers of Budget, Finance and Civil Service—should help avoid ad hoc and disorderly increases in the wage bill. In addition, the development and implementation of a comprehensive wage policy strategy and cleanup of the civil service database to eliminate ghost employees would help limit the wage bill as well. Other expenditure policies will target the limitation of spending executed under emergency procedures and the reduction of petroleum product subsidies, including by ending those to the mining sector and streamlining exemptions.

The authorities' plans include other fiscal reforms to further strengthen fiscal performance, enhance transparency, and reduce fiscal risks. Importantly, government cash spending will be limited to the equivalent of US\$10,000 in line with the December 2022 AML/CFT Law; the Treasury Single

Account will be introduced following consolidation of all government accounts; and other measures will be implemented to improve the quality of spending. Also, steps are being taken to strengthen control of fiscal risks from public debt and public enterprises, including by improving the oversight of public enterprises. Reforms of public investment management will continue, based on the 2022 Public Investment Management Assessment (PIMA) report, the main recommendations of which have been included in a roadmap validated by all concerned ministries and adopted by the Council of Ministers in November 2023.

MONETARY, FINANCIAL SECTOR, AND EXTERNAL SECTOR POLICIES

The central bank is committed to using all the tools at its disposal to limit the level of excess liquidity and keep inflation in check. It will continue to monitor liquidity and economic development trends and respond to ensure the steadfast observance of its price stability mandate, while pursuing reserve accumulation to further strengthen external buffers. The Monetary Policy Committee has kept the policy rate unchanged at 25 percent since raising it by 1400 basis points in one go in August 2023. It has also kept the required reserve ratio on local currency deposits at 10 percent since its June 19, 2023 meeting. If warranted by developments, the central bank will further tighten monetary policy and absorb excess liquidity as may be needed.

The BCC will continue to modernize its monetary policy framework, strengthen its governance arrangements, and improve financial sector surveillance. With IMF TA, the central bank is taking steps to strengthen the monetary policy institutional framework and improve the effectiveness of monetary policy transmission. A related assessment analysis will notably review the possibility of remunerating banks' required reserves and possibly devise a new operating mechanism for auctions of BCC bonds. By end-2024, the Forecasting and Policy Analysis System (FPAS) will be fully operational, and the BCC will further improve its communication and messaging practices. The BCC's operational and governance frameworks are also benefiting from the implementation of the 2020 Safeguards recommendations. As regards financial sector policy, reforms to strengthen banking and financial sector supervision will be underpinned by the December 2022 banking law. Relatedly, implementing the recommendations of the Financial Sector Stability Review (FSSR) is essential to strengthening surveillance and regulation of the financial sector.

The authorities are committed to maintaining a flexible exchange rate system. The BCC will continue implementing an exchange rate policy guided by its price stability objective and the need to have adequate FX reserves; it is cognizant of the exchange rate as a critical shock absorber. Other than for the need to accumulate FX reserves, the BCC will limit its intervention in the foreign exchange market to smoothening excessive exchange rate volatility that could jeopardize macroeconomic stability.

OTHER STRUCTURAL REFORMS

The authorities will continue implementing their reform agenda aimed at supporting inclusive and sustainable private sector-led growth. Key priorities include: (i) enhancing the quality of the education and health systems, liberalizing the telecommunications sector, and revising the Investment Code and the Agricultural Law to improve the business environment and facilitate economic diversification; (ii) enhancing governance and the fight against corruption; (iii) implementing the financial inclusion strategy; and (iv) developing basic infrastructure, particularly transport and communications, energy, and access to safe drinking water. The PDL-145T, which is partially funded with half of the resources from the 2021 SDR allocation (equivalent to about US\$714 million), remains a key pillar of the development framework for basic infrastructure. After a slow start, the execution of the first component of the PDL-145T, to which

US\$511 million of the 2021 SDR allocation was devoted in 2022 for building infrastructure—schools, health-care centers, and administrative buildings— is gathering momentum.

The authorities are committed to improving the Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework and improving its effectiveness. They are determined to address the deficiencies identified by the Financial Action Task Force (FATF) and implement the action plan agreed with the FATF for exiting the FATF’s list of jurisdictions under enhanced scrutiny. Implementing innovations introduced in the December 2022 AML/CFT law such as the extension of the application of AML/CFT measures to financial institutions other than banks and the strengthening of electronic transfer verification measures for politically exposed persons would greatly improve the effectiveness of the AML/CFT framework. The authorities have taken several important actions that should strengthen the AML/CFT agenda. They have notably prepared a report on the National Risk Assessment (NRA) on money laundering and financing of terrorism and validated the National AML/CFT Strategy by the Advisory Committee on fighting Money Laundering and the Financing of Terrorism (*Comité de Lutte contre the Blanchiment des Capitaux et the Financement du Terrorisme, COLUB*) in October 2023.

CLIMATE CHANGE-RELATED REFORMS

The authorities are deploying determined efforts to tackle the climate change challenges they face and reinforce the DRC’s role as a solution country for the global low-carbon energy transition.

Domestically, climate-related natural disasters are exacerbating poverty and fragility. While being highly vulnerable to climate change as extreme weather events of the past few years have demonstrated, the DRC is a solution-nation to the global energy transition. The country is home to the largest world reserves of strategic mineral for the low-carbon energy transition and to the Congo Basin, the second largest rainforest in the world that absorbs as much as four percent of global carbon emissions every year. The authorities have developed a National Adaptation Plan on Climate Change (NAP) that has been vetted by key stakeholders. The NAP spans reform plans covering adaptation (particularly in water resources, forestry, and agriculture), mitigation, and transition; it is complemented by the C-PIMA climate diagnostics and the recently completed World Bank’s Country Climate and Development Report (CCDR).

The authorities will need substantially large financial resources to meet the cost of the country’s development and climate-related objectives and the requirements of its leadership role in the preservation of the Congo Basin, a global good. They have reiterated interest in requesting funding from the Resilience and Sustainability Trust (RST). To this end, drawing from the C-PIMA and the World Bank’s CCDR recommendations, they are prepared to implement an ambitious program of reforms that could be supported by Fund’s financing under the Resilience and Sustainability Facility (RSF). In this perspective, they have already taken measures to begin factoring climate goals in public investment decisions. The authorities plan to submit a formal request for IMF financial assistance under the RSF after the expiration of the current ECF-supported program. As a nation-solution to global climate challenges, the DRC is counting on full Fund support in the orderly implementation of its climate reform agenda for the benefit of humanity.

CONCLUSION

The Congolese authorities have demonstrated strong commitment to implementing their IMF-supported economic and financial program despite the challenging global and regional environments they face. Program performance over the period under review has been satisfactory and the authorities have

reaffirmed their continued commitment to the ECF-supported program for the remainder of the program period. Considering their satisfactory program implementation, the measures the authorities have taken to correct missed PCs, and their renewed commitment to the program's objectives, they are requesting waivers for the missed PCs, the modification of end-December 2023 QPCs on net international reserves and the domestic fiscal balance, and the completion of the fifth review under the ECF arrangement. We would greatly appreciate Directors' favorable consideration of these requests.