

Democratic Republic of the Congo: Selected Issues and Statistical Appendix

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International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND
DEMOCRATIC REPUBLIC OF THE CONGO

Selected Issues and Statistical Appendix

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Approved by the African Department

February 6, 2003

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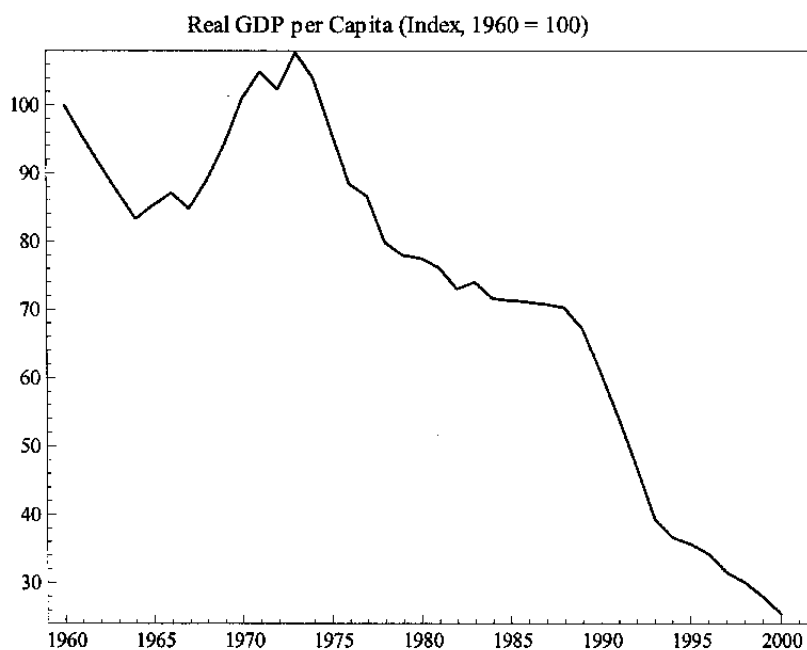
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I. SOURCES OF GROWTH IN THE DEMOCRATIC REPUBLIC OF THE CONGO: A RETROSPECTIVE AND PROSPECTS¹

A. Introduction

1. The Democratic Republic of the Congo (DRC) is endowed with vast natural resources, and a large and dynamic population and enjoys the most extensive network of navigable waterways in Africa. It also has a vast hydroelectric potential that remains largely untapped. Despite its economic potential, the DRC's economic performance was dismal during 1960–2000. Per capita GDP declined steadily from US\$380 in 1960 to US\$240 in 1990 and further to US\$85 (or 23 cents a day) in 2000, placing the country among the poorest in the world (see figure below). The dramatic decline in output and income has been the result of misdirected economic and financial policies, pervasive corruption, and, especially in the past decade, political turmoil, civil strife, and outright war (since 1998).



2. However, since early 2001, the authorities have started addressing the alarming economic and social situation by stabilizing the macroeconomic situation, liberalizing the Congolese economy, and opening it up to the rest of the world. With its critical mass of macroeconomic policies and far-reaching structural reforms, the IMF staff-monitored

¹ This section has been prepared by Bernardin Akitoby.

program (SMP), covering June 2001–March 2002, was a crucial first step toward stabilizing the country's economic situation and laying the foundations for reconstruction and the restoration of growth. The SMP has produced significant results, particularly the breaking of hyperinflation, the restoration of stable macroeconomic conditions, and the beginning of a creation of an enabling environment for the resumption of growth. In 2002, for the first time in 13 years, real GDP growth is estimated to be positive, at about 3 percent. Building on these achievements, a program (covering April 2002–July 2005) supported by an arrangement under the IMF's Poverty Reduction and Growth Facility (PRGF) is being put in place, with the aim of reconstructing the country and reviving economic growth.

3. The objectives of this study are threefold. First, it econometrically investigates the sources of growth in the DRC and evaluates the relative importance of productivity growth and factor accumulation. Unlike most studies on sources of growth, the analysis is extended to the key sectors of the economy: agriculture, mining, and transport. In estimating the production functions, the approach adopted, namely, the cointegration technique, preserves the long-run information in the data, while taking into account the short-run dynamics. Second, the paper assesses the DRC's medium-term growth prospects and compares them with both the post-conflict growth experience to date and the growth objectives of the PRGF-supported program. Third, based on the econometric findings, the paper suggests a simple, and yet powerful, methodology for projecting the real GDP growth rate.

4. The paper is organized as follows: Subsection B provides a brief background on the Congolese economy, focusing on economic growth performance during 1960–2000; Subsection C analyzes the long-run production function and sources of growth; Subsection D assesses the medium-term growth prospects; and the last subsection highlights the main conclusions and their policy implications.

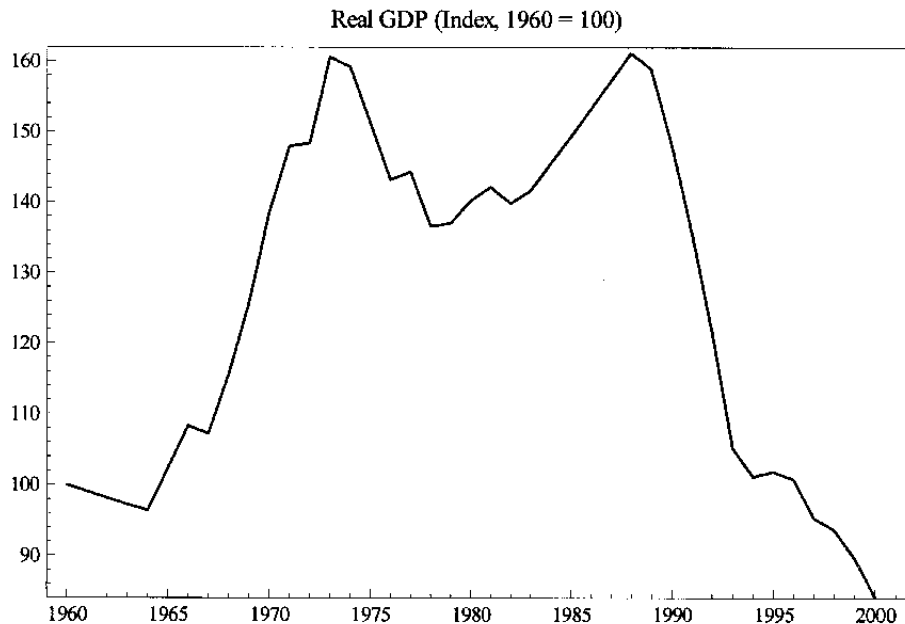
B. Economic Growth Performance During 1960–2000

5. Focusing on the key constraints and policies that have hampered economic growth, this subsection analyzes both overall and sectoral growth performance. The factors constraining economic growth in the DRC include bad governance and administrative bottlenecks, ill-conceived economic policies, transportation difficulties, lack of basic infrastructure, and insufficient confidence among potential local and foreign investors.

Overall growth performance

6. The DRC's overall growth performance has been dismal, notwithstanding the country's rich endowments of natural and human resources. Four decades have been lost; real GDP in 2000 is below its 1960 level (see figure below). The evolution in real GDP since 1960 is best explained by dividing it into five subperiods: (a) 1960–65: political chaos and economic disruption; (b) 1966–74: stability and growth; (c) 1975–82: economic recession and debt crisis; (d) 1983–89: adjustment under the IMF and stop-and-go

policies; and (e) 1990–2000: hyperinflation and collapse of the economic and political system.



1960–65: political chaos and economic disruption

7. This period witnessed a decline in output because of disruption in the transport network and the hasty departure of many foreign entrepreneurs following political turmoil, civil strife, and the failed secession of Katanga. Real GDP declined by about 4 percent between 1960 and 1965.

1966–74: stability and growth

8. This period was characterized by increased involvement of the state in the productive sectors of the economy. Thanks to *La Politique des Grands Travaux*,² public investment quadrupled. In 1971, the first Mobutu plan (Plan Décennal 1971–80) was launched, which aimed to raise real GDP growth to about 7 percent per year. Against this backdrop, the government took, during 1973–74, steps toward the nationalization of all small, medium-sized, and large foreign enterprises.

9. Increasing state control of the economy was accompanied by an impressive economic expansion, with real GDP growing at an average annual rate of 5.1 percent

² *La Politique des Grands Travaux* is an ambitious plan for economic development aimed at implementing prestigious and large-scale projects.

during 1966–74. However, following the adverse terms of trade shocks caused by both a reversal in copper prices and the oil crisis of 1973, the centralized economy, unable to adjust, soon revealed its hidden weaknesses.

1975–82: economic recession and debt crisis

10. The ill-advised economic policies and public investments of the early 1970s precipitated a debt crisis with a damaging impact on economic activity. In 1975, the country stopped servicing its debt and requested for the first time an IMF-supported program. Because of the debt crisis, the public investment program was grounded, capital invested in “white elephants” was lost, and the maintenance of infrastructure and productive capital was neglected or postponed indefinitely. As a result, economic activity experienced a severe downturn, compounded by the invasions of the Shaba Province (the heart of mining activities) in 1977 and 1978. Altogether, during 1975–82, real GDP shrank by 12 percent.

1983–89: adjustment under the IMF and stop-and-go policies

11. To improve the economic and financial situation, and eliminate the significant distortions that had grown in the preceding period, the government started to implement in September 1983 a strong stabilization and liberalization program. This strategy had a positive impact as real GDP, which had declined by 2.2 percent in 1982, recovered with an average annual growth rate of 2.6 percent during the period 1984–86. The growth during these three years was primarily due to high and increasing levels of production in the mining and agricultural sectors.

12. In 1987, with the support of the IMF and the World Bank, the government launched a structural adjustment program aimed at laying the basis for long-term economic growth and a sustainable external financial position. The program also benefited from improved terms of trade, mostly reflecting a strong upturn in copper prices beginning in early 1987. However, with the more favorable external environment, the government all but stopped its adjustment efforts. As a result, the country’s financial performance deteriorated markedly. Annual real GDP growth decelerated to 0.5 percent on average during 1987–89.

1990–2000: hyperinflation and collapse of the economic and political system

13. In the midst of failed attempts at political liberalization, control over economic policies was lost, and the country fell into the grips of an unprecedented circle of hyperinflation, currency depreciation, increasing dollarization and financial disintermediation, declining savings, deteriorating economic infrastructure, and broad-based output decline. The alarming economic and social situation was compounded by outright war, which broke out on August 2, 1998.

14. In this context, a large part of the country’s capital stock was destroyed, and investment was discouraged. As a result, real GDP contracted cumulatively by some

43 percent during the decade, and per capita real GDP plummeted from US\$224 in 1990 to US\$85 (23 cents a day) in 2000. Over the same period, consumer prices rose at an annual average rate of 684 percent. Government revenue fell by four-fifths, and external debt rose to about 300 percent of GDP (or almost US\$13 billion).

Sectoral growth performance

15. Agriculture, mining, and transport are by far the most important sources of growth in the DRC.

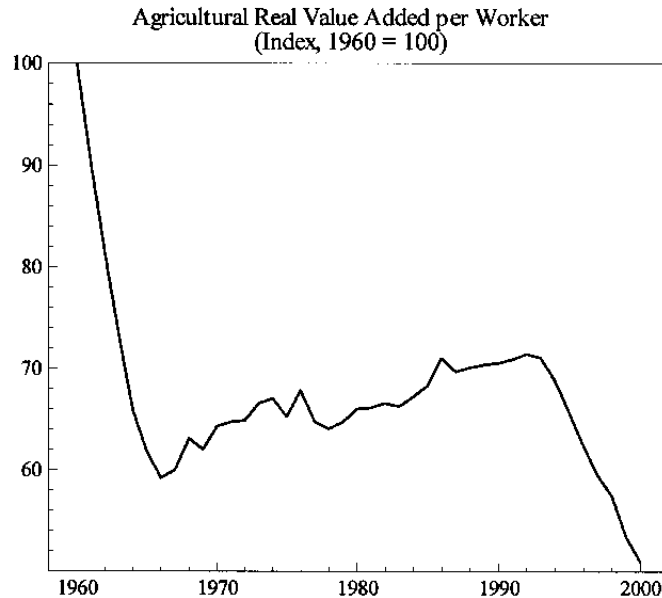
Agriculture

16. Combined with forestry, animal husbandry, and fishing, agriculture provides direct employment to more than three-fourths of the labor force and accounts on average for about 45 percent of real GDP. Agriculture has great potential as a source of economic growth, export diversification, and gainful employment. Nevertheless, agricultural output has not recorded substantial growth (see figure below), and its contribution to exports declined continuously from about 40 percent of exports in 1960 to less than 10 percent in 2000, with some traditional export products virtually not being grown any more.³ With regard to food crops, Maton, Schoors, and Van Bauwel, (1998) have shown that food surplus per head increased between 1965 and 1974; thereafter, a steep declining trend started, partly owing to the *Zaireanisation*⁴ process, which has sapped productivity growth.

17. Overall, agricultural development has been constrained by several factors. These include the deterioration of the network of rural feeder roads; the dislocation caused by the *Zaireanisation* measures of 1973–74; inadequate credit for small-scale producers; lack of foreign exchange for essential imports; insufficient storage and other marketing facilities; and the uncertainties created by the government's pricing policies.

³ Exports mainly consist of oil products, cotton, cocoa, coffee, tea, and forestry products.

⁴ The *Zaireanisation* process was characterized by the nationalization of a number of foreign enterprises.



Mining sector

18. The DRC is extremely rich in mineral resources, and its mining potential remains largely untapped. Its mineral resources include copper, cobalt, diamonds, gold, zinc, uranium, tin, silver, coal, manganese, tungsten, cadmium, and crude oil. Most mining is carried out by the largest state-owned company, the Générale des Carrières et des Mines du Congo (GECAMINES), which accounts for over 90 percent of total copper production, and the entire cobalt and zinc output. In the diamond sector, while the Société Minière de Bakwanga (MIBA), partly owned by the government, is responsible for the industrial mining of diamonds, individual prospectors account for some 60 percent of total diamond production.

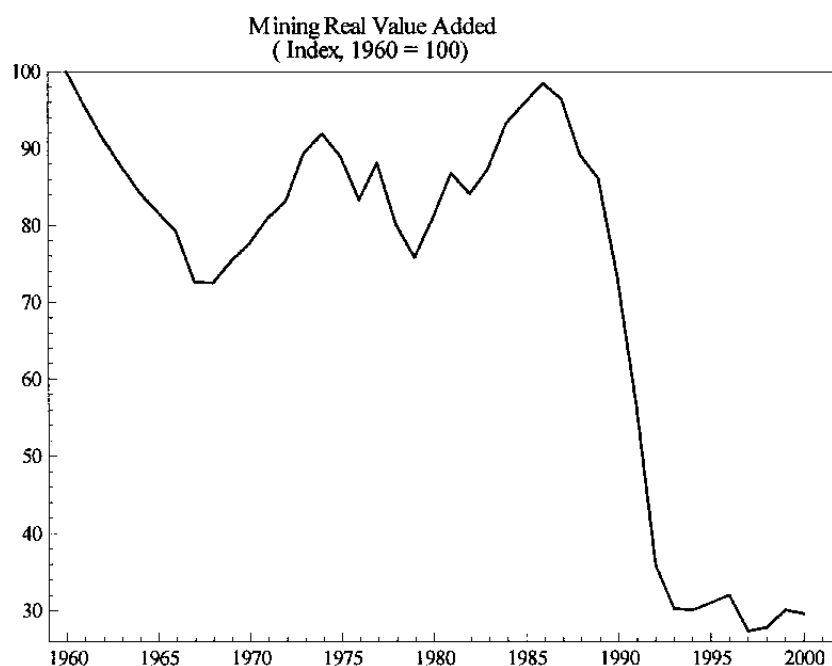
19. Starting in the mid-1980s, the mining industry of the DRC entered a phase of steep decline (see figure below):

- By the late 1990s, copper production by GECAMINES had declined to 5 percent of the peak mid-1980s output level of more than 500,000 tons, while cobalt production had fallen by 70 percent from pre-conflict levels.
- Production of zinc has virtually ceased, compared with a capacity of 200,000 tons.
- Gold production has practically ceased, compared with 6 tons per year of capacity.
- Manganese production was discontinued at the Kisenge Mining Enterprise (EMK-MN), where capacity was 360,000 tons per year during the early 1980s.
- With the sharp fall in GECAMINES output, diamonds became the single largest source of export earnings for the country. Because of frequent changes in marketing

policies (including nationalization and the banning of foreigners from diamond-producing areas), large amounts of diamonds were exported through the parallel market. A monopoly to export artisanal diamonds granted in 2000 to a foreign company was rescinded in early 2001.

20. Reflecting its steep output slump, the mining sector's contributions to GDP and export earnings have been declining continuously. In the mid-1980s, mining accounted for about 20 percent of real GDP and provided over 70 percent of export receipts; in 2000, while the mining sector remained the main source of export earnings (owing to diamond exports), it accounted for only about 6 percent of real GDP.

21. The mining sector has been facing a number of problems that have constrained its development. These include (a) a legal and regulatory framework not conducive to the development of the private sector; (b) serious transportation problems; and (c) chronic lack of investment.



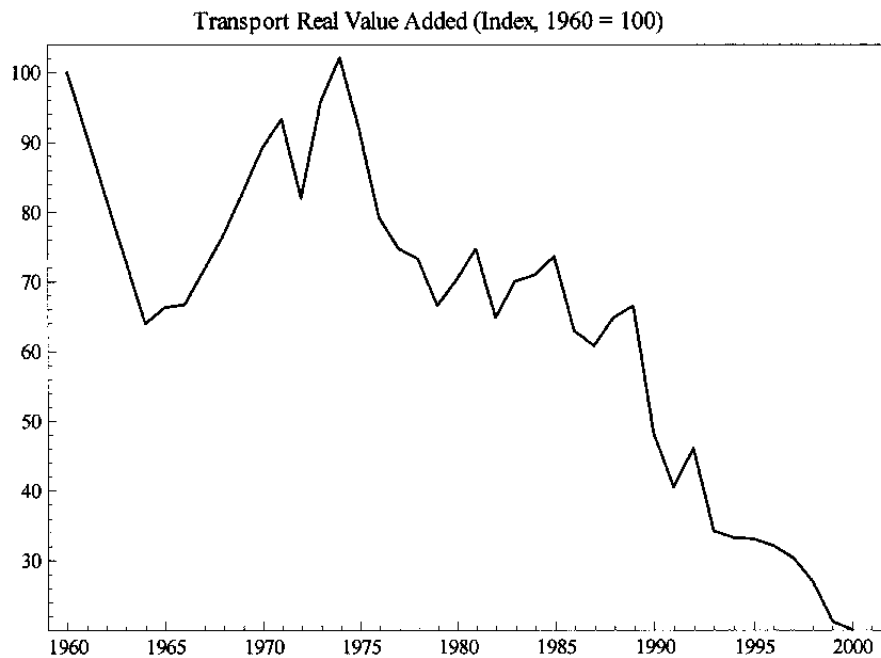
Transport sector

22. At independence, the DRC inherited a comprehensive transport system, including strategically interconnecting roads, rivers, and railways. Given the large size of the country, its limited access to the sea, and the remoteness of its mineral deposits, the transport network is of vital importance to present and future economic activity. However, the sector's performance remains unsatisfactory (see figure below), and difficulties in transportation constitute a major obstacle to the realization of the DRC's immense agro-industrial and mining potential.

23. Three public agencies—the Société National des Chemins de Fer du Congo (SNCC), the Office National des Transports (ONATRA), and the Office des Routes—play a critical role as they are respectively responsible for operating rail and river transport, and for building and maintaining the main highway network.

24. Since 1985, the financial situation of both ONATRA and SNCC has deteriorated sharply. Moreover, the services that they provide on the *Voie Nationale*, which combines the rail and water route from the Shaba mining area to the port of Matadi, have progressively declined. The poor performance of these two key agencies stems from a number of factors: the delay in adjusting tariffs in a highly inflationary environment; a decrease, or at best, stagnation in traffic; high operating costs; and chronic lack of maintenance.

25. In the late 1990s, the civil war took a toll on the transport sector and infrastructure collapsed. As a result, farmers have great difficulty in selling any surplus, while food prices in urban centers are high. Interregional connections are often limited to minimal air transport; as a result the country has essentially broken down into a set of economic enclaves.



C. Long-Run Production Function and Sources of Growth

Long-run production function⁵

26. The theoretical framework is a production function that relates **output per worker** (Y) to **physical capital per worker** (K)⁶:

$$Y = Ae^{bt} K^\alpha \quad , \quad (1)$$

where t is a time index; A is the fixed component of the total factor productivity (TFP), which is assumed to improve at a rate b ; and α is the long-run contribution of capital per worker to output per worker.

