IMF Country Report No. 15/280

DEMOCRATIC REPUBLIC OF THE CONGO

October 2015

2015 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR DEMOCRATIC REPUBLIC OF THE CONGO

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2015 Article IV consultation with Democratic Republic of the Congo, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its September 2, 2015 consideration of the staff report that concluded the Article IV consultation with Democratic Republic of the Congo.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 2, 2015 following discussions that ended on June 3, 2015, with the officials of Democratic Republic of the Congo on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 17, 2015.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Democratic Republic of the Congo.

The document listed below will be separately released:

Selected Issues

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

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IMF Executive Board Concludes 2015 Article IV Consultation with the Democratic Republic of the Congo

On September 02, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with the Democratic Republic of the Congo (DRC). DRC's macroeconomic performance remained strong through the first half of 2015 despite a difficult external and domestic environment. Real GDP growth in 2014 is estimated at 9.2 percent, driven by copper production and the service sector. Year-on-year inflation stabilized at 1.0 percent at end-December 2014, on account of a prudent fiscal stance. The fiscal position recorded a small surplus, in line with the fiscal anchor adopted in 2009. The external current account deficit narrowed to 9.2 percent of GDP in 2014 from10.6 percent of GDP in 2013, reflecting an improvement in the terms of trade and strong exports of mining products. Sustained inflows of foreign direct investments contributed to an overall balance of payments surplus, despite decreasing official transfers. Nonetheless, international reserves fell in U.S. dollar terms, stabilizing at 6.2 weeks of imports at end-2014. Although the real exchange rate declined somewhat, competitiveness is hampered by structural bottlenecks, including a challenging business climate and electricity shortages, which weigh on the efforts to diversify the economy and promote inclusive growth. Furthermore, the financial position of the Central Bank of Congo (BCC) remained fragile, undermining the conduct of monetary policy.

The medium-term outlook is favorable but subject to downside risks. Real GDP growth is projected to remain strong at 9.2 percent in 2015—among the highest rates in the world—and average 8.4 percent in 2016–17 before stabilizing at around 6 percent in 2018–20. Inflation is targeted at 2.5 percent, as fiscal policy remains prudent. Despite a sustained projected increase in exports the current account deficit would increase to double digits by 2018 due to rising dividend outflows and imports. Nonetheless, the overall balance is expected to remain in surplus, but international reserves would remain at relatively low levels in the absence of interventions by the Central Bank of Congo.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Risks to the outlook are a prolonged decline in commodity prices, a deterioration of the political situation, and delays in implementing key revenue-raising measures. Moreover, a worsening of the energy situation would constrain the projected sustained growth in mining production.

The authorities are urged to move swiftly to meet these challenges in order to preserve the hard-won gains and address rising inequality. In particular, they need to: (i) step up domestic revenue mobilization, (ii) accumulate more international reserves; (iii) remove bottlenecks to private sector activity, and (iv) strengthen governance and enhance transparency in the management of natural resources.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for their prudent macroeconomic policies, which have supported robust economic growth and macroeconomic stability despite the country's fragility and limited external financial assistance. Directors noted, however, that poverty and unemployment remain high and that stronger efforts are needed to diversify the economy, promote inclusive growth, and improve social indicators.

To bolster private sector development and facilitate economic diversification, Directors urged the authorities to improve the business and investment climate and take steps to ease political uncertainty. They emphasized that restoring lasting peace in the eastern provinces will help free government resources for spending on priority social programs, basic infrastructure, and human capital development. They also called for steps to develop the agriculture sector.

Directors supported the authorities' prudent fiscal stance to preserve macroeconomic stability, but underscored the need to rebuild policy buffers given rising economic vulnerabilities. They called for efforts to step up domestic revenue mobilization by broadening the tax base and enhancing tax administration, and to accumulate international reserves to enhance the economy's ability to withstand shocks. Directors also encouraged the authorities to strengthen the budgetary process to enhance its credibility, to contain spending pressures, particularly in the context of upcoming elections, and to move toward the adoption of a medium-term budget framework.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Directors called for strengthening the central bank through a timely recapitalization and passage of the Central Bank Law to enshrine its operational independence and accountability. This will enhance the credibility of the central bank and, along with prudent progress on de-dollarization, improve the effectiveness of monetary policy. Directors also supported continued progress on the rationalization of the bank's operating costs. Directors underscored the importance of preserving financial sector stability and deepening financial intermediation to promote inclusive growth. They encouraged the central bank to enhance supervision and crisis management practices, reinforce the implementation of the regulatory framework with effective on-site inspections, and develop the financial infrastructure. Directors noted that addressing solvency problems in the microfinance sector would improve access to financing by small and medium enterprises.

Directors welcomed the country's accession to full compliance status with the Extractive Industries Transparency Initiative. They encouraged the authorities to further improve transparency and governance in the natural resource sector and strengthen their oversight of state-owned enterprises by ensuring that they publish contracts of all mining operations and sell natural resource assets through competitive bidding. In this regard, Directors emphasized that the enactment of a new mining code in line with international best practices should bolster the contribution of the mineral sector to government revenue, and help mobilize resources toward development needs.

Directors commended the authorities for their efforts to provide data for surveillance and encouraged them to allocate more resources to statistics to leverage the capacity-building assistance provided by the Fund and development partners. It is expected that the next Article IV consultation with the Democratic Republic of the Congo will be held on the standard 12-month cycle.

Democratic Republic of the Congo: Selected Economic and Financial Indicators, 2012–20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Act.	Est.		Proj.					
	(Annual percentage change; unless otherwise indicated)								
GDP and prices									
Real GDP	7.1	8.5	9.2	9.2	8.5	8.3	7.5	6.7	5.4
GDP deflator	4.7	9.3	1.3	2.2	1.4	2.3	2.5	2.6	2.6
Consumer prices, period average	2.1	0.8	1.0	1.0	1.7	2.5	2.5	2.5	2.5
Consumer prices, end-of-period	2.7	1.0	1.2	0.9	2.5	2.5	2.5	2.5	2.5
External sector									
Exports, f.o.b. (U.S. dollars)	-9.5	14.1	17.3	4.0	13.2	8.1	11.4	10.4	7.0
Imports, f.o.b. (U.S. dollars)	-10.0	15.2	19.5	-3.0	6.3	14.5	12.8	11.0	11.2
Export volume	-3.4	22.8	10.1	10.6	12.9	7.2	10.6	9.5	6.2
Import volume	-10.8	10.7	26.9	11.5	5.4	11.6	10.8	9.4	9.5
Terms of trade	-5.6	-6.3	9.2	5.4	-0.8	-0.3	0.1	0.3	0.5
	(Annual change; percent of beginning-of-period broad money)								
Money and credit									
Broad money	21.1	18.1	14.2	9.3	…	…	…	…	
Net foreign assets	22.9	2.3	2.7	2.8	…	…	…	…	
Net domestic assets	-1.9	15.7	11.3	6.6	…	…	…	…	
Domestic credit	-4.6	14.5	14.9	2.1	…	…	…	…	
Of which:									
Net credit to government (annual percent change)	-18.9	3.6	2.6	-7.3	…	…	…	…	
Credit to the private sector (annual percent change)	25.6	26.5	22.7	20.1	…	…	…	…	
	(Percent of GDP; unless otherwise indicated)								
Central government finance									
Revenue and Grants	17.2	15.3	14.6	16.1	16.8	16.6	16.8	17.1	17.4
Revenue	14.4	12.9	13.3	13.7	14.1	14.5	14.8	15.1	15.4
Grants	2.9	2.4	1.3	2.4	2.7	2.1	1.9	1.9	1.9
Expenditure	15.4	13.4	14.4	15.3	16.6	16.4	16.5	17.1	17.5
Overall balance (including grants)	1.5	1.6	0.1	0.5	0.0	-0.1	0.1	-0.2	-0.3
Investment and saving									
Gross national saving	5.8	4.7	6.6	8.0	7.0	6.8	7.4	8.4	8.9
Government	-2.5	-3.7	-2.2	-1.2	-1.8	-1.5	-1.2	-1.4	-1.3
Nongovernment [1]	8.3	8.4	8.8	9.2	8.7	8.3	8.6	9.8	10.2
Investment	12.7	15.3	15.7	15.5	14.7	16.2	17.6	18.6	20.0
Government	4.6	6.2	6.4	6.4	5.7	6.5	6.6	6.8	7.0
Nongovernment	8.1	9.1	9.3	9.1	8.9	9.7	11.0	11.7	13.0
Balance of payments									
Exports of goods and services	35.6	32.3	34.3	32.8	34.0	33.1	33.9	34.7	34.6
Imports of goods and services	40.0	38.0	41.8	37.3	36.4	37.4	38.3	38.8	39.8
Current account balance, incl. transfers	-6.9	-10.6	-9.2	-7.5	-7.7	-9.4	-10.1	-10.1	-11.2
Current account balance, excl. transfers	-9.8	-14.0	-13.8	-11.3	-9.5	-11.1	-11.6	-11.6	-12.6
Overall balance	2.2	0.2	0.1	0.3	0.5	0.6	0.7	0.5	0.4
Gross official reserves (weeks of non-aid-related imports of goods and services)	7.1	6.2	6.2	5.5	4.6	3.9	3.5	3.1	3.2
	(Percent of GDP)								
External public debt									
Total stock, including IMF	16.6	13.6	11.5	13.5	14.4	16.5	18.8	20.2	21.7
Present value (PV) of debt	19.4	13.5	15.2	11.0	12.5	13.9	15.4	16.0	16.7
PV of debt (percent of exports of goods and services)	54.3	41.9	44.2	33.6	36.9	42.1	45.6	46.3	48.5
Exchange rate, (CDF per U.S. dollar)									
Period average	919	920	925	…	…	…	…	…	…
End-of-period	915	926	925	…	…	…	…	…	…
Memorandum item:									
Scheduled debt service	181.7	194.6	89.0	223.7	245.4	354.9	317.2	293.8	286.6
Percent of exports of goods and services	1.8	1.8	1.5	1.7	1.7	2.2	1.8	1.5	1.4
Percent of government revenue	4.6	4.6	4.0	4.1	4.0	5.1	4.1	3.4	3.1
Gross official reserves (end-of-period, millions of U.S. dollars)	1,645	1,695	1,577	1,534	1,482	1,418	1,394	1,344	1,305
Nominal GDP (CDF billions)	25,344	30,051	33,224	37,056	40,774	45,210	49,818	54,493	58,931
Nominal GDP (U.S$ million)	27,566	32,676	35,918	39,982	43,665	47,937	52,300	56,642	60,648

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

[1] The projections for 2011 and beyond account for mining companies profit outflows.

[2] Projections are based on calculations under the 2010 HIPC Debt Sustainability Analysis. Includes assistance beyond the terms of the enhanced HIPC Initiative granted by some Paris Club creditors. Exports are a trailing three-year moving average.