27. Using the Johansen and Juselius (1990) and Johansen (1988 and 1991) methodology of cointegration, we estimate the long-run production function for the economy as a whole and for the key productive sectors (agriculture, mining, and transport) respectively, and analyze the sources of growth between the contributions of production factors and total factor productivity. The results yield the following long-run production functions:

- Overall production function

$$y = -2.43 - 0.03t + 0.34k \quad ; \text{ and} \quad (2)$$

- Transport sector production function

$$y_r = -0.65 - 0.05t + 0.33k_r \quad (3)$$

28. For the agricultural and mining sectors, we find no long-run production functions. As expected, the overall and transport production functions exhibit decreasing returns to scale. Capital per worker is found to be a key determinant of long-term output per worker. The estimated coefficients for capital (0.34 for the overall function and 0.33 for the transport sector) have the right sign and are in line with the share of this factor in GDP (about 0.35 percent in developing countries). They are also consistent with the values (0.30 to 0.40) used in most growth studies. By comparison, Bosworth, Collins, and Chen (1995) obtained a coefficient of 0.4 on the capital term in the growth regression for developing countries, while Sacerdoti, Brunschwig, and Tang (1998) estimate the coefficient on physical capital at about 0.35 for West African countries.

⁵ This subsection is a summary of a forthcoming working paper “Sources of Growth in the DRC” by Bernardin Akitoby and Matthias Cinyabuguma. In the latter, the data issues are discussed in more detail, as well as the econometric approach and results.

⁶ For simplicity, the time subscripts are excluded.

29. The deterministic component of TFP growth is found to be negative (–3 percent for the overall function and –5 percent for the transport sector). This result is hardly surprising, as it clearly shows how inappropriate economic policies implemented during 1960–2000 have negatively affected TFP. By comparison, Fischer (1993) estimates that productivity growth during 1961–88 is about –5 percent a year for Haiti and Madagascar.

Growth-accounting exercise

30. Having estimated the elasticity of output with respect to physical capital,⁷ we now analyze the sources of growth.

Factor sources of growth

31. Table I.2 and Figure I.1 summarize the decomposition of the overall and sectoral outputs per worker into TFP growth and the contribution of physical capital per worker (defined as its share in output per worker multiplied by its growth rate). **At the macroeconomic level**, annual output per worker posted a negative average annual growth rate of 3.3 percent during 1960–2000. Negative TFP growth contributed to 60 percent of this decline, while the decline in physical capital per worker accounted for 40 percent.

32. **At the sectoral level:** in the agricultural sector, which experienced zero average annual TFP growth during 1960–2000, negative physical capital growth explained the negative growth of output per worker of 1.7 percent over this period. In the transport sector, TFP declines accounted for 92 percent of the negative 6 percent growth of output per worker during 1960–2000. The mining sector recorded some TFP growth gains, but mining output per worker fell by an average 4.1 percent per year, owing to the rapid decline in physical capital per worker.

Sectoral contributions to overall growth

33. The bottom panel of Table I.2 reports the sectoral contributions to GDP. The results indicate that the mining and transport sectors account for the negative real GDP growth of 0.3 percent per year during 1960–2000. Reflecting the negative trend in their outputs, the mining and transport shares in GDP have been completely eroded. The mining sector's share in GDP fell from 20 percent in 1960 to 6 percent in 2000, while the transport sector's share declined from 18.5 percent in 1960 to 3.7 percent in 2000.

⁷ The elasticities used for agriculture and mining are 0.28 and 0.60. These values are taken from another study (Sarel, 1997), since the data do not allow meaningful estimates of elasticity for both sectors. Therefore, the results for the mining and agriculture sectors should be interpreted with caution.

Growth analysis across subperiods

34. **The decomposition of sources of growth across the five subperiods (identified in the background subsection) reveals interesting patterns in the DRC's growth experience.** The subperiod 1966–74 is the only one to experience a positive average growth rate, 2.9 percent, with physical capital per worker and TFP contributing equally. During the subperiod 1975–82, notwithstanding the positive contribution of physical output per worker of 1 percentage point (the second highest of the five subperiods), output per worker still declined by 3.8 percent, reflecting the sharp drop in TFP. The reason is that a series of large-scale prestigious projects (white elephants) implemented during this subperiod had damaging impacts on TFP. As can be seen in Table I.3, physical capital per worker in the key sectors of mining and transport sharply fell at the same time, as these white elephants pulled away resources from both sectors. Finally, the last subperiod (1990–2000) witnesses the largest decline in output per worker and in both physical capital and TFP, reflecting the damaging effects of hyperinflation, as well as of armed conflicts (since 1998).

Policy determinants of growth

35. We investigate the role of policy variables and other variables as determinants of growth, using a modified version of the neoclassical growth model applied by Ghura and Hadjimichael (1996) and Calamitsis, Basu, and Ghura (1999) to sub-Saharan Africa. The growth equation estimated takes the following form:⁸

$$\Delta y_t = \gamma_1 \ln(I_p / Y)_t + \gamma_2 \ln(I_g / Y)_t + \gamma_3 INFL_t + \gamma_4 DEF_t + \gamma_5 TOT_t + \gamma_6 Dwar_t + v_t$$

(4)

where Δy is the per capita output growth; I_p / Y and I_g / Y are the ratios of private and government investment to GDP; $INFL$ is the inflation rate; DEF is the ratio of the central government budget deficit to GDP; TOT is the growth rate of the external terms of trade; and $Dwar$ is a dummy variable for war and conflicts.

36. Equation (4) is estimated using annual data for the period 1960–2000. The regression results are summarized in Table I.1. The main results are as follows:

- The private investment-GDP ratio exerts a large positive effect on economic growth. The estimated coefficients are virtually the same as the ones reported by Calamitsis, Basu, and Ghura (1999) for sub-Saharan Africa. As in the latter study, the impact of private investment weakens when other variables are included in the regression.

⁸ Owing to data constraints, several variables found in the growth literature to have a strong influence on economic growth have not been included.

- The effect of government investment is negative and significant in two of the three specifications, supporting the fact that public capital was mostly invested in white elephants and unproductive projects.
- The policy environment seems to have influenced significantly growth in the DRC. The estimated coefficient on the budget deficit ratio and the rate of inflation are negative and significant, confirming the view that hyperinflation and uncontrolled budget deficits have undermined the DRC's growth performance.
- The estimated effect of changes in the terms of trade is positive, though not statistically significant. The coefficient on the dummy variable indicating conflicts and wars has a negative and highly significant effect on growth, supporting the notion that political turmoil and conflicts have played a crucial role in the DRC's poor growth performance.

Table I.1 Estimates of the Neoclassical Growth Equation 1/ 2/

Explanatory variables		(1)	(2)	(3)
Conventional Variables				
$\ln(I_p/Y)$	Private investment/GDP ratio	0.04 ^a (2.69)	0.025 ^c (1.73)	0.017 (1.11)
$\ln(I_G/Y)$	Government investment/GDP ratio	-0.009 (-1.44)	-0.009 ^c (-1.65)	-0.010 ^c (-1.83)
Policy-related variables				
$INFL$	Inflation		-8.4E-06 ^c (-1.91)	-6.E-06 ^c (-1.69)
DEF	Central government budget deficit		-0.004 ^c (-3.56)	-0.004 ^a (-3.76)
Other explanatory variables				
TOT_g	Terms of trade growth			7.4E-04 (1.65)
D_{war}	Dummy variable for conflicts and wars			-0.046 ^a (-3.00)

1/ The estimation period is 1960–2000; a, b, and c denote statistical significance at 0.01, 0.05, and 0.10 levels, respectively.

2/ Diagnostic tests for equation (3). Testing for error autocorrelation from lags one to two $F(2, 32) = 1.5418$ [0.2295]; normality $\chi^2(2) = 7.3771$ [0.0250]; autoregressive conditional heteroscedasticity (ARCH) $F(1, 32) = 0.0374$ [0.8479]; heteroscedasticity errors $F(11, 22) = 0.3904$ [0.9456].

D. Medium-Term Prospects

37. **Sound macroeconomic policies** and the ongoing **far-reaching structural reforms** have started to have a positive effect on growth through improved resource allocation.⁹ The DRC's growth prospects are also enhanced by its untapped potential in the mining, agriculture, forestry, and energy sectors. Moreover, growth should rebound strongly and quickly (a pattern observed in other post-conflict cases), as the country is starting from a very low base.

38. Based on the above econometric results, this section analyzes the plausibility of the program's growth targets during 2002–05, discussing the feasibility of the implicit productivity growth rates underpinning these real GDP growth projections. It also assesses how fast the country can make up for the ground lost during 1960–2000.

Assessing the plausibility of the program's medium-term growth prospects

39. With the estimated production function derived in Subsection C, growth projections are based on projections of labor force, capital stock (based on investment and the perpetual inventory methodology), and productivity growth rates (reflecting ongoing economic reforms).

40. Using this projection methodology¹⁰ and assuming that the labor force will grow at the population growth rate, that is, 3 percent per year, the study finds that a **“Solow residual”¹¹ growth rate of 2.5 percent** implicitly underpins the program's real GDP average growth rate of about 5 percent¹² and the average investment-to-GDP ratio of 16 percent during 2002–05. The whole Solow residual should not be ascribed to TFP growth, because it incorporates a “catch-up” factor that is typical for a post-conflict

⁹ As pointed out in Subsection A, in 2002, for the first time in 13 years, real GDP growth is estimated to have been positive, at about 3 percent.

¹⁰ It is expected that, with the return of peace and the normal functioning of the economy, the capital depreciation rate will decline to 5 percent, starting in 2002, from the 15 percent assumed earlier. If we assume a 10-percent depreciation rate, the Solow residual growth will be about 1.5 percent higher.

¹¹ The Solow residual is the part of output growth that is not explained by changes in inputs.

¹² The annual economic growth rate in post-conflict countries has averaged 5 percent in the five years immediately after conflict, and 3 percent in per capita terms. However, the lack of data on productivity growth in post-conflict countries precludes any assessment of our estimates of the Solow residual and productivity growth from a post-conflict country standpoint.

country.¹³ Unfortunately, it is not easy to estimate the latter. One indirect estimation would be to estimate the TFP growth in a normal period and argue that one would expect at least this TFP growth to be achieved in the forecast period, mainly because of policy implementation. Using this procedure, we estimate TFP growth at 1.3 percent, which implies a catch-up factor of 1.2 percent. While the 1.3 percent TFP growth is higher than those experienced in industrial, Latin American, and African countries, it is well below East Asian TFP growth rates (Table I.4). In sum, if the actual investment rate were to fall below 16 percent of GDP over 2002–05, the average economic growth rate of 5 percent would be difficult to achieve, because it would imply unrealistic TFP growth rates.

Assessing the time required to recoup the ground lost

41. As indicated in Section II, output per capita and real GDP have followed a steep declining trend especially since 1990. Real GDP had risen to 150 percent of its 1960 level by 1990, only to decline to about 80 percent of its 1960 level by 2001. At the same time, with 3 percent annual growth of the population, the real GDP per capita decline has been substantial. Real GDP per capita fell to 60 percent of its 1960 level in 1990, and further to 25 percent of its 1960 level in 2001. An interesting question is how many years, starting in 2002, would it take both aggregates to reach their 1960 and 1990 levels, if the projected 5 percent real GDP growth were to continue beyond 2005 for several decades. We calculate that it would take 4 years for real GDP to reach its 1960 level and 13 years to return to its 1990 level. **Assuming that the population continues to grow at an annual rate of 3 percent, reaching the 1960 real GDP per capita level would take 70 years, while the 1990 level would be attained in 45 years. These time frames highlight the DRC's dismal economic performance during 1960–2000.**

E. Conclusions and Policy Implications

42. This paper has examined the sources of growth in the DRC and assessed the medium-term growth prospects for the country. It concludes that poor economic policies and conflicts (through their effects on total factor productivity and the investment rate) significantly hurt the country's economic growth during 1960–2000. However, it shows that the right policies are being put in place to pave the way for growth restoration by raising the TFP growth and investment rate.

43. In light of the policies being implemented and investment rates envisaged under the government's economic program, an average growth rate of about 5 percent is estimated to be achievable over the next four years, 2002–05.

44. The main findings of the paper can be summarized as follows:

¹³ A significant part of the catch-up factor is due to intensified capacity utilization in the post-conflict period.

- Using the cointegration procedure, the critical technology parameter—the average share of physical capital per worker in output per worker—of the long-run production function is estimated at 0.34 for the whole economy and 0.33 for the transport sector. No cointegration relationship between output and capital was found for the mining and agricultural sectors.
- Using a growth-accounting framework over 1960–2000, the findings on the TFP and factor accumulation contributions to output growth are as follows: first, at the macroeconomic level, negative TFP growth contributed to 60 percent of the negative average annual growth rate of 3.3 percent during 1960–2000, while the decline in physical capital per worker accounted for 40 percent. Finally, at the sectoral level, in the agricultural sector, which experienced zero average annual TFP growth during 1960–2000, negative physical capital growth explained the negative growth of output per worker of 1.7 percent over this period. In the transport sector, TFP declines accounted for 92 percent of the negative 6 percent growth of output per worker during 1960–2000. The mining sector recorded some TFP growth gains, but mining output per worker fell by an average 4.1 percent per year, owing to the rapid decline in physical capital per worker.
- In analyzing the determinants of the DRC's economic growth during 1960–2000, our regression results show that private investment has a large positive impact, while the effect of government investment has been negative, supporting the view that public capital was mostly invested in unproductive projects. High inflation rates and large budgetary deficits have also exerted a negative impact on growth. Finally, political turmoil, conflicts, and war have contributed significantly to the poor growth performance.
- In assessing the DRC's medium-term growth prospects, we note that an economic turnaround is under way, with real GDP projected to be growing by 5 percent a year over the next four years. Assuming that the population continues to grow at an annual rate of 3 percent, reaching the 1960 real GDP per capita level would take 70 years, while the 1990 level would be attained in 45 years. These estimates clearly show that the DRC has a long way to go to recoup the ground lost during 1960–2000. They also illustrate how both the creation of an enabling environment for private investment as well as a coordinated, sustained, and comprehensive foreign aid project are necessary conditions to make a real dent in the DRC's widespread poverty.

Table I.2. DRC: Sources of Growth by Factor Accumulation and Sector, 1960–2000

(Annual percentage rate)

Period	Output per Worker	Contribution	
		Physical Capital	Total Factor Productivity
1960–2000	-3.3	-1.3	-2.0
1960–65	-4.4	-3.7	-0.7
1966–74	2.9	1.6	1.3
1975–82	-3.8	1.0	-4.8
1983–89	-1.1	-1.9	0.8
1990–2000	-8.8	-3.8	-5.0

Period	Output	Contribution			
		Agriculture	Mining	Transportation	Other
1960–2000	-0.3	0.2	-0.4	-0.4	0.3
1960–65	0.5	-2.0	-0.7	-1.3	4.5
1966–74	5.1	0.9	0.2	0.7	3.3
1975–82	-1.6	0.6	-0.2	-0.9	-1.1
1983–89	1.9	1.5	0.1	0.0	0.3
1990–2000	-5.5	-0.4	-1.0	-0.8	-3.3

Table I.3. DRC: Sources of Growth in Agriculture, Mining, and Transport, 1960–2000
(Annual percentage rate)

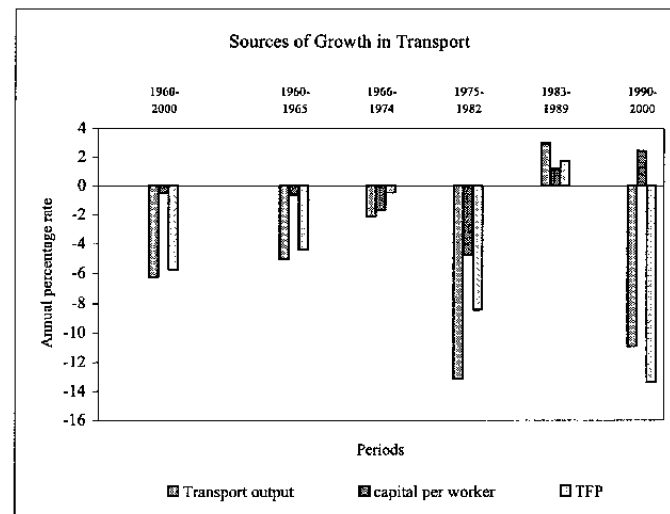
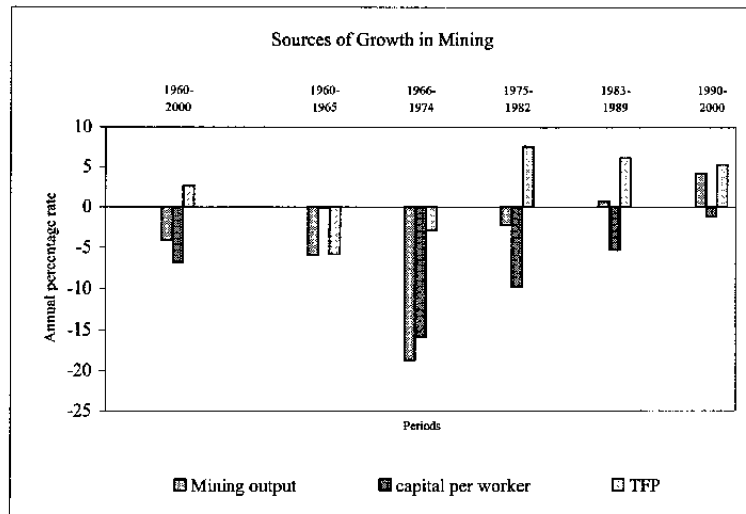
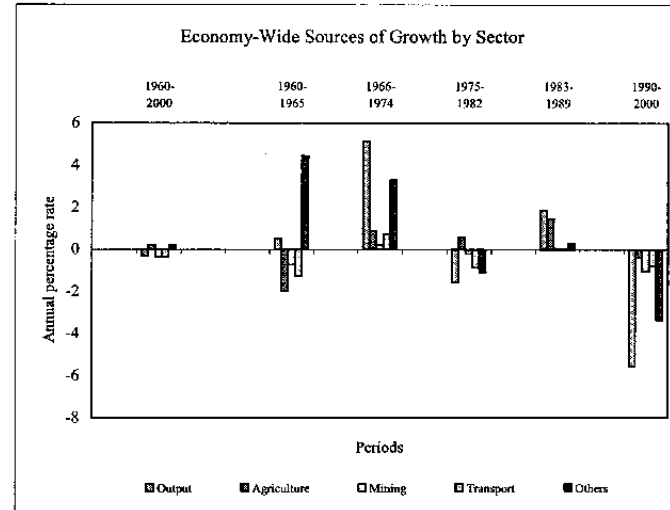
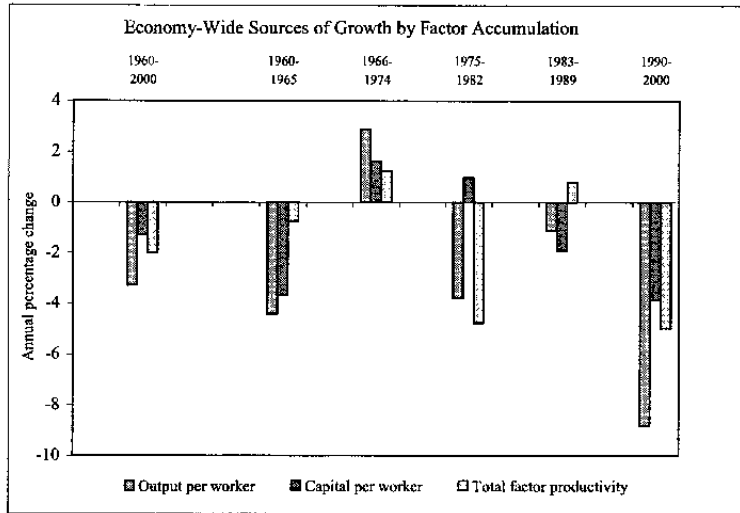
Sectors and Period	Output per Worker	Contribution	
		Physical Capital	Factor Productivity
Agriculture			
1960–2000	-1.7	-1.7	0.0
1960–65	-9.6	-5.3	-4.3
1966–74	0.9	-2.8	3.7
1975–82	-0.1	-1.6	1.5
1983–89	0.8	1.1	-0.3
1990–2000	-2.9	-1.0	-2.0
Mining			
1960–2000	-4.1	-6.8	2.7
1960–65	-6.0	-0.1	-5.9
1966–74	-18.7	-15.9	-2.9
1975–82	-2.2	-9.7	7.6
1983–89	0.7	-5.3	6.1
1990–2000	4.2	-1.1	5.3
Transportation			
1960–2000	-6.2	-0.5	-5.7
1960–65	-5.0	-0.6	-4.4
1966–74	-2.1	-1.7	-0.5
1975–82	-13.2	-4.7	-8.4
1983–89	3.0	1.2	1.7
1990–2000	-11.0	2.4	-13.4

Table I.4. DRC: Sources of Growth in Selected Countries and Regions, 1986–92

Regions/Countries	Output per Worker	Contribution	
		Physical Capital	Factor Productivity
Regions			
Industrial countries	1.5	0.7	0.8
Africa	-0.4	-0.5	0.1
Latin America	-0.6	0.0	-0.6
East Asia (excluding China)	5.1	2.6	2.5
South Asia	2.9	1.2	1.7
East Asian countries			
China	6.2	3.1	3.1
Korea	6.6	3.9	2.7
Malaysia	5.4	1.9	3.5
Singapore	7.4	2.6	4.6
Thailand	8.3	3.2	4.8
Taiwan, Province of China	5.9	2.8	3.1

Source: Bosworth, Collins, and Chen (1995).