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF THE CONGO

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION

August 17, 2015

KEY ISSUES

Context. Despite DRC's abundant natural resources and its robust growth and overall strong macroeconomic performance of the past five years, fiscal space remains limited and poverty widespread. While key social indicators improved, DRC will likely not achieve any of the Millennium Development Goals (MDGs) by 2015. Implementation of past policy recommendations was broadly satisfactory, but progress on critical structural reforms has stalled. DRC remains a fragile country with vulnerabilities on the rise.

Outlook and risks. The outlook is favorable but vulnerable to adverse developments in commodity prices and spending pressures in the period leading to the 2016 presidential elections. A low foreign exchange reserves cushion leaves the economy vulnerable to external shocks. In addition, continued delays in adopting some economic legislations and lingering insecurity in parts of the country are also sources of risk.

Key challenges. The main challenges in the short to medium term are to: (i) address competing demands given the limited budget resources in 2015–16, (ii) build more buffers to withstand possible shocks from both external and domestic sources, (iii) diversify the economy and make it more inclusive, and (iv) maximize the benefits to the population of natural resources exploitation.

Policy recommendations. The authorities are urged to move swiftly to meet these challenges in order to preserve the hard-won gains and address rising inequality. In particular, they need to: (i) step up domestic revenue mobilization, (ii) reinforce the de-dollarization process and accumulate more international reserves; (iii) remove bottlenecks to private sector activity, (iv) strengthen governance and enhance transparency in the management of natural resources, and (v) implement the measures identified in the 2014 Financial Sector Assessment Program (FSAP) aimed at promoting both the soundness and inclusiveness of the financial system.

Approved By
Michael Atingi-Ego and Ranil Salgado

Discussions took place in Kinshasa from May 20 to June 3, 2015. The staff team comprised Messrs. Toé (head), Hellwig, Koulet-Vickot, Maino (all AFR), Melhado (res rep), and Mvogo (local economist). The mission met with Prime Minister Matata Mpoyo, Minister of Finance Henri Yav Mulang, Minister of State for budget Michel Bongongo, Central Bank Governor Déogratias Mutombo Mwana Nyembo, President of the Senate Honorable Kengo wa Dondo, and his deputies, and representatives of the electoral commission, civil society organizations, the private sector, the diplomatic community; and the media. Main findings and recommendations of the mission were disseminated during a day-long seminar organized by the authorities.

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APPENDICES

STRONG MACROECONOMIC PERFORMANCE, BUT HIGH VULNERABILITES

1. **DRC's macroeconomic performance remained strong.** Real gross domestic product (GDP) growth in 2014 is estimated at 9.2 percent,[3] essentially driven by copper production and the service sector (telecommunications, trade, and transport). Year-on-year inflation stabilized at 1.0 percent at end-December 2014. The fiscal position recorded a small surplus in 2014 despite a one percentage point of GDP increase in expenditures, driven by higher exceptional spending on security in the context of the fiscal anchor adopted in 2009[4] while government revenue (excluding grants) increased only marginally (0.4 percentage points of GDP). The external current account deficit narrowed to 9.2 percent of GDP in 2014 from 10.6 percent of GDP in 2013, reflecting an improvement in the terms of trade and strong mineral export volumes.[5] Sustained inflows of foreign direct investments (FDI) contributed to an overall balance of payments surplus, despite decreasing official capital transfers. However, international reserves fell in U.S. dollar terms (See Figure 1). The exchange rate remained relatively stable since 2010, even though the de-jure exchange rate arrangement is floating.

2. **The financial health of the banking system seems to have improved somewhat in 2014.** Average ratio of regulatory capital-to-risk-weighted assets improved slightly in 2014 as did profitability and liquidity ratios. However, the quality of the portfolio deteriorated with non-performing loans to total gross loans increasing to 6.9 percent from 5.4 percent in 2013.

3. **Nonetheless, vulnerabilities remain elevated:**

- *Weak competitiveness*. While there is no sign of an exchange rate misalignment for DRC in 2014 other indicators show that DRC's competitiveness is impaired by structural bottlenecks and a challenging business climate. Electricity shortages are becoming a hindrance to economic activity, particularly mining.
- *Low official reserves*. Official reserves declined by US$118 million in 2014 to US$1.6 billion, enough to cover only 1.6 months of next year's projected imports compared with at least 11.5 months as estimated in the reserve adequacy assessment (see Appendix III).
- *Central bank and financial sector vulnerabilities*. The financial position of the Central Bank of Congo (BCC) remained precarious, undermining the conduct of monetary policy. As underscored by the 2014 FSAP, the insurance and pension systems are also in a dire financial position, as are many microfinance institutions (MFIs).

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[3] The authorities' estimate is 9.5 percent.

[4] The fiscal anchor, adopted in the context of the 2009 Extended Credit Facility-supported program, calls for zero financing of budget deficits from the central bank (apart from the use of counterpart funds from HIPC and MDRI).

[5] In 2014, copper production and exports crossed the 1 million tons threshold, making DRC the world's 6th largest copper exporter. The production of gold also more than doubled.

4. **DRC continues to display some characteristics of fragility, such as:**

- *Fractious political setting*. The political situation remains fluid essentially because two major opposition parties still question the legitimacy of the president following the disputed 2011 presidential elections. These parties also declined to join the government of national cohesion appointed last December.

- *Heightened political uncertainty*. Seven elections at a total cost of $1.1 billion are to be held between October 2015 and November 2016 without any clear indication of how they will be financed.[6] Mixed signals about whether the incumbent president will abide by the term limit imposed by the Constitution are adding to the political uncertainty. Also, a constitutionally-mandated increase in the number of provinces from 11 to 26 enacted in May 2015 further increases uncertainty about the electoral process.

- *Residual security risks*. Residual rebel activities in the eastern provinces and delays in institutional reforms, including the security sector reform (SSR)[7] are making lasting peace in the east elusive.

5. **Implementation of past policy recommendations was broadly satisfactory, but key structural reforms continued to lag (see Appendix I).** These relate to the Central Bank and the Commercial Bank Laws, the Mining Code, the recapitalization of the BCC, and measures aimed at enhancing transparency in the management of natural resources and strengthening the corporate governance and accountability of major state-owned enterprises (SOEs). Similarly, reforms to strengthen financial stability, banking supervision, and resolution of financial crises made little progress (see Table 8).

A PROMISING BUT RISKY OUTLOOK

6. **The medium-term outlook is favorable.** Real GDP growth is projected to remain strong at 9.2 percent in 2015—among the highest rates in the world—and average 8.4 percent in 2016–17 before stabilizing at around 6 percent in 2018–20. This projected growth path is predicated on a continued dynamism of the primary and tertiary sectors. Inflation is targeted at 2.5 percent, as fiscal policy remains prudent throughout the projection period. Despite a sustained increase in exports boosted by production of new copper mines (Sicomines) and gold, the current account deficit would increase to double digits by 2018 due to rising dividend outflows and imports. Even though the overall balance is expected to remain in surplus, international reserves would decline in the absence of interventions by the BCC.

[6] The Independent National Electoral Commission (CENI) estimates the funds needed for the elections in 2015 at $397 million against $247 million budgeted.

[7] Essentially under the Addis Ababa Peace, Security, and Cooperation Framework for the DRC, signed in February 2013 by the UN Secretary General and 11 African heads of state aimed at fostering sustained peace.

7. **This positive outlook is subject to a number of downside risks.** These include: (i) a prolonged decline in commodity prices, (ii) deterioration of the political situation, and (iii) delays in implementing the revenue-raising measures[8] combined with failure to contain spending pressures in the electoral context (see Table 9). The materialization of these risks would lead to slower overall growth, macroeconomic instability, and a significant drop in the level of official foreign exchange reserves. In particular, a significant slowdown in China could negatively affect copper prices[9] and export earnings, lead to sustained lower fiscal revenues, and undermine macroeconomic stability and the poverty reduction efforts. The uncertainty related to the upcoming elections in 2015–16 is already causing a wait-and-see attitude among investors.