Figure I.1. DRC: Growth Accounting, 1960–2000



Sources: Congolese authorities; and staff estimates.

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II. CHALLENGES IN DEVELOPING FINANCIAL INTERMEDIATION IN THE DEMOCRATIC REPUBLIC OF THE CONGO¹⁴

Summary

- Despite the significant progress made in macroeconomic stabilization, the dollarization of the economy and the financial system have remained high, and financial intermediation has not resumed in the Democratic Republic of the Congo (DRC). The commercial banks (which comprise the bulk of the financial sector) continue to play a limited role in the payments system and in providing credit to the economy. If the private sector is to become the engine of growth, financial intermediation must be revived.
- Discontinuing reliance on the rationing of currency by the Central Bank of the Congo (BCC) as a monetary policy instrument, which has resulted in nonfungibility between the components of base money, is a necessary initial condition for reviving financial intermediation.
- As the BCC discontinues reliance on the rationing of currency, it will need to rely on monetary instruments to sterilize any injection of liquidity in the financial system that is not consistent with the monetary program. Following recommendations by Fund staff, in December 2002, the BCC started offering short-term bills to the banks (and through them to their customers) to adjust overall liquidity in the system. However, until financial intermediation has deepened, the ability of monetary policy to compensate for even temporary fiscal imbalances in a timely fashion may be limited. Therefore, the execution of the cash plan at the Ministry of Finance needs to be closely coordinated with the liquidity forecasting exercise undertaken by the BCC.
- Further progress in centralizing all financial operations of the government sector, broadly defined, into the budget would facilitate the conduct of monetary policy, as would enhancing the quality of financial data. Progress in these areas, by facilitating a timely identification of the sources of public sector outflows, will enhance the coordination of monetary and fiscal policies, and facilitate liquidity management by the BCC.
- Should financial intermediation deepen, further dollarization of bank assets could increase credit risks for the banks and limit the role of the BCC as lender of last resort. The BCC must, therefore, avoid taking any actions that would

¹⁴ This paper was prepared by Bernard Laurens and Abdourahmane Sarr (both MAE), with inputs from Olivier d'Ambrières (Fund Resident Advisor to the Governor of the BCC) and experts who participated in the November 2002 MAE advisory mission, which overlapped with the AFR mission to conduct the Article IV consultation and the first review under the PRGF arrangement.

further reinforce the possibility of additional dollarization. In this context, the BCC should continue its policy of not intervening to set the exchange rate. The greater role of the commercial banks in the payments system to be expected from the fungibility between the components of base money will support the use of the Congo franc for transaction purposes, as would the issuance by the BCC of large-denomination Congo franc banknotes.

A. Introduction

45. **For a number of years, the financial system (including the Central Bank of the Congo—BCC) in the Democratic Republic of the Congo (DRC) has operated in a climate of uncertainty owing to political instability, fiscal mismanagement, and limited resources.** This has resulted in major dysfunctions and evident weaknesses. In particular, the financial system has become irrelevant in mobilizing savings and providing credit to the economy. Along with the promulgation of the new law for the central bank enshrining its independence, and of the new Banking Law, the BCC has taken measures to remedy these weaknesses and help create the conditions that would pave the way for a revival of financial intermediation in the DRC.

46. **While prospects have clearly improved, the challenges ahead are enormous. Human resource and technical needs are already considerable, and are likely to increase as the DRC reunifies.** The fields of BCC activity where capacity building is most urgently needed are in the areas of foreign exchange operations, accounting and internal audit, and monetary policy (including cash management). Up until now, these are the areas on which Fund technical assistance has focused, with banking supervision being added in the most recent period. Looking forward, it is clear that external assistance will continue to be necessary if the BCC wants to implement the strategy required to develop financial intermediation, acquire the information technology needed, and remodel internal structures.

47. **It is also important to recognize that monetary policy implementation has a cost that must be borne by the budget** until the BCC can generate sufficient revenues from its operations. Such a cost needs to be weighed against the expected benefits, in particular, financial stabilization.

48. **This section discusses the challenges the BCC faces at this juncture to help create the initial conditions for a resumption of financial intermediation.** It draws on the findings and conclusions of the Fund technical assistance mission, which overlapped in Kinshasa with the Fund mission to conduct the Article IV consultation and the first review under the PRGF-arrangement during the period October 29 to November 12, 2002. The technical assistance mission focused on analyzing the causes of the low level of financial intermediation in the DRC and identifying measures that the BCC would need to implement to create the initial conditions for promoting a greater use of the local currency and reviving financial intermediation.

B. Recent Developments in the Financial System

The banking system

49. **Despite the significant progress made in macroeconomic stabilization, financial intermediation has not yet resumed in the DRC**, reflecting the continued low public confidence in the banking system. Following several years of hyperinflation, accompanied by a free fall of the exchange rate, it may take time for confidence in the Congo franc to return. Consequently, the banking sector, which forms the bulk of the formal financial sector, has played a limited role in the economy since the late 1980s. For instance, on October 18, 2002, the balance sheet total of the banks amounted to CGF 91 billion (Table II.1), which is less than 5 percent of GDP.¹⁵

50. **The rate of financial penetration is very low.** The DRC, with a population of about 54 million, has only 35,000 bank accounts, of which almost half are held by businesses. The settlement of transactions that go through the banking system is limited due to the prevalence of the informal sector, which operates mostly in cash—resulting in Congo franc bank deposits representing only 22 percent of the money supply in Congo francs.

Table II.1. DRC: Consolidated Balance Sheet for the Commercial Banking System
(As of October 18, 2002; in billions of Congo francs)

Assets	Congo francs	Foreign Exchange	Total	Congo francs	Foreign Exchange	Total	Liabilities
BCC and interbank	8.73	41.36	50.09	0.04	3.89	3.93	BCC and interbank
Currency	2.60	7.68	10.28				
Reserves at BCC	5.76	0.00	5.76	0.01	1.02	1.03	BCC lending
Interbank market	0.37	33.68 ^{1/}	34.05	0.03	2.87	2.90	Interbank market
Customer operations	8.03	7.13	15.16	12.83	43.06	55.89	Customer operations
Credit to public sector	0.44	0.00	0.44	1.48	0.04	1.52	Deposits by public sector
Credit to private sector (nonperforming loans)	7.59 (0.51)	7.13 (0.75)	14.72 (1.26)	11.35	43.02	54.37	Deposit by private sector
Other	7.98	12.47	20.45	7.32	12.02	19.34	Other
Fixed assets	5.30	0.00	5.30	8.03	2.35	10.38	Capital
				1.46	0.00	1.46	Retained earnings
Total	30.04	60.96	91.00	28.22	61.32	91.00	Total

Source: BCC.

^{1/} Including balances with correspondent banks abroad.

¹⁵ The banking sector consists of 14 banks, 5 financial institutions, a network of credit unions, and 27 microfinance institutions (MFIs). Of the 14 banks, only 11 are active. No reliable data are available on the consolidated balance sheet of the nonbank financial institutions.

51. **The contribution of the banking system to money creation is marginal.** The volume of credit denominated in Congo francs accounts for only 8.7 percent of the total bank balance sheet (Table II.I). Almost this entire amount (99.1 percent) represents short-term loans to finance a few local enterprises. For the most part, the activity of commercial banks is limited to their role in collecting government taxes and paying government expenditures, as well as opening letters of credit for the financing of exports. Since the commercial banks grant little or no credit to the private sector, money creation has taken place mainly through the issuance of BCC currency.

52. **There is still a strong preference for foreign exchange as a vehicle for savings, and for the settlement of large transactions.** The former is a consequence of currency instability in the past; the latter is due to the absence of large-denomination banknotes in local currency (the largest banknote in Congo francs is equivalent to US\$0.30) in a context of a virtually nonexistent payments system other than cash. The dollarization of the economy is reflected in the balance sheets of banks, two-thirds of which are in foreign currencies. Most interbank activity is in foreign currencies (99.1 percent of sources and 98.9 percent of uses of funds), as are most transactions with customers (77 percent of deposits and 47 percent of lending).

53. **Financial intermediation has also suffered from weaknesses in policy implementation at the BCC.** For a number of years, the BCC has not enjoyed adequate operational autonomy, and has had limited resources. Moreover, the low level of financial intermediation has made the use of conventional monetary policy instruments more difficult. This has resulted in major dysfunctions and evident weaknesses, which have seriously limited the capacity of the commercial banks to provide financial services. In particular, at times the BCC has not allowed banks to use their free reserves to obtain currency, resulting in nonfungibility between the components of base money.¹⁶ In turn, currency rationing and the associated nonfungibility of base money has led to the discounting of Congo franc deposits in commercial banks, with Congo franc bank deposits trading against Congo franc currency at a discount (*décote*). In the past, the use of currency rationing had been prompted by the apparent inability of the BCC to produce sufficient quantities of banknotes. However, during the recent period it would appear that the BCC has relied on currency rationing as a substitute for conventional liquidity mopping-up operations, which the low level of financial intermediation has made difficult or costly to undertake.

¹⁶ In this note, the components of base money include currency in circulation and banks' free reserves.

The Central Bank of the Congo

54. **With the support of Fund technical assistance, progress has been made in strengthening the BCC's institutional capacity.**¹⁷ During the course of 2002, key financial legislation was enacted that reflects international best practices in its respective areas and provides a sound framework for the DRC's strengthening of the financial sector.

55. **Good progress was also made in strengthening the BCC's operational capacity** (see Annex). In particular, the BCC put in place key components of a framework to program currency issues; the net income position of the BCC was consolidated in the government's accounts; the central bank created a Consultative Group on Monetary Policy to strengthen policy design and implementation; and, at the same time, it adjusted interest rates to bring them in line with downward price developments, while maintaining them at a positive level in real terms.

56. **However, the long-standing problem of nonfungibility between the components of base money has remained.** In practice, the BCC has not been able to guarantee the convertibility in currency of the banks' free reserves, and the rate of the discount (*décote*) has been very volatile and at times high (up to 40 percent) in response to changes in the balance between the supply and demand for bank money.

57. **The BCC has not been able to rely on conventional monetary instruments, due to the low level of financial intermediation, and it has frequently resorted to the practice of rationing currency.** Data provided in Table II.2 illustrate the difficulties the BCC has had to face in the regulation of currency in circulation, which is the main component of broad money. For the first six months of 2002, the BCC did not provide currency to the commercial banks, and all currency issues were allocated to the payment of the government's expenses ("Treasury" outflows in Table II.2) and that of the BCC ("BCC" outflows in Table II.2). This policy was modified beginning in July, under pressure from banks that could not provide payments services to government (mostly the payment of public sector salaries that have to be paid in cash), even though they had positive balances with the BCC. However, during the January–October 2002 period, most of the currency outflows from the BCC were to the DRC Treasury or to pay for BCC's own expenses.

¹⁷ See the Annex to this section for a review of Fund technical assistance to the BCC.

Table II.2. DRC: Sources of Currency Flows at the BCC,
January–October, 2002
(In billions of Congo francs)

Inflows		Outflows	
Banknotes taken from market	8.6	Treasury	13.7
Net foreign exchange sales	4.8	BCC	5.0
Net repayments of CDs	-2.3	Banks	3.1
Special arrangements (<i>décote</i>)	6.1		
New issues	14.7		
Change in cash balance	-1.6		
Total	21.7	Total	21.7

Source: Central Bank of the Congo.

58. Some of the monetary instruments used by the BCC to regulate overall liquidity in the system have caused distortions or have been costly:

- Until the end of 2002, certificates of deposits (CDs) had been used to “buy” currency from the market.¹⁸ However, as their remuneration was brought in line with inflation (from 25 percent per month at the beginning of the year to 0.7 percent since May 2002), demand for CDs evaporated, since their rate of return no longer incorporated the implicit cost of the *décote*. Consequently, since the beginning of the year, CD operations have led to net liquidity injections.
- Special arrangements have involved operations of the BCC on the *décote* market, whereby the BCC was receiving Congo franc notes against Congo franc bank money.¹⁹ These operations proved to be costly (30 percent on average). In addition, they resulted in an increase of banks’ reserves with the BCC (CGF 6 billion at end-May) and the correlated increase in the rate of the *décote* (Figure II.1). The rate of the *décote* dropped in July as the BCC started to “liquefy” banks’ reserves. Recourse to *décote* operations in September–October led again to a sharp increase in the *décote* rate.
- While currency issues would have been less costly than *décote* operations, the BCC indicated that it did not have the foreign exchange to pay for the related expenses. In addition, currency issues could have

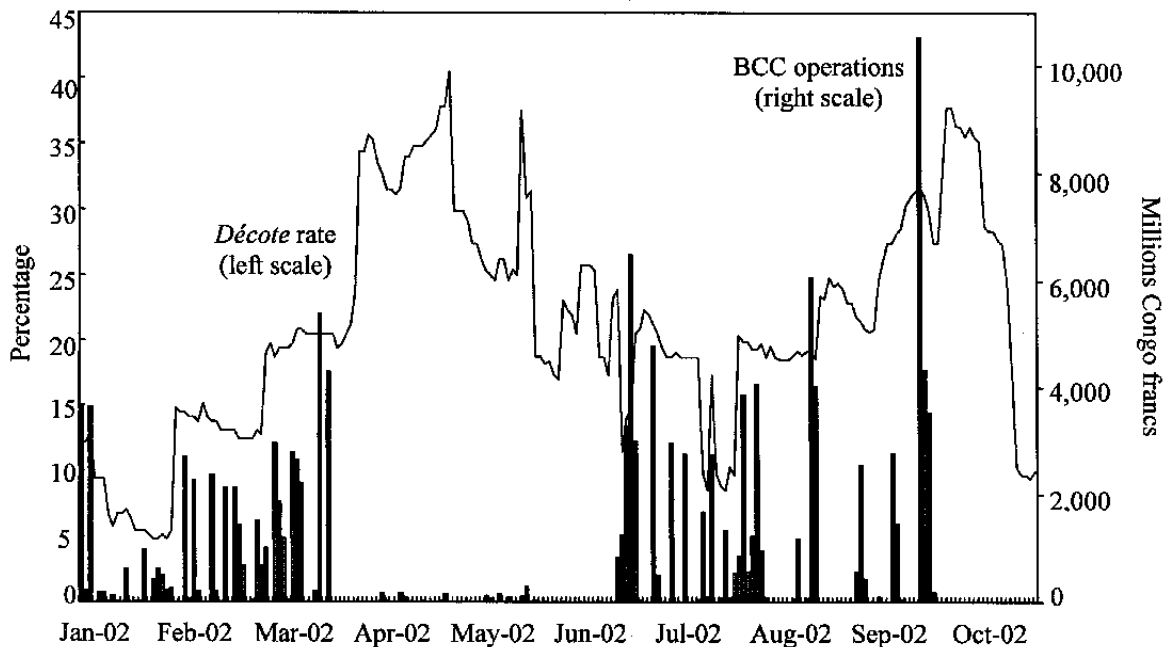
¹⁸ CDs were issued to finance the budget. However, they could only be purchased with cash, thus allowing the BCC, in its capacity as fiscal agent, to “buy” currency from the market that could be used for the payment of the government’s expenses.

¹⁹ The BCC’s operations on the *décote* market involved purchases of foreign currency or Congo franc banknotes against payments in Congo franc bank money at a premium.

led to additional demand for foreign exchange, while the *décote* operations resulted in the injection of bank money that could only be used for the payment of taxes. Therefore, currency issues would have needed to be supplemented with sterilization operations. One cannot rule out that the two operations combined could have generated costs in line with those of the *décote* operations.

59. The analysis of the distribution of the BCC's currency operations among new issues and net purchases of notes on the market during the period from January 2001 to October 2002 clearly shows the complementarity of these two types of mechanisms in balancing the offer and demand of banknotes (Figure II.2). **It illustrates the constraints the BCC was under, given the narrow room for maneuvering because of a structural deficit of its operating account and the alleged shortage of foreign exchange to meet currency issue costs.** In this context, it is important to recognize that the cost of monetary policy implementation must be borne by the budget until the BCC can generate sufficient revenues from its operations. Such a cost needs to be weighed against the expected benefits, particularly financial stabilization. Other costs that are unavoidable for any central bank but which the BCC has been unable to cover are those related to the manufacturing or buying of banknotes.

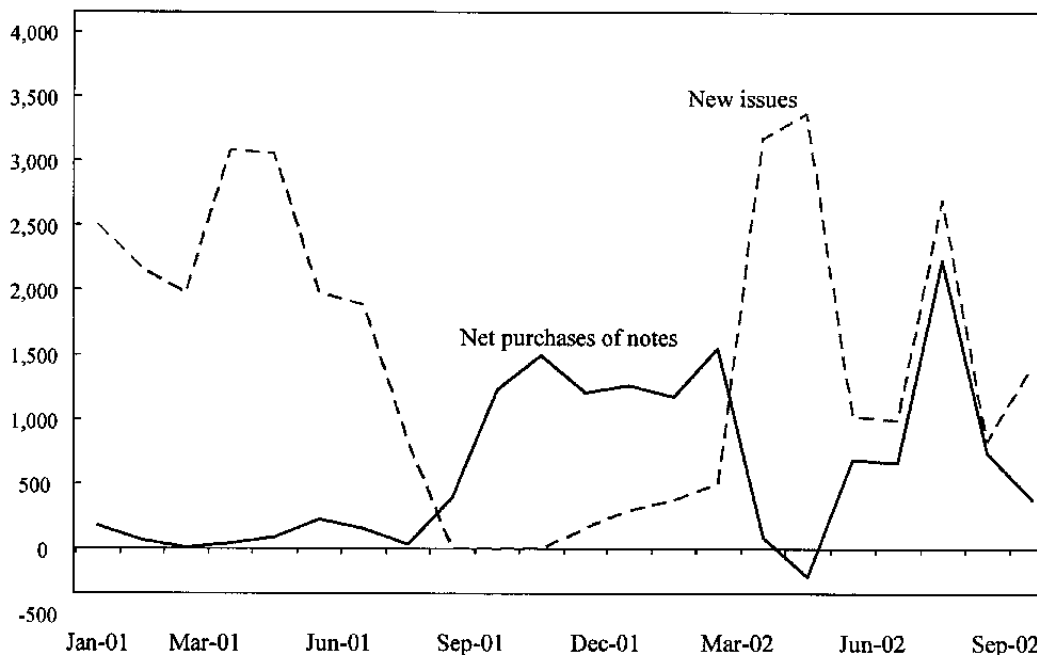
Figure II.1. DRC: *Décote* Rate and BCC Operations on the *Décote* Market, 2002



Sources: BCC; and staff estimates on the basis of information provided by market sources.

Figure II.2. DRC: New Issues and Purchases of Notes by the BCC, 2001–02

(In millions of Congo francs)



Source: BCC.

C. Initial Conditions to Support Financial Intermediation

60. This subsection analyzes the effects of the *décote* on the financial system; it argues that the return to the fungibility of base money is a necessary initial condition to develop financial intermediation in the DRC. It also offers some preliminary considerations on the linkages between dollarization and financial intermediation.

Nonfungibility of base money and *décote*

61. **The nonfungibility of base money has had adverse consequences at the macroeconomic level of financial intermediation.** Commercial banks need to make a distinction between customers' deposits made in cash (cash deposits), and customers' deposits resulting from transfers through the payments system (bank money deposits), the counterpart of which is reserves with the BCC. Therefore, three payment instruments in local currency circulate in the DRC: currency, cash deposits, and bank money deposits. While currency and cash deposits are traded at par (provided that the former are placed with a solvent bank), at times, bank money deposits are traded at a discount (*décote*), compared with currency or cash deposits. The level of the *décote* varies depending on the supply (payments in bank money made

by the BCC) and demand for bank money deposits (capacity of taxpayers to settle their taxes in bank money).

62. **The nonfungibility of base money has also had adverse consequences at the macroeconomic level of financial intermediation.** First, it has acted as a barrier to the provision by the commercial banks of payments services—for instance, checks are not accepted unless the beneficiary is willing to take the risk of having to pay the *décote* to obtain currency. Moreover, it is a barrier to banks' provision of credit to the economy. Currently, currency is the principal medium of settlement of economic transactions. The inaccessibility of banks' free reserves imposes an additional liquidity constraint, since commercial banks cannot guarantee at all times and upon request the availability of currency to the beneficiary of a loan, even if they have free reserves with the BCC. In this context, arbitrage activity between cash and bank money may become a lucrative business.

63. In the Congolese context, the activities of the financial system are limited to the provision of payments services. The bulk of Congo franc transactions that are intermediated by the financial system are related to government receipts and expenditures. Therefore, **any imbalance between the supply and demand of Congo franc banknotes reflects imbalances in the public sector that are not covered by the issuance of banknotes by the BCC; hence, the *décote*.**²⁰ Indeed, in the context of a balanced budget for the public sector, the BCC should not need to have recourse to the rationing of currency. The BCC should be in a position to meet all payments requested by the government. However, the BCC has had to resort to currency issues to meet essential government expenditures (Table II.2), and it has not issued currency to meet the demands of commercial banks, with the result that free reserves at the BCC have accumulated (reinforcing the nonfungibility of base money) and the *décote* has reached 40 percent in September 2002 (Figure II.1).