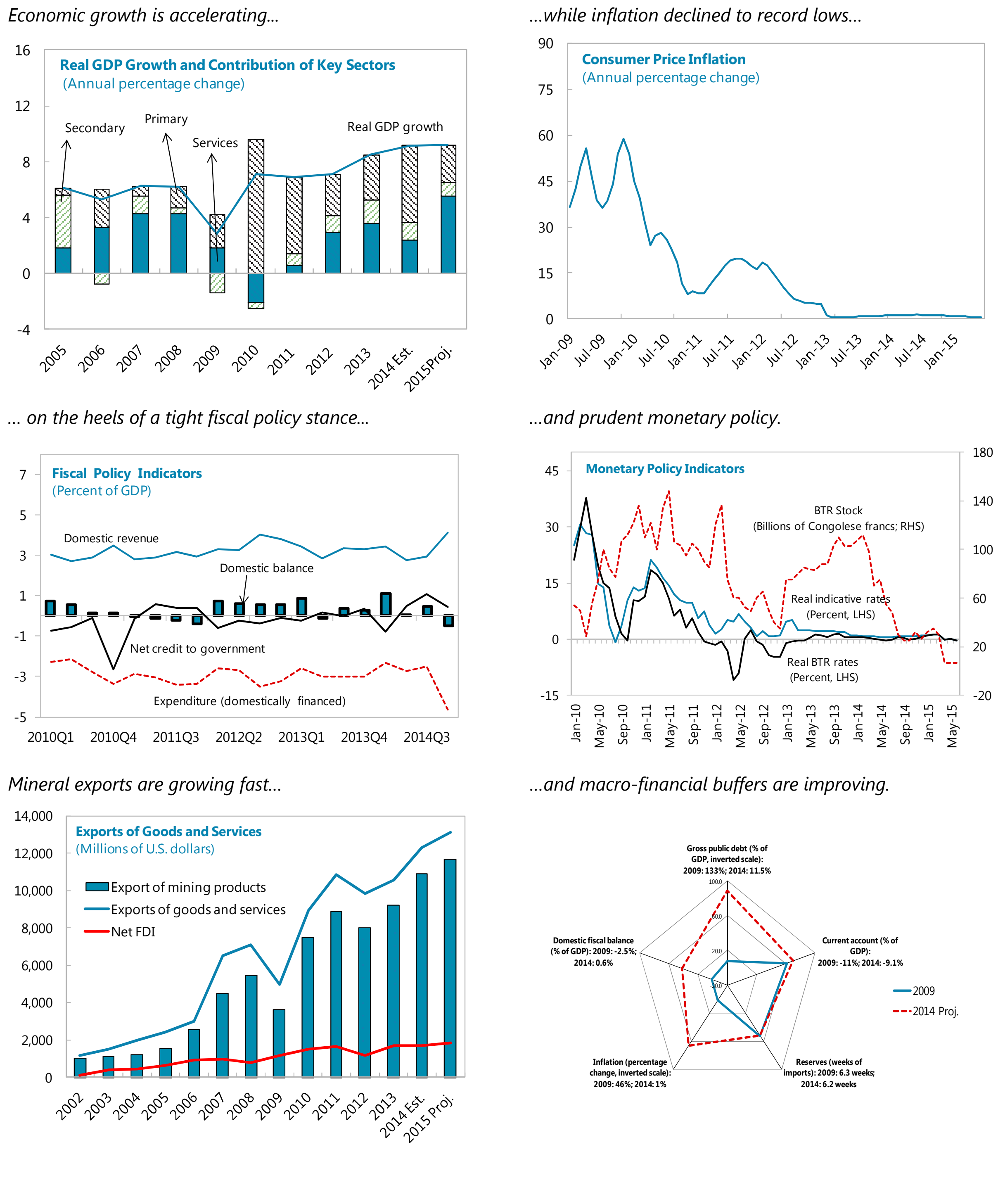
Authorities' Views

8. The authorities broadly agreed with the outlook and characterization of risks. They projected near-term growth in line with staff projection, but are more optimistic about the medium term. They saw DRC as vulnerable to adverse shocks and expressed concern about the energy sector bottlenecks. They also acknowledged that a lack of progress in de-dollarizing the economy could intensify vulnerabilities in the financial sector. The authorities also underscored that security risks have not totally abated and could weigh in on economic activity in the affected regions.

[8] In particular, measures underpinning the revenue projections in the 2015 Finance Act and the recommendations of an IMF February 2015 technical assistant (TA) mission aimed at improving the performance of the value-added tax (VAT).

[9] The current slowdown in China has not, to date, affected copper exports.

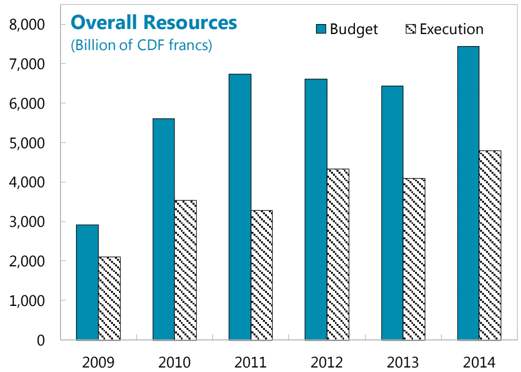
Figure 1. Democratic Republic of the Congo: Recent Economic Developments



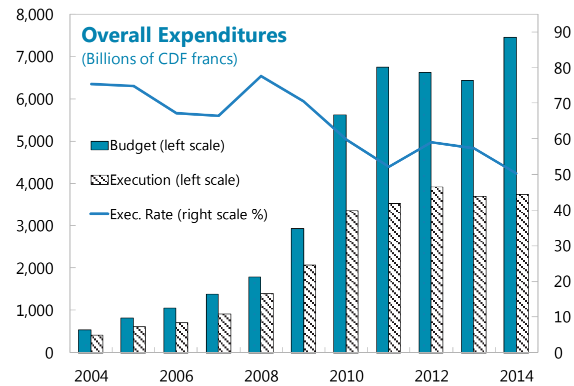
Sources: Congolese authorities and IMF staff estimates.

Figure 2. Democratic Republic of the Congo: Indicators of Budget Credibility [1]

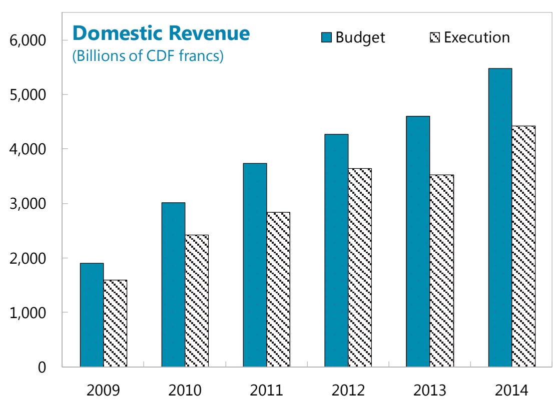
Wide differences between projected and actual total revenues…



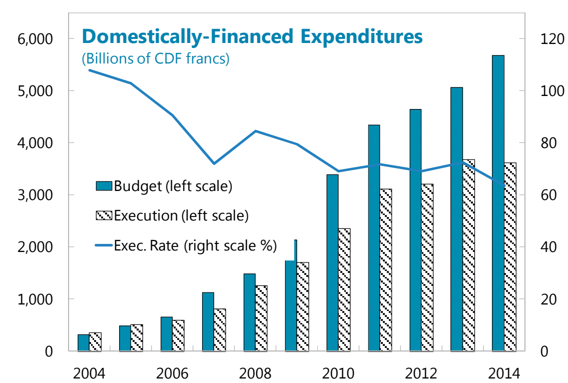
…negatively affect expenditure execution and budget credibility.



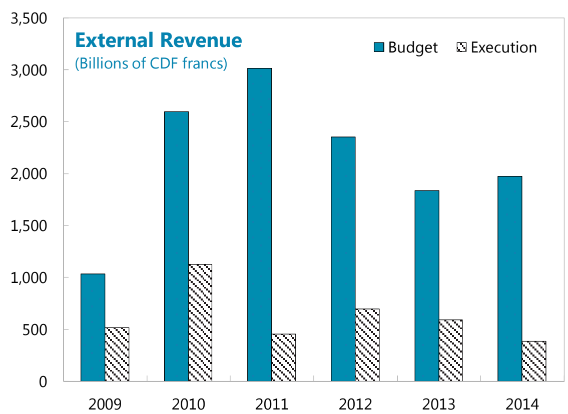
Relatively better domestic revenue projections…



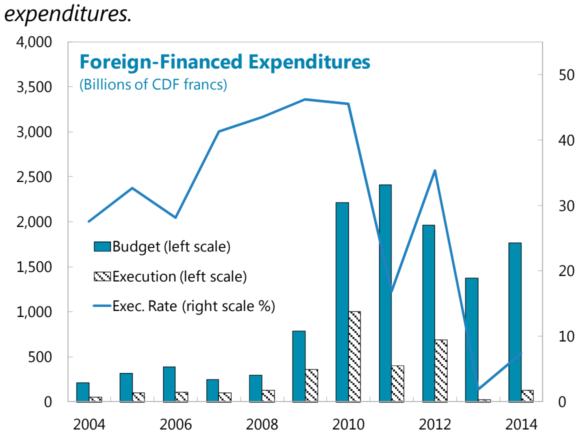
…lead to better execution of domestically-financed expenditures…



…while overly optimistic assumptions on external resources…



…explain the lower execution rate of the foreign-financed expenditures.