64. **The imbalances in the public sector may originate from three sources.** First, some payments executed by the BCC on behalf of the government are not reflected in the budget. Second, not all of the operating losses of the BCC are accounted for in the budget in a timely manner. Third, financial institutions that participate in the collection of taxes have retained part of the government's revenues to cover expenditures that are not recorded in the budget. The weaknesses in the information systems at the BCC, in the financial institutions, and in the public sector (*comptabilité publique*) have prevented an assessment of the size of these outflows.

²⁰ Here, "public sector" encompasses the government budget, the BCC, and all other government entities that utilize, in some way or another, the payments systems.

Establishing the initial conditions²¹

65. **A revival of financial intermediation is critical to the success of the reform agenda currently being implemented by the authorities.** First, it is necessary to relax some of the constraints that the BCC faces in the implementation of monetary policy, in particular with regard to the control of overall liquidity conditions in the economy. Second, if the private sector is to become the engine of growth, it will need the support of the banking system.

66. **To enable banks to increase their role in payments systems, the *décote* must be eliminated.** This is a necessary condition for the smooth operation between solvent banks of the payments systems. It is also a necessary (but not sufficient) precondition for resuming money creation (i.e., the provision of credit to the private sector) in local currency.

67. Following the corrective measures implemented by the authorities in November 2002, the *décote* was virtually eliminated.²² **In order to prevent the *décote* from appearing again in the future, the BCC needs to be prepared to provide banknotes on demand to the banks that have positive reserve balances.** As the BCC discontinues reliance on the rationing of currency, it will need to rely on a monetary instrument to sterilize any injection of liquidity in the system that is not consistent with the monetary program. The introduction in December 2002 of BCC short-term bills, as recommended by the Fund, will provide the BCC with such a monetary instrument (Box II.1).

Box II.1. Monetary Instruments of the BCC

Short-term foreign exchange swaps: to be used at the discretion of the BCC for the supply of reserves to banks on a temporary basis (one to two weeks).

Short-term BCC bills: to be issued at the discretion of the BCC for mopping up excess reserves from banks and, through the banks, from a wide range of investors. The BCC should offer a more competitive rate of remuneration than investments in foreign currency at equivalent terms, taking into account interest rates on the dollar and inflationary expectations.

Reserve requirements: set at 2 percent of deposits in local currency. This instrument has had a limited impact in the past, given the low level of deposits and the size of banks' free reserves. Deposits in foreign currency should be subject to reserve requirements to avoid a bias in favor of dollarization.

²¹ It is important to note that financial intermediation is also conditional on a number of additional policies, including an appropriate legal framework governing contracts, efficient judicial administration, and the presence of sound and effective financial institutions. These policies are not discussed in this section.

²² The corrective measures taken by the authorities to keep the program on track are described in the staff report for the 2003 Article IV consultation and first review under the PRGF arrangement (EBS/03/12, 2/4/03).

68. In the context of the current policy framework, where fiscal consolidation is one of the cornerstones of the program, strict adherence to the monthly treasury cash-flow plan should prevent the buildup of imbalances in the system. This is particularly important since, at least until financial intermediation has deepened, the ability of monetary policy to compensate for fiscal imbalances, even temporary ones, in a timely fashion may be limited. Therefore, the **execution of the cash plan at the Ministry of Finance needs to be closely coordinated with the liquidity-forecasting exercise undertaken by the BCC.**²³ This is particularly important because there is a high probability that excess liquidity in the system will put downward pressures on the exchange rate, with direct repercussions for inflation owing to the high level of pass-through.²⁴

69. **Better identification and quantification of the causes of the imbalances in the public sector will facilitate the coordination of monetary and fiscal policies** by allowing the monetary and fiscal authorities to identify early in the process deviations from the monetary program, so that they are in a position to decide on corrective measures in a timely and coordinated fashion. This requires action in three areas: (a) completion of the ongoing efforts to rehabilitate the accounts of the BCC in order to better assess its financial position; (b) strengthening of banking supervision in order to assess potential sources of outflows through the financial institutions participating in the collection of public sector revenues; and (iii) strengthening of public accounting procedures (*comptabilité publique*) to enable the Ministry of Finance to monitor more effectively the government's accounts on the books of the BCC.

70. **The return to fungibility of base money will result in an increase of deposits for transactions purposes, thereby allowing the banks to resume their participation in money creation.** In such a context, the BCC will be able to use the range of refinancing instruments already at its disposal. In particular, within the target for base money provided for in the monetary program, the BCC will be able to supply banks with reserves through short-term foreign exchange swaps (Box II.2).²⁵ In the

²³ In September 2002, the BCC created a Consultative Group on Monetary Policy to facilitate the coordination of fiscal and monetary policies (see Annex).

²⁴ As there is no comprehensive indexing mechanism (in particular, regarding wages), this variability in inflation has significant real effects.

²⁵ The liquidity-providing foreign exchange swaps are operations where the BCC buys foreign exchange against Congo francs on the spot market and, at the same time, sells it back forward at a specified repurchase date and rate. Such operations amount to a BCC loan to financial institutions that is collateralized with foreign exchange. Changes in the spot Congo francs exchange rate during the life of the swap have no implications on the settlement of the transaction at the due date.

future, the range of collateral in support of the BCC's refinancing operations may be broadened to include assets in local currency, once the process of reintermediation has resulted in the accumulation of such assets by the commercial banks.

71. The restoration of the fungibility between the components of base money will involve shifting from the currency programming framework currently in place to a base money programming framework. In order to expand the current monetary programming framework, the BCC will need to strengthen the lines of communication among the various operational BCC directorates, and between the BCC and the Ministry of Finance. Such a framework will allow the BCC to analyze the autonomous sources of demand for and supply of base money, and to decide on the discretionary monetary operations needed to keep base money in line with assumptions in the monetary program. Such a framework can also be utilized for *ex post* analysis of actual flows, thereby enabling the BCC to understand past trends and decide on corrective actions to be taken as required in the future.

D. Financial Intermediation and Dollarization

72. **Past macroeconomic instability and weak BCC policies have not only marginalized the banking sector but also led to the development of multiple forms of dollarization in the DRC** (Box II.2). Bank deposits represent only about 2 percent of GDP, 80 percent of which is denominated in foreign currencies.²⁶ Total bank reserves of Congo francs with the BCC exceeded the level of loans in Congo francs (Table II.1), and bank money in Congo francs is for the most part used in the context of the operations on behalf of the government. Transactions in the economy are also highly dollarized: they are either executed in dollars or indexed to the dollar. Accordingly, any excess supply of local currency, in light of the limited demand, has a direct inflationary impact owing to the high pass-through of exchange rate changes into prices, given that such excess supply results in an additional demand for foreign exchange in the market.

²⁶ At the end of 2001, the ratio of average foreign currency deposits to total deposits in Africa reached 33.2 percent (see "Financial Stability in Dollarized Economies," IMF, forthcoming Working Paper).

Box II.2. Forms of Dollarization

Dollarization may be partial (the local currency is the legal tender but financial or real transactions can be denominated in dollars) or total (another currency—typically but not necessarily the U.S. dollar—is the predominant or exclusive legal tender). Within partial dollarization, one can distinguish the following: **payments dollarization** (or **currency substitution**), that is, the use of foreign currency for transaction purposes; **financial dollarization** (or **asset substitution**), that is, residents' holding of financial assets or liabilities in foreign currency; and **real dollarization**, that is, the indexing, formally or de facto, of local prices and wages to a foreign currency.

While data on residents' holdings of currency in foreign currency are not always available, dollarization can be assessed by analyzing the balance sheets of domestic banks via the ratio of onshore foreign currency deposits to total onshore deposits. Loan dollarization reflects deposit dollarization but is often less intense, owing to banks' large holdings of liquid dollar assets.

Source: "Financial Stability in Dollarized Economies," IMF, (forthcoming).

73. **Deposits have been dollarized mostly through unremunerated foreign currency-denominated demand deposits.** These deposits reflect a reluctance to hold balances in domestic currency for transaction purposes because of high inflation, rather than interest rate arbitrage. As they are converted into Congo francs, they can be utilized in the settlement of transactions.²⁷

74. **In a context of limited financial intermediation, the dollarization of large transactions is also encouraged by the low purchasing value of Congo franc banknotes.** This is because the face value of banknotes in Congo francs was not adjusted according to the evolution of prices in the economy. For instance, the note with the highest face value (CGF 100) is equivalent to less than US\$0.30; it was equivalent to US\$70 when it was introduced back in 1998.

75. **As financial intermediation is developed, it is important to be aware of the costs and risks that increased dollarization could bring to the financial system.** First, dollarization reduces the seigniorage base that is associated with the issuance of domestic currency. Second, there is evidence that dollarized financial systems are increasingly vulnerable to solvency and liquidity risks, as the degree of financial dollarization increases, while real dollarization lags behind. In particular, greater dollarization of banks' loans could increase the risk of deterioration in the quality of bank portfolios as loans would not necessarily be issued to borrowers with foreign exchange income. Dollarization also imposes limits on the central bank's lender-of-last-resort function. **Therefore, as financial intermediation is developed, it is important to avoid certain actions that might further reinforce dollarization in the DRC and take measures supportive of a reintermediation in local currency.**

²⁷ At the end of October 2002, demand deposits represented 95 percent of total bank deposits, with 80 percent of these deposits composed of demand deposits in dollars.

76. Monetary policy may affect the degree of financial dollarization through the interest rate spread between currencies. The authorities should, however, resist using interest rates to prop up the exchange rate. Such a strategy could generate difficulties in the long run. In particular, it would increase the lending rate for domestic currency, thus encouraging the dollarization of loans, with unfavorable consequences for the vulnerability of the financial sector to sudden exchange rate fluctuations, as indicated above. Therefore, **monetary policy should continue to be guided by price stability objectives.**

77. In low-income countries, like the DRC, most of the deposits in commercial banks are demand deposits, maintained primarily for transaction purposes. Therefore, a reintermediation in local currency will need to be supported by the **development of an efficient payments and settlement infrastructure for local currency-denominated transactions.** In addition, as the DRC consolidates the gains made in stabilizing the macroeconomic framework, the demand for savings instruments in local currency will rise. In such a context, the offer by the BCC of a short-term instrument, as discussed above, will help the process of reintermediation in local currency by restoring parity between the Congo franc and the dollar at a given inflation rate and in light of the anticipated devaluation of the exchange rate.

78. **Regarding currency in circulation, the face value of Congo franc banknotes must be reevaluated, with a view to ensuring a better match with the needs that arise for transaction purposes.** Banknotes of larger denominations than are currently available should be introduced as soon as possible, so as to allow the use of the Congo franc in large transactions. At the same time, the BCC will need to provide banknotes of smaller denominations, which are still in use by a large fraction of the population.

79. Finally, it is important to recognize that the capacity to find outlets for stable demand deposits and to generate revenue will also depend on the environment in which credit activity is carried out. Accordingly, **it is essential that the DRC authorities make every effort to build the pillars of sound banking activity** by complementing the new banking law that has been promulgated with the following measures: (a) complete the bank restructuring; (b) establish prudential regulation and bank supervision processes in line with international standards; (c) complete the public enterprise sector reform; (d) create a business environment conducive to the development of an efficient private sector; and (e) promote an appropriate legal framework governing contracts and efficient judicial administration.

Progress Accomplished in Strengthening the BCC's Operational Capacity

80. Fund technical assistance in monetary and exchange rate policy areas was based on a multitopic diagnosis mission led by AFR in early 2001 before the implementation of the interim government program monitored by the Fund staff. This multitopic mission resulted in the design of a clear road map of policy measures, as well as sequenced technical assistance, fully taking into account the administrative capacity in the DRC. This road map was updated during the review of the staff-monitored program (SMP) and implementation of the successor three-year government economic program supported by an arrangement under the IMF's Poverty Reduction and Growth Facility (PRGF). It began in early 2001 with a visit of a Fund short-term expert to assist the authorities in the unification and floating of the exchange rate in the context of the SMP. Then, a Fund technical assistance mission took place later, in October 2001, and when the macroeconomic framework had already been stabilized under the SMP, following greater budgetary discipline and the successful unification and floating of the exchange rate. At the time of the technical assistance mission, exchange arrangements for international transactions had been liberalized for the most part. The objective of the mission was to support the capacity-building efforts at the BCC so that these initial achievements could be sustained. The mission focused its work on monetary management, the foreign exchange market and operations, and central bank accounting and audit operations. During the course of 2002, Fund short-term experts made several follow-up visits to assist the BCC in the implementation of Fund recommendations, and a Fund Resident Advisor to the BCC Governor was appointed. In parallel, the World Bank took a leading role in the restructuring of the banking sector, in particular in overseeing the liquidation of insolvent banks.

81. **During the course of 2002, key financial legislation was enacted.** First, a central bank law was enacted that provides for its independence; second, a Banking Law was enacted that establishes bank licensing, liquidation, and supervisory frameworks. The Banking Law specifically gives the BCC full responsibility for the supervision of the financial sector and spells out the conditions under which credit unions are organized and supervised, and can operate; and third, a new legal framework was established for the restructuring of the banking system, so as to extend a special restructuring regime that had been in place since 1998 but had expired on December 31, 2001.²⁸ The central bank law and the Banking Law, which benefited from comments by Fund staff, **reflect best international practices in their respective areas and provide a sound framework for strengthening the financial sector.**

²⁸ The new framework allows the BCC to decide to bring any institution under the regime, whereas the previous regime was voluntary. At the time of the Fund technical assistance mission, seven banks out of eleven active banks operated outside of the regime, and four private banks were in liquidation.

82. **The October 2001 Fund technical assistance mission found that monetary management was constrained by several factors:** a weak framework for liquidity forecasting; a need for better coordination of monetary management and government operations; the absence of any adjustment of official interest rates, in view of the downward trend for inflation; and nonfungibility between bank reserves at the central bank and currency. To address these shortcomings, and consistent with the recommendation of the October 2001 mission, the following measures were implemented:

- **The BCC put in place key components of a framework to program currency issues.** In particular, the BCC's Treasury Directorate (DT) started, at the beginning of 2002, to monitor the counterparts of currency inflows and outflows, thereby allowing the BCC to track the factors that had led to net injections of currency in the system. The BCC has also already started to use this tool to forecast the net demand for currency.
- Further progress was made in centralizing all public sector expenses with the **consolidation of the net income position of the BCC in the government's position** in order to avoid the inflationary consequences of BCC losses, which had been a problem previously.
- **In September 2002, to facilitate coordination of fiscal and monetary policies, the BCC created a Consultative Group on Monetary Policy,** composed of eight members (six from key BCC departments and two from the Ministry of Finance), who now meet at least twice a month. The committee will report to the senior management at the BCC and the Minister of Finance.
- **The monetary authorities have adjusted the BCC refinance rate and the rate of remuneration on CDs** to bring them in line with downward price developments, while keeping their levels positive in real terms.

83. **Since the unification of the multiple exchange rates and the floating of the currency in May 2001, the foreign exchange market has continued to function satisfactorily.** The spread between the formal and informal markets has never exceeded 2 percent, on average; the collection and dissemination by the BCC of the market exchange rate has functioned well overall; and the published rate has become a reference rate in the market.

84. The October 2001 mission noted that short-term foreign exchange swaps could be used by the BCC to inject liquidity in the system, given the lack of adequate collateral in domestic currency that could be used. While preliminary assistance was provided for their introduction, these swaps did not materialize because refinancing needs for the banking sector did not emerge at the time.

85. Work in the area of **reserve management** started in the context of a visit by a Fund short-term expert early in 2002. Broad reform areas were identified, including the **need for**

a new organization of the reserve management function, the creation of front-office and back-office functions in the operations division, the reform of accounting practices, and the production of a procedures manual. Subsequently, staff involved in reserve management made a study tour to a neighboring central bank that had just reformed its reserve management function with the support of a Fund technical assistance program. Recommendations were also formulated for the consolidation of the numerous accounts in one main correspondent account.

86. The October 2001 Fund technical assistance mission found **weaknesses in the accounting framework at the BCC**. Subsequently, the external audits of the 2000 and 2001 accounts of the BCC have been finalized, but not certified, pointing to lapses in both accounting procedures and transparency, and casting doubts on the real financial position of the BCC. In response, the BCC created an Account Reconciliation Committee (*Comité d'Assainissement des Comptes—CAC*), with the Fund Resident Advisor as its chair, to clean up its balance sheet and implement transparent accounting procedures. Furthermore, in September 2002 the BCC drafted terms of reference for an overhaul of these systems by an international firm. In this context, the BCC intends to adopt a new accounting framework consistent with international standards.

87. Regarding the **internal audit function**, which was also identified as an area calling for urgent action, the BCC issued an audit charter in September 2002 (following the establishment in 2000 of an Internal Audit Directorate (DAI)), which defined the objectives, responsibilities, powers, and methods of operation of the DAI. This measure is an important element in the BCC's efforts to implement best international practices in this area.

III. REUNIFICATION OF THE DEMOCRATIC REPUBLIC OF THE CONGO: SOME ISSUES AND CHALLENGES²⁹

88. This section provides a brief overview of some of the main issues of the reunification of the DRC, the situation in the rebel-controlled areas, and the need for external assistance and the challenges of reunification.

A. Introduction

89. After years of conflict, during which the DRC was divided along battle lines, the reunification of all provinces under a common and inclusive authority, is a sine qua non for peace to hold, both within the country and within the subregion, for the economy to recover and grow again, and for the current social crisis to be addressed. It is widely recognized that failure could result in reigniting the war: chaos and poverty in the border regions would make it possible for foreign rebel groups to operate again from the DRC, which, in turn, could trigger a new round of foreign interventions and generalized conflict. Success in the economic arena—which will require the successful economic and social stabilization of key areas, the rapid generation of “peace dividends” even if initially only on a relatively small scale, the return of economic growth, the reconnection of the different parts of the country, and the restoration of basic public and social services—will be critical to prevent such a scenario from happening.

90. With the recent progress toward peace, the withdrawal of foreign troops, and the ongoing negotiations for putting in place a new and inclusive political dispensation, a window of opportunity for a peaceful and successful reunification has opened. But the process will be a delicate one, and its different components—political, military, and economic—need to be well integrated and carefully managed. Although the process will have to be carried through to a successful conclusion by the Congolese themselves—government, leaders of the rebel movements, prominent figures in the nonarmed opposition, civil society activists, and the people—external support, particularly financial support, will be critical for success.

91. For the DRC’s development partners, the challenge will, hence, be to think through and coordinate their assistance, including targeting and implementation, in such a way that it best contributes to successful reunification. Planning such an intervention is, however, made difficult by the “fog of war” that still surrounds a number of areas that are not under government control. Detailed and systematic data are often missing on the status of critical infrastructure or on the conditions in which social services are delivered in provinces. And the current fluidity of the political and security situation makes it

²⁹ This section has been prepared by Xavier Devictor, with Box III.1 prepared by Nicolas Calcoen.

difficult to identify solid Congolese counterparts in the development process, as well as short- to medium-term needs.

92. In this context, and given the urgency, it is particularly important to engage in a rapid, but in-depth, consultation process among donors and with the other international actors involved in supporting the reunification process, to ensure that donor-supported activities are a consistent and integral part of a broader effort to consolidate peace and support the ongoing stabilization and reconstruction efforts of the authorities.

B. The Situation in Rebel-Controlled Areas

93. Rebel-held areas are characterized by a high degree of diversity (see the annex to this section for a description of the situation and tentative priorities in each area). They stretch over about 1 million square kilometers and a number of ethnic groups. These areas have gone through different types of ordeals over the last years and are ruled by a variety of leaders and warlords. As a result, needs, institutional structures, and security conditions vary greatly from one area to the next, sometimes even from one locality to the next.

94. Still, as a whole, the rebel-controlled parts of the DRC are facing a very severe social and humanitarian crisis. The conflict has taken a heavy toll on these areas. Out of a prewar population estimated at about 20 million,³⁰ about 3 million are believed to have died as a result of the conflict.³¹ More than 2.4 million people are internally displaced and live in extreme poverty, even by Congolese standards. Human rights abuses have been widespread, particularly sexual abuses, and human suffering has reached horrendous levels. While social indicators for the DRC as a whole are among the lowest in Africa, social indicators in most rebel-held areas are even worse as a result of population displacements, economic disruptions, and continued insecurity.

95. The state of the economy mirrors this crisis. Widespread insecurity, disruptions of trade, and resulting shortages have forced many communities to return to autarky, while prices have skyrocketed in urban centers and food-deficit areas. The widespread looting of public and individual assets and the absence of effective economic management have discouraged economic production, while preparing the soil for a mushrooming of criminal and semicriminal networks. Natural resources are reportedly exploited to the

³⁰ Demographic estimates are based on prewar figures, as reported in European Union, *“Rapport des Conseillers Economiques de l’Union Européenne en République Démocratique du Congo,”* 1999.

³¹ UN “Final Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of DR Congo,” October 16, 2002 (henceforth referred to as “Final Report”), para. 96.

sole benefit of a variety of private interests.³² Access to health care and education has been substantially reduced, creating the conditions for long-term impoverishment, the spread of disease, and even the perpetuation of conflict for a younger, unschooled generation. Overall, the economy has been transformed into a combination of subsistence activities (for the many) and predation (by the elites).³³ The challenge is, therefore, to restart an idle engine and restore economic growth, and to turn around the systems and incentives that have emerged over the last years and to put in place the conditions for a healthy recovery.

96. This challenge is compounded by a deep institutional crisis. Rebel-held areas are characterized by a high degree of fragmentation, resulting from political feuds as well as communications constraints. In some areas, de facto authorities seem to enjoy only a limited amount of popular support and recognition, while in other places criminal networks and armed bands dominate. Many local institutions are no more than former branch offices of national entities that have lost part of their staff, facilities, and equipment. Technical capacity is scarce, salaries rarely paid, and corruption widespread. Restoring public authority and an effective capacity to deliver minimal social services is critical for tackling the humanitarian crisis and spurring economic recovery. In the short term, the lack of institutional capacity will be an obstacle to the implementation of economic rehabilitation activities.

C. External Assistance and the Challenges of Reunification

97. In view of the magnitude of the needs and of the DRC's limited fiscal capacity, external assistance will be critical to break the cycle of poverty and insecurity. But it is important to underline two critical aspects of the reunification process:

- **The challenges associated with reunification are not limited to the northern and eastern parts of the country.** The objective is to establish a unified, inclusive, and effective governance system, with a proper balance between the different levels (central, provincial, and local) of government. This is expected to require in-depth institutional reforms over the medium term that will affect both government- and rebel-held areas. The economic reunification of the country will also be conditional on the reconstruction and rehabilitation of countrywide infrastructure networks. Finally, only a balanced development of the various parts of the country will allow a sustainable return to political stability and economic growth. For donors, the challenge will, therefore, be to balance assistance throughout the country and to adjust the type and level of interventions in response to specific needs and opportunities.

³² See "Final Report."

³³ Ibid.

- **The success of reunification requires a coordinated effort to tackle political, military, economic, and social issues.** Hence, the articulation of economic support with the other aspects of the reunification process is critical. In particular, the pace of assistance delivery has to be well-defined and flexible: intervening too early or with inadequate instruments may well raise expectations and complicate the political process, while intervening too late could result in missing windows of opportunity. Similarly, the selection of Congolese counterparts for the design and implementation of assistance projects is likely to lead to entrusting some individuals and institutions with a degree of legitimacy, and this process needs to be carefully handled.

98. Continued assistance to the DRC as a whole is critical for the success of the reunification process. Still, the reintegration of northern and eastern areas will also call for additional programs, particularly to achieve the following objectives in four areas:

- **To restore sound economic governance.** While there has been very significant progress in government-controlled areas in creating the conditions for good economic governance, there has been little, if any, comparable action in rebel-held areas. Key institutions have to be reestablished. Reforms already undertaken on the government side now have to be implemented throughout the country, particularly with respect to issues of transparency, public expenditure management, private sector activities, and the exploitation of natural resources. The external provision of capacity building and technical assistance will be critical in this effort.
- **To mitigate the fiscal cost of reunification (Box III.I).** The cost of reunification, particularly in the short term, is expected to be relatively high. Transfers to the rebel-held areas will be needed, particularly to restart payment of civil service wages, and to contribute to alleviating the humanitarian crisis. However, the restoration of a fair and effective revenue collection system will take time. There is, therefore, likely going to be a fiscal gap during the transition period that will have to be filled by the government through a combination of revenues collected in the areas currently under its control and external assistance.
- **To rehabilitate essential infrastructure and restore social services.** The challenge will be to produce rapid results in a difficult environment, while laying the groundwork for sustainable recovery in infrastructure and social sectors. Building on existing experience in government-controlled areas, donors will need to rapidly put in place effective mechanisms to (a) overcome the lack of implementation capacity, and (b) ensure adequate coordination in order to minimize gaps, avoid overburdening a limited administrative capacity, and create synergies and leverage. A particular focus could be placed on labor-intensive schemes as a way to rapidly provide resources to many impoverished families.

- **To demobilize and reintegrate former combatants.** Within the context of the Multi-Country Demobilization and Reintegration Program, special efforts will be needed to successfully demobilize, disarm, and socially reintegrate foreign combatants currently present in the DRC. In parallel, action will be needed to provide young Congolese currently involved in armed groups with options for their social reintegration. To mitigate moral hazard issues, however, this should be part of a broader effort for community recovery without a special targeting of former combatants. It should, hence, be addressed as part of the rehabilitation activities discussed above, rather than through specific programs.

Box III. 1. Fiscal Issues

Financial relations between central and local governments

The Democratic Republic of the Congo is divided in eleven provinces. The government currently has control over six of them, covering around 60 percent of the population of the country, and partial control over another one, Equateur.

Financial relations between central and local governments are determined by the 1983 organic budget law and the 1998 decree on the territorial and administrative organization of the DRC. There are four levels of local governments, called *Entités Administratives Décentralisées* (EAD): Provinces, Villes, Territoires, and Communes (for Kinshasa). In the meantime, the central government provides local services in the provinces and territories. Heads of EADs, such as province governors, also oversee the central government services localized in their jurisdictions.

The resources of the EADs consist of local taxes and transfers from the central government. These transfers, called *rétrocessions*, are calculated on the basis of the amount of central government taxes and duties collected in the provinces, and are paid in the provinces' accounts at the central bank. *Rétrocessions* have been officially set at 20 percent of revenues collected in the provinces, but only 10 percent are automatically transferred by the central bank to the provinces, the other part having been rarely paid in recent years. Transfers to provinces under government control amounted to CGF 5 billion in 2002. These funds are intended for all the EADs of the province, but there is no information on their effective distribution among them.

The central government directly pays the wages of the civil servants in its branches located in provinces under government control; it also covers their current expenditure. In recent years, payments for their current expenditure were very low, and it is most likely that these services have been financed through *rétrocession* funds, without a clear distinction made between the provinces' accounts and the central government branches' accounts.

Impact of reunification on the budget

Before the beginning of the war in 1998, **revenues** collected from the provinces currently occupied by rebel movements accounted for 10 to 20 percent of revenue of the various collecting agencies. Considering the lack of information on revenues actually collected in these areas, and likely consequences of the war on the economic situation and on the administrative capacity of the collecting units, as well as the probable disturbances arising from the transition process, the impact of reunification on revenues collected by the main collecting agencies has been estimated at 5 percent in the 2003 budget (0.37 percent of GDP). Government revenue from rebel-controlled areas is not expected to reach levels close to those observed until four to five years after reunification.

The number of civil servants in occupied territories is estimated on the basis of historical data to amount to 144,000, of which 81,000 are teachers. Considering the lower level of salaries in the provinces, where civil servants do not benefit from the transportation allowance granted in Kinshasa, the direct impact on the **wage bill** of reunification would be about CGF 5 to 6 billion (0.25 percent of GDP). However, the government has not yet been able to conduct surveys in these territories and the war is likely to have had a noticeable impact on the actual numbers and location of civil servants in the territories.

The government is committed to undertaking **surveys to estimate revenues, actual expenditures, and needs** in the occupied territories, with the help of the international community, before submitting to parliament a supplementary budget law that will take into account, inter alia, the full impact of the reunification of the country.

Situation and Tentative Priorities in Specific Rebel-Held Areas

99. **Areas controlled by the Mouvement de Libération du Congo (MLC).** The Uganda-backed MLC is in control of most of the northern part of the country (about half of Equateur Province, and a smaller part of the Province Orientale), a largely forested region with several middle-sized cities and market towns, and home to about 4 to 6 million people.³⁴ This control is effective throughout this area:

- **Political situation.** The MLC is a relatively unified and well-organized movement composed of a coalition of political opponents to Laurent-Désiré Kabila (who were initially part of the RCD), people linked to Mobutu-era business circles, and regional leaders from Equateur Province. It is efficiently led by a wealthy and reportedly popular businessman, Jean-Pierre Bemba.³⁵
- **Security situation.** The MLC has a relatively well-structured military (with about 6,500 to 9,000 troops), which was until recently backed up by a Ugandan contingent.³⁶ At this time, there seems to be no major security issue in the areas under MLC control.³⁷ Although there may be localized pockets of violence in some areas (particularly those difficult to access), security conditions do not seem to be a major obstacle to economic recovery.
- **Economic situation.** Prior to the conflict, those in the MLC-held areas (which include the home province of former President Mobutu Sese Seko) lived on small-scale agriculture, as well as wood and coffee exports. The disruption of communications, in particular along the Congo River, has taken a heavy toll on these activities, and the population has returned to subsistence agriculture. Still, the MLC has been administering the areas under its control and has maintained a taxation system, but institutional capacity seems very limited and corruption is allegedly pervasive.³⁸

³⁴ There is no consensus on demographic estimates for rebel-held areas—this reflects both the absence of reliable statistics and the fact that the size of each group’s territory has fluctuated significantly over the last years.

³⁵ See International Crisis Group, “Scramble for the Congo: Anatomy of an Ugly War,” December 20, 2000.

³⁶ Ibid.

³⁷ UN, “Eleventh Report of the Secretary-General on the United Nations Organization Mission in the Democratic Republic of Congo,” June 5, 2002 (henceforth referred to as “Eleventh Report”).

³⁸ See “Final Report.”

- **Humanitarian and social situation.** As in many other parts of the country, living standards have significantly deteriorated over the last decade, and many live in acute poverty.
- **Key risks and challenges.** The main risks for successful economic recovery in the northern DRC are linked to issues of transparency and governance. The short-term challenges will include relinking the provinces to the rest of the country and restoring the effective delivery of public and social services.
- **Tentative priorities.** Tentative priorities could, hence, include (a) restoring a proper environment for private sector activity, (b) restoring a minimal (and paid) public service, (c) establishing mechanisms for the effective implementation of community-level recovery projects for both physical rehabilitation and social services delivery, (d) restoring transport on the Congo River and its tributaries, and (e) preparing for further, large-scale assistance programs.

100. **Areas controlled by the Rassemblement Congolais pour la Démocratie-Goma (RCD-Goma).** The Rwanda-backed RCD-Goma is in control of most of the eastern part of the country (North and South Kivus, northern Katanga, part of Maniema, and part of Province Orientale, including Kisangani), a largely agricultural and mining region that is home to about 10 to 14 million people. This control seems most effective in urban settlements, while the situation in many rural areas is more chaotic.

- **Political situation.** Over the last years, the RCD-Goma has been described as a relatively loose coalition plagued with internal divisions and successive splits.³⁹ Its leadership has been subject to frequent changes (the movement is currently led by Adolphe Onusumba). Observers have raised questions about the extent of popular support the RCD-Goma is enjoying in some of the areas under its control.⁴⁰
- **Security situation.** Security in the eastern DRC has suffered from the effects of years of war, and a predatory system of violence has gradually taken root, in parallel with the resurgence of ethnic politics.⁴¹ In recent years, about a dozen groups of Mayi-Mayi insurgents (a revival of traditional rural militias) have emerged, allegedly to ensure the self-defense of communities or engage in banditry. Other ethnic-based armed groups have appeared, notably among the Banyamulenge. And foreign rebels, in particular Rwandan groups associated with the *génocidaires*, have been operating from and within this region. As a result, the about 20,000 RCD-Goma troops have

³⁹ See “Scramble for the Congo: Anatomy of an Ugly War.”

⁴⁰ Ibid.

⁴¹ Ibid.

reportedly largely lost control of many rural areas.⁴² Prior to the withdrawal of Rwandan troops, the situation was compounded by clashes with breakaway RCD factions (e.g., for the control of Kisangani last May). Insecurity and conflict have resulted in gross human rights violations.⁴³

Following the withdrawal of Rwandan troops in October 2002, attacks by the Mayi-Mayi have intensified with the apparent objective of capturing key cities. The current situation is characterized by a high degree of volatility, which could partly diminish after the completion of the ongoing political negotiations. Still, while the situation is relatively stable in key cities, rural eastern Congo is likely to remain a patchwork of stable and unstable areas for some time, where security conditions have to be assessed on a local basis, with some areas sufficiently safe for economic recovery programs to be implemented, and others still subject to violence and insecurity.

- **Economic situation.** Prior to the conflict, people in the RCD-Goma-held areas were making a living from agriculture, including export agriculture, and selected mining activities. After years of conflict, most of the population relies on subsistence agriculture, informal activities, and limited humanitarian assistance for survival. In parallel, a sophisticated and relatively well-structured system of exploitation of natural resources has been put in place, reportedly with the involvement of criminal groups and foreign elites.⁴⁴ This exploitation has been complemented by the organized stripping of large parts of the assets of public enterprises and financial institutions.⁴⁵ Revenues from the still-functioning taxation system are allegedly not used to provide public services and may have been diverted to finance foreign military forces.⁴⁶ Damage to both large and local infrastructure could be important in some areas. Disruption of the transport system may be one of the most critical obstacles to economic activity. Many communities are largely excluded from the cash economy and have turned to barter.
- **Humanitarian and social situation.**⁴⁷ These areas have been very severely affected by the war, which has taken a disproportionate death toll. A large part of the 3 million people who died as a result of the conflict were living in eastern Congo. The UN

⁴² See Ninth, Tenth, and “Eleventh Report.”

⁴³ Ibid.

⁴⁴ See “Final Report,” paras. 86 to 89.

⁴⁵ Ibid

⁴⁶ Ibid.

⁴⁷ See “Final Report,” paras. 94 to 96.

Office for Coordination of Humanitarian Affairs (OCHA) estimates that about 15 percent of the population was displaced in 2001 in these areas. More than three-fourths of families living in rural areas have been forced to move at least once in the last five years, with the predictable consequences of food insecurity, malnutrition, and high mortality rates for both the displaced and host populations. The HIV/AIDS epidemic is spreading, partly as a result of the presence of troops from countries with high HIV/AIDS prevalence and of the large-scale sexual abuses that have been taking place for the last five years.⁴⁸ In short, the humanitarian crisis is acute.

- **Key risks and challenges.** Overall, key risks that may impede economic recovery include security issues and the apparent lack of technical Congolese counterparts with the authority and capacity to make commitments in some sectors. Short-term challenges will include restoring an effective economic governance framework and putting an end to the looting of public assets, reconnecting remote areas that have been forced into autarky (and in particular reintegrating them into the cash economy), and addressing the urgent social and humanitarian crisis.

In some areas, the provision of assistance is likely to remain constrained by issues of access and security. In this context, one option would be to direct economic assistance primarily to those areas that are already stable, with a focus on quick-impact activities, so as to consolidate the situation and create positive dynamics. In the short term, these areas could include key urban centers (such as Kisangani and Goma) and their immediate vicinity. They could then be gradually enlarged as stability is gradually restored.

- **Tentative priorities.** Tentative priorities could, hence, include (a) restoring the rule of law, (b) establishing a proper framework for the exploitation of natural resources, (c) opening key sectors for transparent involvement of a reputable private sector, (d) restoring a minimal public service (payment of employees' salaries will be critical to restore a cash economy), (e) establishing mechanisms for the effective implementation of community-level recovery projects, in particular to reestablish communications, (f) fighting the spread of the HIV/AIDS epidemic, and (g) preparing for further, large-scale assistance programs.

101. **Other rebel-held areas.** These areas include most of Province Orientale (not including Kisangani) and some parts of North Kivu. Together, they constitute a largely forested region (with some mining resources) that is home to about 3 to 4 million people; however, this area is fragmented into relatively small territorial units, each controlled by a specific armed faction. Overall, chaos seems to prevail in most of these areas.

⁴⁸ See "Final Report," para. 94.

- **Political situation.** These areas are controlled by several breakaway factions, resulting from the continued fragmentation of the RCD-Goma, including the RCD-Mouvement de Libération (RCD-ML)-Kisangani, the RCD-ML-Bunia, the RCD-ML-Beni-Butembo, the RCD-National, and the RCD-Congo.⁴⁹ Recently, these groups have benefited from the support of Uganda, and have engaged with one another through shifting alliances and sporadic confrontations. Still, their control over many areas remains limited, and the role of both traditional authorities and criminal networks seems important.
- **Security situation.** The deterioration of the security situation in the northeastern DRC and the accompanying human rights abuses have been a source of concern for the UN Security Council for several months.⁵⁰ The fragmentation of the region, absence of clear leadership, internecine fighting between rebel groups, emergence of Mayi-Mayi militias, and recurrent ethnic clashes (in particular between the Hema and Lendu clans) have resulted in explosions of extreme violence. The withdrawal of Ugandan troops has aggravated the situation—and the UN has requested the Ugandan government to maintain some minimal forces in specific areas for an interim period to prevent the emergence of a power vacuum and a further deterioration of security conditions. To date, the situation is characterized by a high degree of political confusion and volatility. Addressing the current security crisis is a critical prerequisite for the effective implementation of the economic recovery programs.
- **Economic situation.** Prior to the conflict, the population of northeastern DRC was making a living on forestry and agriculture activities, with additional revenues from gold mining. The disruption of communications and the widespread insecurity have resulted in a quasi-interruption of economic activities, the return to autarky, and the development of smuggling under semicriminal networks.⁵¹ A taxation system has been maintained but seems to function mostly as a predatory mechanism to the benefit of local elites and the networks to which they are affiliated.⁵² Technical institutions are in shambles. Infrastructure damage may be relatively limited, due to the prewar underequipment of the region. Many communities are largely excluded from the cash economy and have turned to barter.
- **Humanitarian and social situation.** The northeastern DRC has been disproportionately affected by the war. Many have died. About 20 percent of the

⁴⁹ The RCD-Congo is a breakaway faction of the MLC.

⁵⁰ See “Eleventh Report,” paras. 57 to 63, and “Twelfth Report,” paras. 15 to 17.

⁵¹ See “Final Report.”

⁵² Ibid.

population is believed to be internally displaced. Displacements and insecurity have had a direct impact on agricultural production, food security, and levels of malnutrition. HIV/AIDS is spreading as a consequence of population movements and sexual abuses. Overall, the humanitarian crisis is acute.

- **Key risks and tentative priorities.** The key risk, which could impede economic recovery, is the continued deterioration of the security situation. The short-term challenges will center on restoring security in the region, generating employment for former members of armed groups, restoring a cash economy, and addressing the urgent social and humanitarian crisis.
- **Tentative priorities.** Tentative priorities could, hence, include (a) restoring the rule of law and key institutions; (b) establishing mechanisms for the effective implementation of local-level employment-generation, agricultural support, and social reintegration activities; (c) fighting the HIV/AIDS epidemic; and (d) preparing for further, large-scale assistance programs.

Democratic Republic of the Congo: Basic Data, 1997–2001

Area	2,345,000 square kilometers				
Population (2001 estimates)					
Total	54 million				
Annual growth rate	2.7 percent				
GDP per capita (2001 estimate)	US\$111.3				
	1997	1998	1999	2000	2001 Est.
	(Annual percentage changes, unless otherwise indicated)				
Output and prices					
Real GDP	-5	-2	-4	-7	-2
Nominal GDP (in billions of Congo francs)	8	10	52	297	1,464
GDP deflator	185	30	442	516	403
Consumer prices, annual average	199	29	285	550	357
Consumer prices, end of period	14	135	484	511	135
	(In millions of Congo francs, unless otherwise indicated)				
Central government finances					
Revenue (excluding grants)	404	591	2,329	15,091	91,276
Grants (excluding humanitarian aid)	0	0	0	0	0
Expenditure	869	1,233	4,934	32,988	115,147
Primary balance (commitment basis)	-261	-240	-1,490	-11,723	-4,339
Overall balance (commitment basis)	-465	-642	-2,606	-17,897	-23,871
Overall balance (cash basis)	-273	-267	-1,786	-12,181	7,916
Overall balance (commitment basis, percent of GDP)	-5.8	-6.4	-5.0	-6.0	-1.6
Money and credit					
Net domestic credit	352	712	3,964	16,678	23,426
Net credit to the government	305	614	3,631	13,730	12,242
Credit to the private sector	40	80	284	2,539	10,789
Credit to parastatals	7	18	50	409	395
Broad money	296	770	3,710	22,004	69,686
Central bank interest rate (level in percent)	13	22	120	120	140
	(Changes in percent of beginning-of-period broad money, unless otherwise indicated)				
Net domestic credit	157	121	423	343	31
Net credit to the government	154	104	392	272	-7
Credit to the private sector	3	13	26	61	37
Credit to the parastatals	0	4	4	10	0
Broad money	71	160	382	493	217

Democratic Republic of the Congo: Basic Data, 1997–2001 (concluded)

	1997	1998	1999	2000	2001 Est.
(In millions of U.S. dollars, unless otherwise indicated)					
External sector					
Current account, including grants	-200	-426	-113	-198	-250
Merchandise trade	502	405	516	212	74
Exports, f.o.b.	1,196	1,181	974	892	880
Imports, f.o.b.	-694	-775	-458	-680	-807
Capital account	-605	-681	-611	-388	-315
Overall balance	-610	-1,007	-694	-829	-709
Gross official reserves	47	60	66	51	22
Gross official reserves (In weeks of nonaid-related imports)	2.6	2.7	5.4	3.8	1.4
(Annual percentage changes)					
Exchange rate					
Congo francs per U.S. dollar (end of period)	1.3	2.4	4.5	50	312
Nominal effective exchange rate 1/	...	...	...	-83	-84
Real effective exchange rate 1/	...	...	...	-18	-6
(In millions of U.S. dollars, unless otherwise indicated)					
External public debt					
Total, including IMF	12,634	13,506	13,238	12,609	13,880
<i>Of which:</i> multilateral institutions	2,496	2,619	2,569	3,238	3,363
official bilateral creditors	9,711	10,449	10,239	8,942	10,215
Scheduled debt service, including interest on arrears (In percent of exports of goods and services)	64.2	66.7	77.5	75.2	75.7
(In percent, unless otherwise indicated)					
Social indicators					
Life expectancy at birth (years)	...	46.7	...	45.8	45.7
Infant mortality rate (per 1,000 live births)	...	128	...	...	...
Education (percent of people age 15 and above)					
Gross school enrollment rate					
Male	...	49.7	...	...	...
Female	...	44.0	...	...	...
Literacy rate					
Male	...	...	...	...	83.0
Female	...	...	...	...	54.0
Immunization rate (percent under 12 months)					
Measles	...	...	...	15.0	...
Diphtheria	...	...	...	25.0	...
Child malnutrition (percent under 5 years)	...	...	...	34.0	...