Sources: Congolese authorities and IMF staff calculations.

[1] Detailed execution data for 2014 is not available.

POLICY DISCUSSIONS

Despite abundant natural resources and a robust macroeconomic performance in recent years, fiscal space remains limited and poverty widespread. The natural resource sector, particularly mining, has been the main driver of economic growth, which has so far not been inclusive. Against this backdrop, policy discussions focused on how to: (i) address competing demands stemming from election financing on limited budget resources in 2015–16, (ii) build more buffers to withstand possible shocks from both external and domestic sources; (iii) remove bottlenecks to private sector activity, and (iv) optimally exploit natural resources to increase the benefits to the population.

A. Building Resilience and Addressing Inequality

9. **Policy buffers are presently insufficient given DRC's vulnerabilities and the prospects of adverse commodity price developments.** While macroeconomic performance remained strong over the past years, the hard-won gains could be reversed in the event of significant negative shocks to copper prices. The resulting deterioration in fiscal performance would make adherence to the fiscal anchor strenuous. Also, the high dollarization of the economy constrains the effectiveness of monetary policy and hampers banks' liquidity management. Furthermore, the low level of international reserves limits the BCC's ability to respond in case of a sharp depreciation of the exchange rate.

10. **A faster reserve accumulation is needed to withstand shocks.** Given the significant shortfall in DRC's reserve holdings (see ¶3), staff recommended that the BCC accumulate more international reserves through active interventions in the foreign exchange market and be prepared to sterilize its purchases to limit the pass through to inflation. Staff encouraged a rapid recapitalization of the BCC, which together with the medium-term de-dollarization strategy adopted by the authorities will extend the reach of monetary policy and its effectiveness, and strengthen its lender of last resort function. It stressed, however, that success of the de-dollarization strategy is a long-term process requiring a stable macroeconomic environment, a credible central bank, effective banking supervision, and a sufficiently developed financial infrastructure.

11. **Strong macroeconomic performance, but weak social indicators and high inequality.** DRC's strong growth over the past several years did not lead to significant job creation; poverty remains pervasive and unemployment is high,[10] particularly among the youth (see Box 1). Although social indicators related education, health, access to water, and infant mortality have improved in recent years, DRC will likely not achieve any of the MDGs by 2015. Development of non-mining activities necessary to promote inclusion is hampered by structural bottlenecks and a challenging business climate. The World Bank Doing Business 2015 Report ranks DRC 184th (out of 189 countries), worse than most peer countries in the region

[10] The authorities' recent data shows unemployment declined from a high of 60.8 in 2009 to 43 percent in 2014.

(Text Table 1).[11] The most recent Human Development Indicator shows that DRC has the highest percentage of its population living on less than $1.25 a day when ranked among its neighbors in the Great Lakes Region (Text Table 2).

Text Table 1. Ease of Doing Business Ranking, Selected African Countries

Country	Rank
Rwanda	46
Zambia	111
Tanzania	131
Uganda	150
Burundi	152
Congo, Dem. Rep.	**184**
Chad	185
South Sudan	186
Central African Republic	187
Libya	188
Eritrea	189

Source: World Bank, *Doing Business 2015*.

Text Table 2. Human Development Index, Selected African Countries

Country	Rank	Value
Zambia	141	0.561
Kenya	147	0.535
Rwanda	151	0.506
Tanzania	159	0.488
Uganda	164	0.484
Congo, Dem. Rep.	**186**	**0.338**

Source: UNDP, 2013.

12. **Diversification of the economy is a prerequisite to promote more inclusive growth**. Economic diversification in the DRC lags behind compared to other sub-Saharan African (SSA) economies (see Box 2). Staff urged the authorities to accelerate the needed reforms to promote economic diversification and sustain the ongoing structural transformation. In particular, measures aimed at improving the business climate should be implemented to enhance the private sector's role in growing the economy. These include simplification of: (i) the tax system to support higher non-mineral activity and promote inclusive growth, (ii) the regulation for granting construction permits and transfer of ownership, and (iii) facilitating access to credit while enforcing contracts. Government expenditures should be prioritized in favor of basic infrastructure, the agriculture sector where labor is intensive, and improving human capital.

Authorities' Views

13. The authorities recognized the need to build policy buffers, but expressed concerns about the impact of a gradual depreciation of the currency on inflation as inflationary expectations could easily be rekindled given that memories of hyperinflation are still fresh. They pointed to some progress made in improving the business climate, particularly in the areas of starting a business and dealing with construction permits and legislations recently enacted,[12]

[11] As pointed out in an independent evaluation of the Doing Business survey (see www.worldbank.org/ieg/doingbusiness), care should be exercised when interpreting these indicators given subjective interpretation, limited coverage of business constraints, and a small number of informants, which tend to overstate the indicators' coverage and explanatory power.

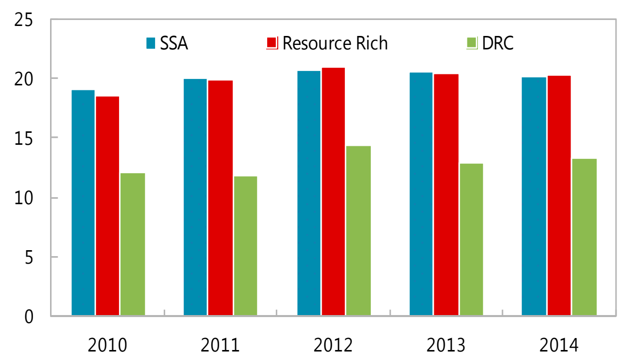
[12] A new Insurance Code and a law on leasing were adopted in March 2015, as was the Hydrocarbon Law in June 2015.

while recognizing that their efforts to promote private sector development are hindered by electricity bottlenecks. The authorities noted that the recent improvement in social indicators was the direct result of increased budget allocations to the education and health sectors and expressed optimism about the potential to develop agriculture based agro-industrial parks.[13] They have liberalized the energy sector to allow production by independent power producers and are seeking financing for investments in power generation and transmission.

B. Increasing Fiscal Space and Enhancing Budget Credibility and Monitoring

14. **Despite robust GDP growth and abundant natural resources, fiscal space remains too narrow and shrinking**. DRC has one of the lowest revenue-to-GDP ratios in SSA as the natural resource sector, particularly mining, has not contributed its fair share through 2014 (see Box 3). Domestic revenue mobilization efforts slackened over the past two years with the revenue-to-GDP ratio falling from 14.4 percent in 2012—when a VAT was introduced with great initial success—to 13.3 percent in 2014. Taxes on goods and services fell the most due to weak revenue administration and an erosion of the tax base at customs. At the same time, spending pressures from stemming for the elections in 2015–16 and infrastructure for the new provinces present short-term trade-offs and may crowd out spending on priority social programs and infrastructure projects, which are essential to promote more inclusive growth. Spending pressures for electoral politicking may affect the quality of public spending.

Revenue *(percent of GDP)*



Source: IMF staff estimates.

15. **Stepping up domestic resource mobilization is critical.** Increasing fiscal space will preserve the level of investments in basic infrastructure and priority social sectors and still ensure adequate financing of the elections. Efforts to increase revenues in the short term should start with improving the performance of the VAT, which deteriorated from 4.5 percent of GDP in 2012 to 2.9 percent of GDP in 2014. The administration of the VAT must be strengthened by the effective application of existing standard procedural rules, as well as by the modernization and simplification of procedures. Risk-based tax audits would allow better control of VAT credits and

[13] A pilot farm (Bukanga-Lonzo) started producing corn this year with the potential of reaching 250,000 tons annually by 2020 and a total investment of $500 million. However, it is capital intensive with modern farming techniques.

accelerate legitimate refunds. Staff urged the authorities to adhere to the fiscal anchor,[14] given the political context and implement the measures included in the 2015 Finance Act aimed at aligning the current taxable customs values of petroleum products with their market values. It also recommended swift passage of a new mining code, strengthening oversight of SOEs, and implementing targeted anti-money laundering measures to optimize revenues from the natural resources sector.

16. **Budget credibility is low**. The large gap between actual and forecasted revenue and expenditures weakens the credibility of the budget (see Box 4 and Figure 2). Over the past five years, frequent budget overruns in some areas and revenue shortfalls have resulted in ad-hoc adjustments to spending in other areas and therefore in significant fluctuations of budget execution rates. The resulting reprioritization of expenditures by the executive branch without the legislative branch's approval through supplementary budgets as provided by the Public Finance Law, undermines the latter's role in the budget process.

17. **Realistic resources projections are essential for budget credibility.** To minimize the risk of discrepancy between projections and outcomes, it is necessary to use past outturns as a basis for budget projections. Use of supplementary budgets is also a means to strengthen the credibility of the budget process. Tax measures attached to the draft budget must be adopted simultaneously with the budget law or otherwise the related resources deducted from the draft budget. Staff recommended including annual budgets in a medium-term budget framework (MTBF) aligned with the priorities in the poverty reduction strategy paper (PRSP), and better information sharing with donors to reduce discrepancies between budgeted external resources and outturns to enhance budget credibility.

Text Table 3. Democratic Republic of the Congo: Cumulative Impact of Revenue Measures, 2014–19

(Percent of GDP)

Measure	
Eliminationn of tax expenditures	1.0
Tighter control of VAT base in non-resource sectors	1.6
Strengthening of border controls	1.0
Better control of natural resource tax base	0.5
Total	4.1

Sources: IMF staff estimates and projections.

18. **An alternative scenario with better outcomes.** The main assumptions are that the authorities adopt staff policy advice, implement TA recommendations,[15] and accelerate the stalled structural reforms, particularly the reforms of the central bank (expected to be completed by 2016). Under this scenario, growth would be higher, averaging about 9 percent during 2015–19 compared to 8 percent in the baseline; inflation is targeted to average

[14] Adoption of an anchor that excludes mineral resources will be discussed in the context of the next Article IV consultation.

[15] The IMF is helping build capacity targeting critical surveillance areas such as domestic revenue mobilization (including extractive industries), PFM, central bank modernization, and national accounts.