Sources: Congolese authorities; World Bank; and staff estimates.

1/ Annual averages. Minus sign indicates depreciation.

Table 1. Democratic Republic of the Congo: Gross Domestic Product by Sector
at Market Prices, 1997–2001

(In billions of Congo francs)

	1997	1998	1999	2000	2001 Est.
Primary sector	4.3	5.3	31.7	177.2	966.3
Agriculture, forestry, livestock, hunting, and fishing	3.8	4.6	27.1	146.7	824.3
Mining 1/	0.5	0.7	4.6	30.5	142.0
Secondary sector	1.2	1.3	5.1	29.1	133.2
Manufacturing	0.5	0.6	2.6	14.2	57.1
Construction and public works	0.3	0.3	1.4	12.5	64.4
Electricity and water	0.4	0.4	1.1	2.4	11.7
Tertiary sector	2.4	3.3	14.8	87.5	344.3
Transportation and telecommunications	0.2	0.3	1.4	9.4	39.5
Trade and commerce	1.4	1.8	8.7	54.3	218.2
Public administration	0.2	0.4	2.1	7.1	26.4
Other services	0.6	0.8	2.6	16.7	60.2
GDP at factor cost	7.9	9.9	51.6	293.8	1,443.8
Import duties and taxes	0.1	0.1	0.4	3.2	20.2
GDP at market prices	8	10	52	297	1,464
(Annual percentage change)	169	28	419	473	393

Sources: Congolese authorities; and staff estimates.

1/ Including processing of minerals.

Table 2. Democratic Republic of the Congo: Gross Domestic Product by Sector
at 1987 Prices, 1997–2001

(In billions of Congo francs)

	1997	1998	1999	2000	2001 Est.
Primary sector	0.99	0.99	0.93	0.92	0.90
Agriculture, forestry, livestock, hunting, and fishing	0.89	0.88	0.81	0.80	0.77
Mining 1/	0.10	0.11	0.12	0.12	0.13
Secondary sector	0.17	0.16	0.18	0.18	0.16
Manufacturing	0.09	0.08	0.08	0.08	0.07
Construction and public works	0.05	0.05	0.06	0.06	0.05
Electricity and water	0.03	0.03	0.04	0.04	0.04
Tertiary sector	0.53	0.50	0.48	0.38	0.38
Transportation and telecommunications	0.05	0.05	0.04	0.04	0.04
Trade and commerce	0.32	0.30	0.27	0.27	0.26
Public administration	0.04	0.05	0.07	0.03	0.03
Other services	0.12	0.10	0.10	0.04	0.05
GDP at factor cost	1.69	1.65	1.59	1.48	1.44
Import duties and taxes	0.02	0.03	0.01	0.01	0.02
GDP at market prices	1.71	1.68	1.61	1.49	1.46

Sources: Congolese authorities; and staff estimates.

1/ Including processing of minerals.

Table 3. Democratic Republic of the Congo: Gross Domestic Product by Sector
at 1987 Prices, 1997–2001

(Annual percentage change)

	1997	1998	1999	2000	2001 Est.
Primary sector	-4.1	-0.3	-6.2	-1.5	-1.6
Agriculture, forestry, livestock, hunting, and fishing	-2.8	-1.5	-8.1	-1.7	-3.0
Mining 1/	-14.2	10.0	8.2	0.8	7.5
Secondary sector	-23.4	-2.4	10.4	-2.8	-8.0
Manufacturing	-21.8	-14.4	3.9	0.0	-12.5
Construction and public works	-30.6	5.9	13.0	-1.6	-13.3
Electricity and water	-10.6	-3.0	9.4	0.0	11.4
Tertiary sector	-0.9	-5.5	-3.2	-20.8	0.0
Transportation and telecommunications	-4.2	-11.3	-21.3	0.0	-5.4
Trade and commerce	-2.1	-6.2	-11.6	0.0	-4.5
Public administration	15.4	22.5	32.7	-53.8	6.7
Other services	-1.3	-19.2	3.1	-60.0	25.0
GDP at factor cost	-5.5	-2.1	-3.5	-6.8	-2.8
Import duties and taxes	-1.5	27.3	-50.0	-28.6	110.0
GDP at market prices	-5	-2	-4	-7	-2

Sources: Congolese authorities; and staff estimates.

1/ Including processing of minerals.

Table 4. Democratic Republic of the Congo: Gross Domestic Product by Sector
at 1987 Prices, 1997–2001

(In percent of GDP)

	1997	1998	1999	2000	2001 Est.
Primary sector	58.2	59.1	57.9	61.4	61.6
Agriculture, forestry, livestock, hunting, and fishing	52.3	52.5	50.4	53.3	52.8
Mining 1/	5.9	6.6	7.4	8.0	8.8
Secondary sector	9.8	9.7	11.2	11.7	11.0
Manufacturing	5.3	4.6	5.0	5.4	4.8
Construction and public works	3.0	3.2	3.8	4.0	3.6
Electricity and water	1.9	1.9	2.2	2.3	2.7
Tertiary sector	30.7	29.6	29.9	25.5	26.0
Transportation and telecommunications	3.1	2.8	2.3	2.5	2.4
Trade and commerce	18.9	18.1	16.7	18.0	17.5
Public administration	2.3	2.9	4.0	2.0	2.2
Other services	7.0	5.8	6.2	2.7	3.4
GDP at factor cost	98.7	98.3	99.1	99.3	98.6
Import duties and taxes	1.3	1.7	0.9	0.7	1.4
GDP at market prices	100.0	100.0	100.0	100.0	100.0

Sources: Congolese authorities; and staff estimates.

1/ Including processing of minerals.

Table 5. Democratic Republic of the Congo: Components of Aggregate Demand and Savings, 1997–2001

	1997	1998	1999	2000	2001 Est.
	(In millions of Congo francs, unless otherwise indicated)				
Consumption	7.6	9.9	47.3	283.8	1,416.5
Government	0.6	0.8	3.1	22.3	84.6
Nongovernment	7.0	9.1	44.2	261.5	1,331.9
Gross investment	0.2	0.2	1.6	10.3	76.2
Government	0.0	0.0	0.6	1.3	1.5
Nongovernment	0.2	0.2	1.0	8.9	74.7
Net exports of goods and services	0.3	-0.1	3.2	3.0	-28.7
Exports	1.5	2.7	12.2	66.5	262.5
Imports	1.2	2.8	9.1	63.5	291.2
GDP at market prices	8.0	10.0	52.0	297.0	1,464.0
Net income from abroad	-0.5	-0.8	-4.7	-26.8	-112.5
Net current transfers	0.0	0.1	0.2	10.1	73.0
Gross national disposable income	7.3	9.2	47.3	280.4	1,424.5
Gross national savings	0.0	-0.7	0.2	-3.4	8.0
Government	-0.4	-0.6	-2.1	-16.5	-22.4
Nongovernment	0.4	-0.1	2.3	13.1	30.4
Current account, including grants	-0.2	-0.9	-1.4	-13.7	-68.2
	(In percent of GDP)				
Consumption	94.1	99.1	90.8	95.6	96.8
Government	7.5	7.6	5.9	7.5	5.8
Nongovernment	86.7	91.5	84.9	88.0	91.0
Gross investment	2.5	2.1	3.1	3.5	5.2
Government	0.5	0.1	1.1	0.5	0.1
Nongovernment	2.0	2.0	2.0	3.0	5.1
Net exports of goods and nonfactors services	3.4	-1.2	6.1	1.0	-2.0
Exports	19.1	27.0	23.6	22.4	17.9
Imports	15.8	28.2	17.5	21.4	19.9
GDP at market prices	100.0	100.0	100.0	100.0	100.0
Net income from abroad	-6.4	-8.5	-9.1	-9.0	-7.7
Net current transfers	0.0	0.7	0.4	3.4	5.0
Gross national disposable income	93.5	92.2	91.3	94.4	97.3
Gross national savings	-0.6	-6.9	0.5	-1.2	0.5
Government	-5.5	-6.3	-4.0	-5.6	-1.5
Nongovernment	4.9	-0.5	4.4	4.4	2.1
Current account, including grants	-3.1	-9.0	-2.6	-4.6	-4.7

Sources: Congolese authorities; and staff estimates.

Table 6. Democratic Republic of the Congo: Selected Indicators of Production,
1997–2001

	1997	1998	1999	2000	2001 Est.
(In thousands of tons, unless otherwise indicated)					
Mineral production					
Copper	37.7	38.2	31.2	30.8	37.8
GECAMINES	36.4	37.2	29.6	27.5	21.2
SODIMICO	1.2	1.0	1.6	3.3	0.6
Cobalt	3.0	3.9	2.3	3.7	11.6
Cement	124.9	134.3	159.1	160.7	192.1
Diamonds (millions of carats)	22.0	26.1	20.1	16.0	18.2
Crude oil (millions of barrels)	10.1	9.4	8.7	8.5	9.4
Gold (kilograms)	394.0	151.0	207.0	69.3	18.9
Agricultural production					
Palm oil	16.8	16.9	6.1	4.5	4.2
Palm kernel oil	0.4	0.6	0.5	0.2	0.1
Robusta coffee	18.9	30.4	22.3	11.3	2.3
Arabica coffee	4.1	8.6	2.1	...	...
Cocoa	...	...	...	...	1.7
Rubber	3.3	3.2	1.8	1.9	1.0
(In thousands of cubic meters)					
Forestry					
Logs	97.8	105.2	40.1	16.5	14.4
Sawn timber	30.9	38.2	20.3	8.2	18.0
Transportation					
Port activities	1,081	1,090	906	1,154	1,115

Sources: Congolese authorities; and staff estimates.

Table 7. Democratic Republic of the Congo: Production and Capacity Utilization in Manufacturing, 1997–2001

	Capacity of production	Production					Utilization Capacity				
		1997	1998	1999	2000	2001 Est.	1997	1998	1999	2000	2001 Est.
		(In thousands of tons, unless otherwise indicated)					(In percent)				
Food processing											
Maize flour	245	11	17	19	12	...	5	7	8	5	...
Wheat flour	2,700	132	113	89	117	90	5	4	3	4	3
Sugar	150	64	57	73	73	...	43	38	49	49	...
Milk	32,000	359	130	82	80	...	1	0	0	0	...
Sweets	3,100	115	128	66	332	...	4	4	2	11	...
Butter	7,000	1,799	4,948	4,806	2,052	..	26	71	69	29	...
Animal food	250	53	48	33	40	...	21	19	13	16	...
Cigarettes	7,470	3,555	3,848	3,200	3,712	...	48	52	43	50	...
Beer (in millions of liters)	603	172	161	145	171	155	28	27	24	28	26
Soft drinks (in millions of liters)	216	68	78	75	81	64	31	36	34	37	30
Heavy industrial production											
Steel	4,300	248	118	87	159	...	6	3	2	4	...
Nonferrous metal	300	28	23	19	5	...	9	8	6	2	...
Holloware	900	324	320	235	100	...	36	36	26	11	...
Industrial chemicals											
Explosives	21,021	435	513	300	246	...	2	2	1	1	...
Soaps	99	26	29	26	28	15	29	30	26	29	38
Paints, veneer, and enamel	9	0	0	0	0	0	2	2	2	2	50
Acetylene	150	35	24	14	17	7	23	16	9	11	13
Tires (in thousands of units)	280	49	56	38	0	0	18	20	14	0	0
Nonmetallic minerals											
Cement	1,035	130	145	173	169	201	13	14	17	16	19
Crushed stones	1,860	239	249	260	191	...	13	13	14	10	...
Bottles (in thousands of units)	37	23	21	18	23	17	61	57	49	62	47
Oil refinery	750	...	75	38	0	0	...	10	5	0	0
		(In thousands of square meters, unless otherwise indicated)									
Textile and shoes											
Cotton fabrics	61,530	10,568	1,563	3,028	2,361	2,353	17	3	5	4	4
Printed fabrics	64,000	11,223	12,220	16,853	14,334	3,600	18	19	26	22	6
Shoes (in thousands of pairs)	9,600	1,742	1,609	848	962	32	18	17	9	10	0
Blankets (in thousands of units)	300	63	47	36	30	...	21	16	12	10	...
		(In thousands of units)									
Light industrial production											
Metallic furniture	200	...	...	...	...	...	...	...	...	...	...
Matchetes and wheels	2,500	304	245	207	...	...	12	10	8	...	...
Shovels and spades	690	50	64	29	22	...	7	9	4	3	...
Sheet metal	231	101	86	75	65	...	44	37	32	28	...
		(In units)									
Transport equipment											
Cars	6,400	156	94	84	...	...	2	1	1	...	...
Shipbuilding	25	1	3	2	...	...	4	12	8	...	...
Ship repairs	80	43	35	33	49	...	54	44	41	61	...
		(In thousands of square meters)									
Tiles	450	62	80	107	...	...	14	18	24	...	...

Sources: Congolese authorities; and staff estimates.

Table 8. Democratic Republic of the Congo: Activities of Selected Transport Companies, 1997–2001 1/

(In millions of units)

	1997	1998	1999	2000	2001 Est.
ONATRA 2/					
Goods	202.4	164.9	128.8	184.3	...
Passengers	109.7	59.9	57.3	62.8	64.8
SNCC 2/					
Goods	321.1	403.5	386.5	429.3	459.1
Passengers	161.1	143.0	145.2	187.9	222.1
TMK					
Goods	6.2	2.4	...	...	...
Passengers	0.9	0.2	...	...	...
LAC 2/					
Goods	2.0	1.3	...	...	...
Passengers	24.0	19.1	...	...	...
Scibe Airlift 3/					
Goods	1.7	...	...	...	...
Passengers	24.4	...	...	...	...
C.A.A.					
Goods	...	1.1	0.3	1.3	...
Total					
Goods	533.4	573.2	515.3	613.6	459.1
Passengers	320.1	222.2	202.5	250.7	286.9

Sources: Congolese authorities; and staff estimates.

1/ Tons per kilometer for goods, and passengers per kilometer for passengers.

2/ ONATRA = Office National de Transports; SNCC = Société Nationale des Chemins de Fer Congolaise;
LAC = Lignes Aériennes Congolaises.

3/ Ceased operations.

Table 9. Democratic Republic of the Congo: Retail Prices of Petroleum Products, 1997–2002 1/

(In Congo francs per liter)

	Premium Gasoline		Kerosene		Diesel oil	
	West region	East region	West region	East region	West region	East region
1997	0.1	1.3	0.8	1.0	0.9	1.3
1998	0.8	1.0	0.7	0.9	0.8	1.0
1999	3.1	2.6	2.8	2.3	3.1	2.5
2000	70	73	65	68	68	71
2001						
January	70	73	65	68	68	71
February	70	73	65	68	68	71
March	70	73	65	68	68	71
April	70	73	65	68	68	71
May	280	320	240	280	280	310
June	280	320	240	280	280	310
July	270	310	230	270	260	300
August	270	310	230	270	260	300
September	270	310	230	270	260	300
October	270	310	230	270	260	300
November	265	300	230	265	260	295
December	255	290	220	255	250	285
2002						
January	255	290	220	255	250	285
February	255	290	220	255	250	285
March	255	290	220	255	250	285
April	255	290	220	255	250	285
May	255	290	220	255	250	285
June	255	290	220	255	250	285
July	255	275	220	245	250	270
August	255	275	220	245	250	270
September	255	275	220	245	250	270
October	255	275	220	245	250	270
November	280	285	245	255	275	280

Source: Congolese authorities.

1/ End-of-period prices.

Table 10. Democratic Republic of the Congo: Production and Consumption of Electricity and Water, 1997–2001

	1997	1998	1999	2000	2001 Est.
(In millions of kilowatt-hours)					
Electricity 1/					
Total production	4,835	4,519	5,100	5,813	5,798
Hydroelectric plants	4,827	4,500	5,074	5,797	...
Power stations	8	19	26	16	...
Net domestic consumption	3,833	3,065	3,763	4,396	4,360
Exports	773	299	749	1,274	...
Imports	43	55	18	6	...
Losses	1,044	1,506	1,356	1,423	...
(In millions of cubic meters, unless otherwise indicated)					
Water 2/					
Total production	214	208	203	188	214
Domestic consumption	128	116	103	113	126
Memorandum items:					
Electricity subscribers	264,803	260,371	253,351	272,687	263,019
Average monthly consumption (in kilowatt-hours)	1,206	981	1,238	1,343	...
Water subscribers	403,852	418,428	420,976	...	...
Average monthly consumption (in cubic meters)	26	23	20	...	...

Sources: Congolese authorities; and staff estimates.

1/ Société Nationale d'Electricité (SNEL).

2/ Régie de Distribution d'Eau (REGIDESO).

Table 11. Democratic Republic of the Congo: Consumer Price Index for Kinshasa, 1997–2002

(Index, August 1995 = 100)

	Food	Rent	Clothing	Other	General Index	Inflation Year to date	Inflation Annualized rate
1997	...	...	...	...	2,139	14	14
1998	...	...	...	...	5,027	135	135
1999	...	...	...	...	29,357	484	484
2000	171,392	146,696	255,363	211,047	179,368	511	511
2001							
January	228,316	185,052	368,733	249,783	232,572	30	1,390
February	231,025	191,707	374,064	274,699	240,366	34	570
March	247,623	235,694	405,511	288,974	260,946	45	348
April	291,028	273,342	446,339	325,702	302,013	68	392
May	366,032	369,227	566,534	550,957	411,763	130	613
June	372,177	379,954	640,547	553,292	420,894	135	451
July	325,061	303,753	551,249	433,962	353,519	97	224
August	362,308	361,187	664,101	478,596	398,436	122	236
September	375,944	400,176	695,631	499,953	417,919	133	209
October	390,488	412,306	733,623	506,159	431,515	141	189
November	375,313	417,738	735,319	546,248	430,814	140	158
December	363,385	413,753	718,795	542,836	421,685	135	135
2002							
January	377,459	446,938	766,068	547,487	437,635	4	47
February	378,806	461,278	752,753	550,781	440,901	5	29
March	370,288	449,844	748,109	545,104	432,740	3	11
April	369,199	446,567	749,542	544,888	431,640	2	7
May	372,224	447,074	753,373	550,776	434,917	3	8
June	381,399	457,921	759,786	568,251	445,830	6	12
July	383,526	464,519	768,754	573,184	449,446	7	12
August	386,957	463,590	768,766	573,472	451,482	7	11
September	391,089	471,607	770,623	579,065	456,330	8	11
October	404,522	483,659	782,167	586,093	468,180	11	13
November	418,996	501,288	789,205	636,058	489,789	16	17

Source: Congolese authorities.

Table 12. Democratic Republic of the Congo: Central Government Operations, 1997–2001

	1997 1/	1998 1/	1999 1/	2000	2001 Est.
(In millions of Congo francs)					
Revenue	404	591	2,329	15,091	91,276
Income and profit taxes	101	177	408	4,722	25,396
Taxes on goods and services	90	157	520	3,683	28,170
Taxes on international trade	94	148	395	3,585	21,463
Import duties	88	139	372	3,207	20,214
Export duties and others	6	9	23	378	1,249
Other revenue	119	109	1,006	3,101	16,246
Grants	0	0	0	0	0
Expenditure	869	1,233	4,934	32,988	115,147
Wages and salaries	309	528	2,079	7,312	23,540
Goods and services (including off-budget)	274	232	985	14,977	61,090
Transfers and other subsidies	43	62	200	3,176	9,281
Interest payments 2/	204	403	1,116	6,173	19,532
Other current expenditure	0	0	0	0	203
Capital expenditure 3/	39	9	554	1,349	1,500
Overall balance (commitment)	-465	-642	-2,606	-17,897	-23,871
Primary balance (commitment)	-261	-240	-1,490	-11,723	-4,339
Change in arrears 4/	192	375	820	5,715	31,787
Overall balance (cash)	-273	-267	-1,786	-12,181	7,916
Financing	266	309	3,017	11,774	-5,376
Domestic financing (net)	266	309	3,017	11,774	1,577
External financing	0	0	0	0	-6,953
Discrepancy 5/	-7	42	1,231	-407	2,540
Memorandum items:	(In percent)				
Revenue/total expenditure	46.5	47.9	47.2	45.7	79.3
Wage bill/revenue	76.7	89.3	89.3	48.5	25.8

Sources: Congolese authorities; and staff estimates.

1/ For 1997 to 1999, the reliability of existing detailed data on expenditure is particularly weak.

2/ Scheduled interest excluding interest on arrears.

3/ Including net lending.

4/ Until 2000, external arrears only.

5/ For 1998 and 1999, the discrepancy is likely to stem from unrecorded off-budget expenditure.

Table 13. Democratic Republic of the Congo: Central Government Revenue, 1997–2001

	1997	1998	1999	2000	2001 Est.
(In millions of Congo francs)					
Total budget revenue	404	591	2,329	15,091	91,276
Tax revenue	324	534	1,792	12,571	75,888
Taxes on income and profits	101	177	408	4,722	25,396
Corporations and enterprises	62	121	135	3,592	19,319
Individuals	33	48	245	1,015	5,460
Dividends and interest	4	4	8	64	346
Rental income	2	3	19	50	271
Other	0	0	0	0	0
Taxes on property	0	0	0	0	0
Taxes on goods and services	90	157	520	3,683	28,170
Turnover taxes	33	77	296	1,379	9,425
Domestic turnover tax	17	25	155	588	4,199
Turnover tax on imports	16	53	141	792	5,227
Selective excises	57	80	224	2,304	18,434
Others	...	...	...	...	311
Taxes on international trade	94	148	395	3,585	21,463
Import duties and taxes	88	139	372	3,207	20,214
Import duties	86	134	360	3,110	19,604
Statistical tax, penalties	2	5	11	97	610
Export duties and taxes	6	9	23	378	1,245
Export duties	5	8	18	294	967
Turnover tax	1	1	2	35	116
Statistical tax, penalties	0	1	3	49	162
Others	0	0	0	0	4
Other taxes	40	52	469	581	858
Nontax revenue (including administrative receipts)	79	57	537	2,520	15,388
Memorandum items:	(In percent of total)				
Tax revenue	80.3	90.3	76.9	83.3	83.1
Taxes on income and profits	25.0	29.9	17.5	31.3	27.8
Taxes on goods and services	22.3	26.6	22.3	24.4	30.9
Taxes on international trade	23.2	25.0	16.9	23.8	23.5
Other taxes	9.8	8.8	20.1	3.9	0.9
Nontax revenue	19.7	9.7	23.1	16.7	16.9

Sources: Congolese authorities; and staff estimates.

Table 14. Democratic Republic of the Congo: Central Government
Expenditure, 1997–2001

	1997 1/	1998 1/	1999 1/	2000	2001 Est.
(In millions of Congo francs)					
Total budget expenditure	869	1,233	4,934	32,988	115,147
Wages and salaries	309	528	2,079	7,312	23,540
Other goods and services (including off-budget)	274	232	985	14,977	61,090
Transfers and other subsidies	43	62	200	3,176	9,281
Interest on domestic debt	0	28	0	458	545
Interest on external debt 2/	204	375	1,116	5,715	18,987
Other current expenditure	0	0	0	0	203
Investment	39	9	554	1,062	1,694
Net lending	0	0	0	287	-194
Memorandum items:	(In percent of total)				
Wages and salaries	35.6	42.8	42.1	22.2	20.4
Other goods and services	31.5	18.8	20.0	45.4	53.1
Transfers and other subsidies	4.9	5.0	4.1	9.6	8.1
Interests on domestic debt	0.0	2.3	0.0	1.4	0.5
Interests on external debt	23.5	30.4	22.6	17.3	16.5
Other current expenditure	0.0	0.0	0.0	0.0	0.2
Investment	4.4	0.7	11.2	3.2	1.5
Net lending	0.0	0.0	0.0	0.9	-0.2

Sources: Congolese authorities; and staff estimates.

1/ For 1997 to 1999, the reliability of existing detailed data on expenditure is particularly weak.

2/ Scheduled interest excluding interest on arrears.

Table 15. Democratic Republic of the Congo: Sectoral Distribution of State-Owned Public Enterprises

Entreprise	Acronym	Activity
Mining		
1. Entreprise Minière de Kisenge "Manganèse"	EMK "Mn"	Mining
2. GECAMINES Exploitation	GCM/E.	Mining
3. Office des Mines d'Or de Kilo-Moto	OKIMO	Gold mining
4. Société de développement industriel et minier du Congo	SODIMICO	Mining
Energy		
5. La Congolaise des Hydrocarbures	COHYDRO	Oil
6. Régie de Distribution d'Eau	REGIDESO	Water company
7. Société Nationale d'Electricité	SNEL	Electricity company
Manufacturing		
8. Entreprise Zaïroise d'Explosifs	EZADDEX	Explosives
Agriculture, forestry, and livestock		
9. Cacaoyer du Congo	CACAO-CONGO	Cocoa
10. Caisse de Stabilisation Cotonnière	CSCO	Cotton board
11. Cotonnière du Congo	COTON-CONGO	Cotton company
12. Complexe Sucrier de Lotokila	CSL	Sugar company
13. Office National du Café	ONC	Coffee board
14. Office National d'Elevage	ONDE	Husbandry
15. Palmeraie du Congo	PALMECO	Palm oil
Transport		
16. City-Train	CITYTRAIN	Transport
17. Compagnie Maritime Congolaise	CMC	Shipping company
18. Office de Gestion de Frêt Maritime	OGEFREM	Shipping agency
19. Office National de Transports	ONATRA	Transport
20. Régie des Voies Aériennes	RVA	Airport security
21. Régies des Voies Fluviales	RVF	Waterways management
22. Régies des Voies Maritimes	RVM	Maritime transport
23. Lignes Aériennes Congolaises	LAC	National airline
24. Société Nationale des Chemins de Fer Congolaise	SNCC	Railways
Post and telecommunications		
25. Agence Congolaise de Presse	ACP	Press agency
26. Radio Télévision Nationale Congolaise	RTNC	Broadcasting
27. Office Congolais de Postes et Télécommunications	OCPT	Telecommunications
Financial and social security		
28. Banque de Crédit Agricole	BCA	Banking
29. Caisse Générale d'Epargne du Congo	CADECO	Savings institution
30. Institut National de Sécurité Sociale	INSS	Social security
31. Société Nationale d'Assurance	SONAS	Insurance

Table 15. Democratic Republic of the Congo: Sectoral Distribution of State-Owned Public Enterprises
(concluded)

Entreprise	Acronym	Activity
32. Dépôt Centre Médecine Pharmaceutique	DCMP	Pharmaceutical
33. Foire Internationale de Kinshasa	FIKIN	Trade promotion
34. Fonds de Promotion de l'Industrie	FPI	Promotion of industrial activity
35. Hôtel Karavia	KARAVIA	Hotel
36. Hôpital Général de Kinshasa	HGK	Hospital
37. Institut de Jardin Zoologique et Botanique Congolais	IJZBC	Zoo and botanical institute
38. Institut des Musées Nationaux du Congo	IMNC	Museum institute
39. Institut National de Statistiques	INS	Statistics institute
40. Institut National d'Etudes et de Recherche Agronome	INERA	Research institute
41. Institut National de Préparation Professionnelle	INPP	Training institute
42. Institut Congolais pour la Conservation de la Nature	ICCN	Conservation of environment
43. Office de Gestion de la Dette Publique	OGEDEP	Debt management agency
44. Office de Voiries et Drainage	OVD	Sewage
45. Office des Douanes et Accises	OFIDA	Customs administration
46. Office des Petites et Moyennes Entreprises	OPEZ	Small enterprises agency
47. Office des Routes	OR	Road maintenance
48. Office National du Tourisme	ONT	Tourism agency
49. Office Congolais de Contrôle	OCC	Standard control agency
50. Régie Nationale des Approvisionnements et de l'Imprimerie	RENAPI	Office supply

Source: Congolese authorities.

Table 16. Democratic Republic of the Congo: Monetary Survey, 1997–2001

	1997	1998	1999	2000	2001
	(In millions of Congo francs)				
Net foreign assets	-580	-1,417	-2,176	-28,522	-181,368
Net domestic credit	352	712	3,964	16,678	23,426
Net credit to government	305	614	3,631	13,730	12,242
Credit to the private sector	40	80	284	2,539	10,789
Credit to parastatals	7	18	50	409	395
Broad money (M2)	296	770	3,710	22,004	69,686
Narrow money (M1)	223	638	3,462	18,557	42,627
Currency in circulation	152	515	2,944	15,963	31,873
Demand deposits	71	124	518	2,594	10,754
Quasi-money	73	132	248	3,447	27,059
Time deposits in domestic currency	1	5	2	0	25
Foreign currency deposits	72	127	246	3,446	27,034
Import deposits	32	75	205	1,554	6,347
Other items, net	-555	-1,550	-2,127	-35,402	-233,974
<i>Of which</i> : valuation change	-768	-1,691	-2,823	-27,928	0
	(Annual change in percent of beginning-of-period broad money, unless otherwise indicated)				
Net foreign assets	60	-283	-99	-710	-695
Net domestic credit	157	121	423	343	31
Net credit to government	154	104	392	272	-7
Credit to the private sector	3	13	26	61	37
Credit to parastatals	0	4	4	10	0
Broad money (M2)	71	160	382	493	217
Narrow money (M1)	66	140	367	407	109
Currency in circulation	40	122	316	351	72
Demand deposits	25	18	51	56	37
Quasi-money	5	20	15	86	107
Time deposits in domestic currency	0	1	0	0	0
Foreign currency deposits	6	19	15	86	107
Import deposits	-6	15	17	36	22
Other items, net	152	-336	-75	-897	-902
Memorandum items:					
Velocity (GDP/ broad money)	15	13	14	14	21
Net foreign assets (in millions of U.S. dollars)	-442	-590	-484	-570	-582
<i>Of which</i> : central bank	-451	-580	-518	-606	-623

Source: Congolese authorities.

Table 17. Democratic Republic of the Congo: Central Bank Accounts, 1997–2001

(In millions of Congo francs)

	1997	1998	1999	2000	2001
Net foreign assets	-586	-1,392	-2,331	-30,325	-195,368
Foreign assets	62	143	295	2,571	6,819
Foreign liabilities	648	1,535	2,626	32,896	202,187
Net domestic credit	302	634	3,710	15,035	14,640
Net credit to government	273	587	3,585	14,020	13,080
Gross credit to government	332	637	3,695	16,415	19,839
Government deposits	59	50	110	2,395	6,759
Credit to commercial banks	4	10	48	128	414
Credit to parastatals	6	15	27	301	0
Credit to the private sector	19	22	51	587	1,146
Assets = Liabilities	-284	-758	1,379	-15,290	-180,728
Monetary base	228	635	3,306	18,092	38,348
Currency in circulation	168	544	2,993	16,511	32,678
In bank vaults	15	30	49	548	805
Outside banks	152	515	2,944	15,963	31,873
Banks' deposits	37	30	199	1,147	2,896
Parastatals' deposits	1	1	4	20	91
Private sector deposits	22	60	109	413	2,683
Foreign currency deposits	9	20	44	1,287	7,637
Import deposits	29	70	153	1,224	5,369
Other items, net	-550	-1,483	-2,123	-35,892	-232,081
Other liabilities, net	-230	-268	90	-12,110	-1,777
Capital accounts	449	476	610	4,146	-230,304
Valuation change	-768	-1,691	-2,823	-27,928	0

Source: Congolese authorities.

Table 18. Democratic Republic of the Congo: Balance Sheet of the Deposit Money
Banks, 1997–2001

(In millions of Congo francs)

	1997	1998	1999	2000	2001
Net foreign assets	6	-25	155	1,803	14,001
Foreign assets	75	94	340	3,772	29,295
Foreign liabilities	69	119	185	1,969	15,295
Reserves	49	53	256	1,702	4,359
Cash in vault	15	30	49	548	805
Deposits with central bank	34	23	207	1,153	3,554
Net domestic credit	54	88	302	1,770	9,201
Net credit to government	32	26	46	-290	-838
Gross credit to government	43	45	94	73	1,253
Government deposits	12	19	48	363	2,092
Credit to parastatals	1	3	23	108	395
Credit to the private sector	22	58	233	1,952	9,644
Assets = Liabilities	109	116	713	5,275	27,560
Deposits	112	175	609	4,321	27,402
Demand deposits	48	63	405	2,161	7,980
Time deposits	1	5	2	0	25
Foreign currency deposits	63	107	202	2,159	19,397
Credit from central bank	8	12	40	167	622
Import deposits	2	5	53	330	978
Other items, net	-13	-76	11	457	-1,442
Capital accounts	132	163	319	1,578	9,860
Other liabilities, net	-145	-239	-308	-1,120	-11,303

Source: Congolese authorities.

Table 19. Democratic Republic of the Congo: List of Commercial Banks

1	African Trade Bank (ATB) *
2	Banque Commerciale du Congo (BCDC)
3	Banque Congolaise du Commerce Extérieur (BCCE)
4	Banque Congolaise
5	Banque de Crédit Agricole (BCA) *
6	Banque Internationale pour l'Afrique au Congo (BIAC)
7	Banque du Commerce et de Développement (BCD)
8	Banque Internationale de Crédit (BIC)
9	Citibank
10	First Banking Corporation (FBC)
11	Nouvelle Banque de Kinshasa (NBK) *
12	Rawbank
13	Stanbic Bank
14	Union des Banques Congolaises (UBC)

Source: Congolese authorities.

* Not in operation.

Table 20. Democratic Republic of the Congo: Distribution of Commercial Banks' Credits
by Sector, 1997–2001

(In millions of Congo francs)

	1997	1998	1999	2000	2001 Est.
Agriculture	13	21	61	536	3,126
Mining	0	3	10	15	57
Manufacturing	1	4	33	400	1,657
Construction	1	1	11	44	138
Energy	1	2	4	35	42
Transportation	0	3	16	143	437
Distribution	1	10	60	432	2,326
Trade	1	7	11	2	33
Imports	1	6	11	0	0
Exports	0	1	1	2	33
Other	4	11	49	453	2,223
Total	23	62	256	2,060	10,039

Sources: Congolese authorities; and staff estimates.

Table 21. Democratic Republic of the Congo: Structure of Interest Rates, 1997–2001

(In percent per annum)

	1997	1998	1999	2000	2001
Lending rate					
Central Bank of the Congo					
Money market	18	27	125	125	145
Rediscount	13	22	120	120	140
Advances	28	37	145	145	165
Commercial banks					
Short-term credit					
Agriculture	44	45	165	165	170
Industry	44	45	165	165	170
Medium-term credit					
Agriculture	44	45	165	165	170
Industry	44	45	165	165	170
Deposit rates 1/					
Sight deposits	0	...	...	...	...
Time deposits					
1-3 months	60	...	...	...	...
3-6 months	62	...	...	...	...
9-12 months	70	...	...	...	...
24 months	70	...	...	...	...

Source: Congolese authorities.

1/ Starting in 1998, depositit rates are no longer published.

Table 22. Democratic Republic of the Congo: Balance of Payments Summary, 1997–2001

	1997	1998	1999	2000	2001 Est.
	(In millions of U.S. dollars)				
Current account	-200	-426	-113	-198	-250
Excluding official grants	-269	-608	-244	-409	-545
Balance on goods and services	220	-55	263	43	-105
Exports of goods and services	1,245	1,285	1,021	963	961
Imports of goods and services	-1,025	-1,340	-758	-920	-1,067
<i>Of which: aid-related imports 1/</i>	-69	-182	-128	-208	-282
Merchandise trade	502	405	516	212	74
Exports, f.o.b.	1,196	1,181	974	892	880
Imports, f.o.b.	-694	-775	-458	-680	-807
<i>Of which: aid-related imports 1/</i>	-48	-124	-85	-140	-194
Services	-283	-460	-253	-169	-179
Receipts	48	104	46.7	71	81
<i>Of which: MONUC 2/</i>			0.2	2	8.1
Expenditure	-331	-565	-300	-240	-260
<i>Of which: aid-related imports 1/</i>	-21	-58	-43	-69	-88
Income	-419	-403	-394	-388	-412
Receipts	3	3	1	17	20
<i>Of which: MONUC 2/</i>	...	...	0.1	1	3
Expenditure	-422	-406	-395	-405	-432
<i>Of which: interest payments 3/</i>	-394	-383	-375	-385	-410
<i>Of which: IMF charges</i>	-16	-15	-16	-17	-16
interest on arrears	-193	-223	-253	-283	-319
Current unrequited transfers	-1	32	18	146	268
Public	105	186	138	210	295
Private	-106	-154	-120	-64	-28
Capital account	-605	-681	-611	-388	-315
Official capital	-373	-450	-403	-339	-308
Gross disbursements	0	0	0	0	10
<i>Of which: net new financing</i>	0	0	0	0	10
Amortization 4/	-373	-450	-403	-339	-318
Private capital (net)	-232	-231	-208	-50	-7
<i>Of which: foreign direct investment</i>	0	22	23	74	82
Balance before errors and omissions	-805	-1,107	-724	-587	-565
Errors and omissions	195	100	30	-242	-144
Overall balance	-610	-1,007	-694	-829	-709

Table 22. Democratic Republic of the Congo: Balance of Payments Summary,
1997–2001 (concluded)

	1997	1998	1999	2000	2001 Est.
	(In millions of U.S. dollars)				
Financing	610	1,007	694	829	709
Net change in non-Fund arrears	789	859	800	742	698
Net banking sector reserves (increase, -)	-180	149	-107	87	11
<i>Of which: net Fund credit 5/</i>	16	14	13	17	16
Memorandum items:	(In percent of GDP, unless otherwise indicated)				
Debt service due (percentage of goods and nonfactor services exports)	64.2	66.7	77.5	75.2	75.7
Current account balance, including grants	-3.1	-9.0	-2.6	-4.6	-4.7
Current account balance, excluding grants	-4.1	-12.8	-5.7	-9.5	-10.2
Gross official reserves (in millions of U.S. dollars)	47	60	66	51	22
In weeks of nonaid-related imports	2.6	2.7	5.4	3.8	1.4

Sources: Congolese authorities; and staff estimates.

1/An average of about 80 percent of official grant and loan assistance is assumed to be spent on imports of goods and services, including freight and insurance. Direct imports by the UN peacekeeping forces, MONUC, are not included because they do not pass through normal customs channels.

2/ Expenditures of MONUC are included on a net basis and include estimates for local purchases of goods and services, salaries of local employees, and expenditures by expatriate MONUC staff in the Democratic Republic of the Congo.

3/ Includes interest on current maturities plus interest on arrears.

4/ Includes amortization on current maturities.

5/ Includes the accumulation of arrears to the IMF.

Table 23. Democratic Republic of the Congo: Composition of Commodity Exports, 1997–2001

(Values in millions of U.S. dollars; volumes and unit values as indicated)

	1997	1998	1999	2000	2001 Est.
Total exports, f.o.b.	1,196	1,181	974	892	880
GECAMINES	202	199	125	140	84
Other 1/	994	982	849	752	797
<i>Of which: parallel exports</i>	284	303	258	264	262
Non-oil exports	1,020	1,069	858	685	679
Volume (1989 = 100)	39	41	34	32	31
Unit value (1989 = 100)	128	118	120	114	119
Copper	83	53	48	47	42
GECAMINES	80	52	46	43	32
SODIMICO	3	1	2	5	2
Volume (thousands of tons)	38	38	31	31	26
GECAMINES	36	37	30	28	20
SODIMICO	1	1	2	3	1
Unit value (U.S. dollars per ton)	2,205	1,398	1,541	1,455	1,578
Cobalt	119	145	80	97	70
Volume (thousands of tons)	3	4	2	4	3
Unit value (U.S. dollars per ton)	39,683	37,479	34,613	27,249	20,437
Zinc	2	1	0	0	1
Volume (thousands of tons)	2	1	0	0	1
Unit value (U.S. dollars per ton)	1,315	1,024	1,076	1,235	886
Silver	1	1	0	0	0
Volume (tons)	4	4	0	0	0
Unit value (U.S. dollars per ton)	0	0	0	0	0
Gold 1/	8	2	3	1	21
Volume (tons)	1	0	0	0	2
Unit value (millions of U.S. dollars per ton)	10	9	9	9	8
Diamonds 1/	618	716	579	444	462
Volume (millions of carats)	35	41	31	29	29
Unit value (U.S. dollars per carat)	18	17	19	15	16
Crude oil	177	111	116	207	201
Volume (millions of barrels)	10	9	9	8	9
Unit value (U.S. dollars per barrel)	17	12	13	25	23
Coffee 1/	95	67	86	7	2
Volume (thousands of tons)	43	34	60	28	4
Unit value (U.S. dollars per ton)	2,208	1,939	1,444	265	447
Rubber	4	2	2	1	1
Volume (thousands of tons)	4	3	3	2	2
Unit value (U.S. dollars per ton)	1,018	722	636	691	601
Other exports 1/	90	82	60	86	82

Sources: Congolese authorities; and staff estimates.

1/ Includes parallel-market exports.

Table 24. Democratic Republic of the Congo: Composition of Imports, 1997–2001

	1997	1998	1999	2000	2001 Est.
(Values in millions of U.S. dollars; unit values in U.S. dollar terms)					
Imports, total					
Value, f.o.b.	694	775	458	680	807
Volume index (1989 = 100)	35	43	25	37	46
Unit value index (1989 = 100)	104	94	97	95	91
Oil					
Value, f.o.b.	106	126	57	49	42
Volume index (1989 = 100)	59	104	34	18	18
Unit value index (1989 = 100)	108	73	101	158	136
Non-oil					
Value, f.o.b.	588	649	401	632	765
GECAMINES	83	117	32	29	25
Non-GECAMINES	505	533	369	603	740
Volume index (1989 = 100)	32	37	24	39	49
GECAMINES	19	28	8	8	7
Non-GECAMINES	36	40	28	49	61
Unit value index (1989 = 100)	104	100	96	92	90
Aid-related imports 1/	48	124	85	140	194
Nonaid-related imports	646	651	372	541	613
Import tax base	472	489	221	350	391
(In percent of total)					
Imports					
Oil	15	16	12	7	5
Non-oil	85	84	88	93	95
GECAMINES	12	15	7	4	3
Non-GECAMINES	73	69	81	89	92
Aid-related imports	7	16	19	21	24
Nonaid-related imports	93	84	81	79	76
(Percentage change)					
Imports (value)	-31	12	-41	49	19
Oil	34	19	-55	-14	-14
Non-oil	-31	-3	-40	56	16
GECAMINES	-9	41	-73	-10	-12
Non-GECAMINES	-33	-10	-31	63	18
Aid-related imports	-69	157	-31	63	39
Nonaid-related imports	-25		-43	45	13
Total import (volume)	-26	24	-43	51	24
Oil	42	75	-67	-46	0
Non-oil	-32	15	-36	64	25
GECAMINES	-2	47	-72	-6	-9
Non-GECAMINES	-35	10	-28	70	26
Aid-related imports	-66	168	-29	71	43
Nonaid-related imports	-19	5	-41	52	17

Sources: Congolese authorities; and staff estimates.

1/ An average of about 80 percent of official grant and loan assistance is assumed to be spent on imports of goods and services, including freight and insurance. Direct imports by the UN peacekeeping forces, MONUC, are not included because they do not pass through normal customs channels.

Table 25. Democratic Republic of the Congo: Foreign Trade Indicators, 1997–2001

(Index, 1989 = 100, unless otherwise indicated)

	1997	1998	1999	2000	2001 Est.
Merchandise exports					
Value, U.S. dollars	50	49	40	37	36
(in percent change)	-27	-1	-18	-8	-1
Volume index	39	41	34	32	31
(in percent change)	-16	7	-19	-4	-5
Unit values, U.S. dollars	128	118	120	114	119
(in percent change)	-14	-8	2	-5	4
Merchandise imports					
Value, U.S. dollars	36	40	24	35	42
(in percent change)	-31	12	-41	49	19
Volume	35	43	25	37	46
(in percent change)	-26	24	-43	51	24
Unit values, U.S. dollars	104	94	97	95	91
(in percent change)	-7	-10	3	-2	-4
Terms of trade	123	125	124	120	131
(in percent change)	-8	2	-1	-3	9

Sources: Congolese authorities; and staff estimates.

Table 26. Democratic Republic of the Congo: External Public and Publicly Guaranteed Debt Outstanding, 1997–2001 1/

	1997	1998	1999	2000 Est. 2/	2001 Prel. 3/
(In millions of U.S. dollars)					
External public debt	12,634	13,506	13,238	12,609	13,880
Multilateral institutions	2,496	2,619	2,569	3,238	3,363
IMF 4/	506	541	544	506	503
Other 5/	1,990	2,077	2,025	2,732	2,860
Official bilateral creditors	9,711	10,449	10,239	8,942	10,215
Paris Club	9,043	9,702	9,385	8,561	9,780
Other	668	748	854	381	435
Commercial creditors (Kinshasa Club)	390	400	393	391	265
Commercial creditors (London Club)	37	37	37	37	37
(In percent of total)					
External public debt	100.0	100.0	100.0	100.0	100.0
Multilateral institutions	19.8	19.4	19.4	25.7	24.2
IMF 4/	4.0	4.0	4.1	4.0	3.6
Other 5/	15.8	15.4	15.3	21.7	20.6
Official bilateral creditors	76.9	77.4	77.3	70.9	73.6
Paris Club	71.6	71.8	70.9	67.9	70.5
Other	5.3	5.5	6.4	3.0	3.1
Commercial creditors (Kinshasa Club)	3.1	3.0	3.0	3.1	1.9
Commercial creditors (London Club)	0.3	0.3	0.3	0.3	0.3

Sources: Congolese authorities; and staff estimates.

1/ Including arrears on principal and interest, as well as staff estimates of accumulated unpaid late interest where data are available.

2/ Data for 2000 were reviewed and revised by the authorities and the staff; hence, they represent a break from earlier data.

3/ Reflects the results of the preliminary debt sustainability analysis (DSA) completed for the preliminary HIPC document and estimated revisions stemming from the September 2002 Paris Club agreement. These data will be further revised upon completion of the DSA for the enhanced HIPC Initiative decision point.

4/ Includes Trust Fund.

5/ Includes debt of the GECAMINES Trust, which is predominately multilateral debt.

Table 27. Democratic Republic of the Congo: Debt Service Due and Paid, 1997–2001 1/
(In millions of U.S. dollars)

	1997	1998	1999	2000 Est. 2/	2001 Prel. 3/
Total debt service due	800	857	791	724	728
Principal	405	474	416	339	318
Multilateral institutions	156	154	142	109	61
IMF 3/	32	24	13	0	0
Other 4/	124	130	129	109	61
Official bilateral creditors (Paris Club)	232	305	264	223	251
Paris Club	232	305	264	223	236
Other	0	0	0	0	15
Commercial creditors (Kinshasa Club)	17	15	11	7	6
Commercial creditors (London Club)	0	0	0	0	0
Interest	394	383	375	385	410
Multilateral institutions	68	65	57	51	74
IMF 3/	16	15	16	17	16
Other 4/	53	50	41	34	58
Official bilateral creditors (Paris Club)	322	316	317	334	336
Paris Club	322	316	317	334	333
Other	0	0	0	0	2
Commercial creditors (Kinshasa Club)	4	2	2	1	1
Commercial creditors (London Club)	0	0	0	0	0
Total debt service paid	0	1	3	0	0
Principal	0	1	1	0	0
Multilateral institutions	0	1	1	0	0
IMF 3/	0	1	1	0	0
Other 4/	0	0	0	0	0
Official bilateral creditors (Paris Club)	0	0	0	0	0
Paris Club	0	0	0	0	0
Other	0	0	0	0	0
Commercial creditors (Kinshasa Club)	0	0	0	0	0
Commercial creditors (London Club)	0	0	0	0	0
Interest	0	0	2	0	0
Multilateral institutions	0	0	2	0	0
IMF 3/	0	0	2	0	0
Other 4/	0	0	0	0	0
Official bilateral creditors (Paris Club)	0	0	0	0	0
Paris Club	0	0	0	0	0
Other	0	0	0	0	0
Commercial creditors (Kinshasa Club)	0	0	0	0	0
Commercial creditors (London Club)	0	0	0	0	0

Sources: Congolese authorities; and staff estimates.

1/ Includes interest on arrears.

2/ Data for 2000 were reviewed and revised by the authorities and the staff; hence, they represent a break from earlier data.

3/ Including Trust Fund.

4/ Includes the GECAMINES Trust, which is predominately multilateral debt.

Table 28. Democratic Republic of the Congo: Arrears on Public and Publicly Guaranteed Debt, 1997–2001 1/

	1997	1998	1999	2000 Est. 2/	2001 Prel. 3/
(In millions of U.S. dollars)					
External public debt	6,878	9,092	11,388	10,604	10,925
Multilateral institutions	1,107	1,529	1,999	1,708	1,806
IMF 4/	447	505	520	506	503
Other 5/	660	1,024	1,478	1,202	1,303
Official bilateral creditors	5,442	7,212	9,036	8,574	8,833
Paris Club	5,208	6,839	8,481	8,277	8,486
Other	234	374	555	297	347
Commercial creditors (Kinshasa Club)	292	314	316	286	249
Commercial creditors (London Club)	37	37	37	37	37
(In percent of total)					
External public debt	100.0	100.0	100.0	100.0	100.0
Multilateral institutions	16.1	16.8	17.6	16.1	16.5
IMF 4/	6.5	5.5	4.6	4.8	4.6
Other 5/	9.6	11.3	13.0	11.3	11.9
Official bilateral creditors	79.1	79.3	79.3	80.9	80.9
Paris Club	75.7	75.2	74.5	78.1	77.7
Other	3.4	4.1	4.9	2.8	3.2
Commercial creditors (Kinshasa Club)	4.2	3.5	2.8	2.7	2.3
Commercial creditors (London Club)	0.5	0.4	0.3	0.4	0.3

Sources: Congolese authorities; and staff estimates.

1/ Including arrears on principal and interest, as well as staff estimates of accumulated unpaid late interest where data are available.

2/ Data for 2000 were reviewed and revised by the authorities and the staff; hence, they represent a break from earlier data.

3/ Reflects the results of the preliminary debt sustainability analysis (DSA) completed for the preliminary HIPC document and estimated revisions stemming from the September 2002 Paris Club agreement. These data will be further revised upon completion of the DSA for the enhanced HIPC Initiative decision point.

4/ Includes Trust Fund.

5/ Includes debt of the GECAMINES Trust, which is predominately multilateral debt.

Democratic Republic of the Congo: Summary of the Tax System, 2002

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates												
I. Income Taxes															
1. Professional income tax <i>(contribution sur les revenus professionnels (CRP))</i>															
a. Profit tax	<p>Levied on profits of industrial, commercial, artisanal, farming, or real estate enterprises and associations. Also levied on profits from the sale, transfer, or assignment of patents, trademarks, manufacturing processes or methods; on profits from the realization of assets and on the transfer of firms, practices, or offices.</p> <p>Enterprises having less than 200 employees and assets of less than CGF 11,200,000 are considered small enterprises (SMEs).</p> <p>A withholding tax applies to imports (1 percent for registered enterprises and 5 percent for others) and wholesale purchases (at a rate of 2 percent). The withholding tax is deductible from the CRP upon payment of the tax installments and balance.</p>	<p>The following entities are exempt from the profit tax: the central government, provinces, towns, and religious, scientific, or philanthropic institutions.</p>	<p>- 40 percent of net profits for taxpayers under ordinary law and category 1 SMEs (annual turnover in excess of CGF 300,000);</p> <p>- progressive schedule for category 2 SMEs (turnover of CGF 150,000–300,000);</p> <p>- flat rate for category 3 SMEs (turnover of CGF 75,000–150,000); and</p> <p>- quarterly quotas for category 4 SMEs (turnover below CGF 75,000).</p> <p>- minimum contribution 1/1000 of turnover.</p>												
b. Individual income tax <i>(contribution professionnelle sur les rémunérations (CPR))</i>	<p>Levied on the remuneration of individuals paid by third parties (wages, various remunerations, pensions, etc.).</p> <p>The tax is withheld at the source by the employer and paid to the tax collecting agency before the tenth day of the month following payment of remunerations.</p>	<p>Family allowances, social security, retirement pension, and unemployment insurance contributions are deducted from the tax base.</p> <p>Retirement, disability, and military pensions are CPR-exempt, as is the remuneration of employees of</p>	<p>Percent</p> <table> <tr> <td>0–72,000</td> <td>3</td> </tr> <tr> <td>72,001–126,000</td> <td>5</td> </tr> <tr> <td>126,001–208,800</td> <td>10</td> </tr> <tr> <td>208,801–330,000</td> <td>15</td> </tr> <tr> <td>330,001–498,000</td> <td>20</td> </tr> <tr> <td>498,001–788,400</td> <td>25</td> </tr> </table>	0–72,000	3	72,001–126,000	5	126,001–208,800	10	208,801–330,000	15	330,001–498,000	20	498,001–788,400	25
0–72,000	3														
72,001–126,000	5														
126,001–208,800	10														
208,801–330,000	15														
330,001–498,000	20														
498,001–788,400	25														

Democratic Republic of the Congo: Summary of the Tax System, 2002

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
		international organizations and diplomatic missions.	798,701–1,200,000 30 1,200,001–1,686,000 35
		20 percent reduction for each dependent for incomes below the 8th bracket.	1686,001–2,091,600 40 2,091,601–2,331,600 45 > 2,331,600 50
			without exceeding 35 percent of taxable income.
2. Extraordinary tax on remuneration of expatriates	Levied on the gross amount of remuneration paid by employers to their expatriate staff.	The State, nonprofit organizations, international organizations, and embassies are exempted.	25 percent.
3. Rental income tax (<i>contribution sur les revenus locatifs</i> (CRL))	Levied on gross annual income from the leasing and subleasing of buildings and land. The owner shall submit an annual return before March 31 of the year following that in which the income was realized. Those who rent a house are required to withhold 20 percent of the rental amount by way of installment on the CRL. The withholding shall be paid to the tax-collecting agency before the tenth day of the month following payment of the rent.	The central government, towns, provinces, public utility companies, religious, philanthropic, and scientific institutions, and diplomatic missions.	22 percent of gross income.
4. Investment income tax	Levied on dividends, interest, income from shares, etc., paid by companies to their partners and board directors, for companies governed by domestic law. For foreign companies, levied on the basis of 50 percent of income liable for the CRP and the CRL.	Income from investment property abroad.	20 percent, withheld at source by the company disbursing the investment income.

Democratic Republic of the Congo: Summary of the Tax System, 2002

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
<p>II. Turnover Tax (<i>contribution sur le chiffre d'affaires (CCA)</i>)</p>			
<p>1. Domestic CCA</p>	<p>General tax on sales by producers on local markets, services provided or used in the DRC, and construction work.</p> <p>Levied on gross invoice amounts, except for construction work (base set at ¼ of the value of the work).</p> <p>Payment is made in two stages:</p> <ul style="list-style-type: none"> - payment of an installment before the 20th of the month in which the transactions were effected, and - payment of the balance, before the 15th of the following month. 	<p>CCA-exempt:</p> <ul style="list-style-type: none"> - retail sales; - sales subject to excise taxes; - sales of handcrafted artwork; - works of national interest; - medical and paramedical activities; - goods transport; - funeral services; - hotel charges for national and international civil servants. 	<p>3 percent: local products similar to those imported with a 5–15 percent customs duty;</p> <p>13 percent: other products</p> <p>18 percent: provision of services and construction work;</p> <p>6 percent domestic: flights;</p> <p>15 percent: international flights; and</p> <p>30 percent: provision of assistance when the provider is not established in the DRC.</p>
<p>2. CCA on imports</p>	<p>Levied on the c.i.f. value of imports plus import duties. Tax levied by the customs and excise office (OFIDA).</p>	<p>Imports expressly exempted.</p>	<p>3 percent for goods liable to customs duty of 5 percent or 15 percent; and</p> <p>13 percent for other imports.</p>
<p>3. CCA on exports</p>	<p>Levied on the net value of sales abroad of logs, coffee, crude oil, and mining products.</p> <p>The CCA is withheld at the source by the banks handling payments.</p>		<p>3 percent except for gold and artisanal diamonds (0.25 percent).</p>

Democratic Republic of the Congo: Summary of the Tax System, 2002

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
III. Nonpersonal Property Taxes	Tax on property ownership.		
1. Land tax	Lump-sum tax calculated on the type of real estate, its location, and the standing of the owner.	<p>The central government, towns, provinces, public utility companies, religious, philanthropic and scientific institutions, and diplomatic missions; permanent exemption for small farms.</p> <p>Exemption of owners whose income is below the 8th bracket of the CPR.</p>	<p>Built properties: from US\$1.5–75/floor according to location; Nonbuilt properties: from US\$1.5–30, according to location.</p> <p>Residential: from US\$0.3–1.5/m² according to a classification of four ranks.</p>
2. Tax on mining and petroleum concessions	Tax owed by holders of concessions granted by the government for mining and petroleum research and/or exploration.		<p>US\$0.02/ha for research concessions (increase of 50 percent in the 2nd year, 75 percent in the 3rd year and 100 percent in the 4th year); US\$0.04/ha for exploitation concessions.</p>
3. Vehicle tax and special tax on highway use (toll fee—TSCR)	<p>The vehicle tax is based on the weight and horsepower of motor vehicles.</p> <p>The TSCR is a tax on road use.</p>	Exempt are vehicles owned by the central government, international organizations, the diplomatic corps, utility companies, mopeds, and ambulances.	<p>Vehicle tax: tax sticker price ranges between US\$5–44 according to horsepower; TSCR: annual sticker price between US\$6–45 per vehicle.</p>

Democratic Republic of the Congo: Summary of the Tax System, 2002

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
IV. Excise Duties			
1. Selected products	Excise duties are levied on a large number of locally manufactured or imported consumer goods. Base: for imports: c.i.f. value + import duty. For locally manufactured products: ex-factory price. Examples: 3 percent on flavored beverages and other nonalcoholic drinks; 5 percent on sugar, cement, and matches; 10 percent on mineral and sparkling waters, ethyl alcohol, and eau de vie; perfumes and eaux de toilette; 15 percent on beer under 6° proof and sparkling wines; and wines under 15° proof; 20 percent on vermouths; 25 percent on wines more than 15° proof; 30 percent on other alcoholic drinks (whiskies, rum, gin, vodka, etc.); and 40 percent on cigars, cigarettes, and cigarillos.	CCA not applicable.	Eight rates: 3 percent, 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, and 40 percent.
2. Petroleum products	<p>Petroleum products (including gasoline, kerosene, diesel oil and fuel oil, and liquefied petroleum gas) are taxed on the basis of the average frontier price (<i>prix moyen frontière (PMF) fiscal</i>) plus customs duties. The (<i>PMF fiscal</i>) expressed in U.S. dollars has not been modified since 1990.</p> <p>Various other parafiscal duties are levied on petroleum products:</p> <ul style="list-style-type: none"> - <i>retrocession hydrocarbure</i>; - <i>Cohydro fournisseur levy</i>; - <i>transportation surtax</i>; - <i>stock de stabilisation levy</i>. 	CCA not applicable.	<p>Rate: 15 percent.</p> <p>Specific amounts integrated in the official price structure.</p>

Democratic Republic of the Congo: Summary of the Tax System, 2002

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
V. Customs Duties			
1. Import duties	Levied on the c.i.f. value of imports, except for petroleum products, for which customs duties are applied to the "PMF fiscal" (see excise duties, Section IV).	Various exemptions or reduced rates (e.g., 5 percent instead of 10 percent or 20 percent for inputs designated as "indisputably" not available in the DRC) under the customs code, the investment and mining codes, and international agreements. Uniform 5 percent rate for goods to be assembled under the complete knock-down (CKD) scheme. Uniform 15 percent rate for goods to be assembled under the medium knock-down (MKD) scheme.	5 rates (0 percent, 5 percent, 15 percent, 20 percent, and 30 percent). Examples: 0 percent on farm inputs, banknotes, and stamps; 5 percent on "heavy" equipment and industrial flours; 15 percent on widely consumed food products, pharmaceutical products, flours for direct consumption, spare parts and petroleum products (except fuel oil, 5 percent); 20 percent on finished products or inputs where local production exists; and 30 percent on luxury goods and products for which there is adequate local production.
2. Import surtax	Levied on the c.i.f. value of certain products (in addition to excise duty, see Section IV above).		Three rates: 15 percent on tires and flours; 20 percent on sugar; and 30 percent on textiles, biscuits, and batteries.
3. Customs fee on imports	Levied on goods exempted from other duties and taxes.	Not applied to all exempted goods (e.g., imports by diplomatic missions).	Rate: 5 percent.

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(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
4. Other levies on imports	Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de participations (DGRAD) various, at fixed rates or ad valorem; Office congolais de contrôle (OCC) 3 percent on the f.o.b./c.i.f. value of which 0.7 percent for Société Générale de Surveillance (SGS) on the f.o.b. value at the market rate and 2.3 percent for OCC on the c.i.f. value at the official rate; Fonds pour la Promotion de l'Industrie (FPI) 2 percent value c.i.f. + customs duties, and Office de Gestion du Frêt Maritime (OGEFREM) 0.5 percent of the c.i.f. value.		Various ad valorem rates: (DGC, OCC, OGEFREM) and fixed (DGRAD).
5. Export duties	Levied on certain basic exports (see opposite).	None.	0.75 percent on external gold and diamonds; 1 percent on coffee; 6 percent on logs; 5–10 percent on mining products; (7 percent for GECAMINES); 3 percent on industrial gold and diamonds; 10 percent on crude oils.
VI. Administrative Charges and Licenses			
1. Environment	Licenses (fishing, hunting, and logging).	None.	Specific rates.
2. Real estate	Recording fees, transaction fees, stamp duties.	None.	Specific rates.
3. Mines	Prospecting fees; mining operations permit (individuals and companies); purchasing office licenses (gold, diamonds, etc.).	None.	Specific rates.

Source: Congolese authorities.