2.9 percent against 2.2 percent in the baseline and the exchange rate to depreciate gradually. The external current account improves, averaging 8 percent of GDP during 2015–19 against 9 percent of GDP in the baseline. A gradual depreciation of the exchange rate would allow for the much-needed reserves accumulation to increase resilience (Figure 2 and Table 5). The significant improvement in the revenue-to-GDP ratio is predicated on a steadfast implementation of recent the Fiscal Affairs Department (FAD) TA recommendations, namely (i) broadening the tax base, (ii) introducing e-procedures beginning with the VAT at the large taxpayer office, and (iii) developing risk-based compliance program for large- and medium-sized businesses.

Authorities' Views

19. The authorities broadly shared staff's assessment of the potential for revenue generation over the medium term. For the short term, they pointed to the weakness and governance problems plaguing the revenue administration and noncompliance by some taxpayers. They noted the recent progress made in implementing the recommendations of the Extractive Industries Transparency Initiative (EITI)[16] and the National Conferences on Mineral Resources Management that would improve revenue from the sector. The authorities concurred with Staff's views on the need to strengthen budget credibility by improving resources forecasts. They indicated that the budget allocations are based on the priorities of the PRSP. In addition, they emphasized that the medium-term expenditure framework is being strengthened. To this end, they are finalizing a decree on Fiscal Governance in the DRC that will be adopted soon. They underscored that efforts are being made by the CENI to reduce the cost of the elections to lessen pressures on the budget and, in this regard, may submit a supplementary budget to Parliament.

Text Table 4. Democratic Republic of the Congo: Selected Economic and Financial Indicators. Baseline and Alternative Scenarios, 2014–19

	2014	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
	Est.	Baseline proj.					Alternative scenario proj.				
Real GDP	9.2	9.2	8.5	8.3	7.5	6.7	9.7	10.1	8.7	7.6	6.8
Consumer prices, period average	1.0	0.9	2.5	2.5	2.5	2.5	1.5	2.7	3.5	3.5	3.5
Fiscal revenue (% of GDP)	13.3	13.7	14.1	14.5	14.8	15.1	13.7	15.1	15.9	16.7	17.4
Overall balance, including grants (% of GDP)	0.1	0.5	0.0	-0.1	0.1	-0.2	0.5	-0.1	0.0	0.1	-0.2
Current account, including grants (% of GDP)	-9.2	-7.5	-7.7	-9.4	-10.1	-10.1	-7.3	-7.6	-8.7	-8.7	-7.5
Gross reserves (weeks of non-aid imports of goods and services)	6.8	5.5	4.6	3.9	3.5	3.1	7.8	9.4	10.4	11.1	11.9

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

[16] DRC became EITI compliant in 2014 and started a pilot project on disclosure of beneficial ownership of extractive companies.

C. Strengthening the Central Bank and Promoting Financial Sector Stability and Inclusion

20. **The development of an efficient monetary policy operational framework has been hampered by a number of factors.** These include: (i) high dollarization of the economy; (ii) the weak financial position of the central bank; and (iii) capacity constraints. Furthermore, the lack of instruments and the high dollarization are also important limitations to the BCC's ability to steer domestic currency short-term rates. In addition, the absence of an active money market in both dollar and domestic currency severely undermines the transmission mechanism of monetary policy. Although the BCC strived to enhance staff technical qualifications on financial issues, capacity remains limited.

21. **Strengthening the financial and operational autonomy of the BCC is essential.** Staff urged the authorities to: (i) finalize the BCC recapitalization process as soon as possible; (ii) adopt the draft legislation on the statute of the BCC to enshrine its independence while strengthening accountability; and (iii) apply the terms of 2011 agreement[17] on the rate of interest on securitized receivables of the state held by the BCC. It noted the commitment of the BCC to disengage from the hospital before the end of 2015 and encouraged it to continue its efforts to reduce its operating costs.

22. **Financial intermediation, access, and market depth are limited.** As underlined in the 2014 FSAP, financial deepening requires important structural reforms. These include enhancing supervision and strengthening crisis management practices, and improving the auditing and availability of credit information. Access to financial services compares poorly with peer countries.[18] Furthermore, the limited role of microfinance institutions, a large part of which suffer from solvency problems and lack of capital, impairs access by small and medium enterprises (SMEs).

23. **The stability of the financial sector must be strengthened to limit its exposure to shocks**. The 2014 evaluation report on the stability of the financial sector has indeed shown that the financial system is particularly vulnerable to shocks, the lack of a risk-based supervision, inadequate regulation and a lack of rigor in the application of the monitoring device. In line with the main findings of the 2014 report evaluating the stability of the financial sector, the mission recommended to: (i) adopt the Commercial Bank Law; (ii) implement a risk-based monitoring; (iii) strengthen the workforce and the training of supervisors; and (iv) finalize the guidelines for the strengthening of regulations on provisioning and classification of non-performing loans.

[17] In the context of a partial recapitalization of the BCC in 2011, it was agreed that the interest will be set by mutual agreement between the Treasury and the BCC.

[18] Credit to the private sector is well below the average for SSA's resource-rich countries despite the recent acceleration.

24. **Increasing access to financial services is necessary for inclusive growth.** The benefits of financial inclusion are numerous and known. For households, access to financial services facilitates the accumulation of assets, risk management and consumption smoothing. For small and medium enterprises, financial inclusion is associated with an increase in investment, innovation and job creation. Staff encouraged the authorities to: (i) develop the financial infrastructure through the payment systems, making operational the new credit registry, increasing information on borrowers by setting up a credit bureau; (ii) support the reduction of costs of opening and managing accounts; and (iii) make the most of the opportunities offered by the development of new information and communications technology. Staff welcomed the adoption of the insurance code and called for its timely implementation to promote access to credit.

Authorities' Views

25. **The authorities agreed on the need to strengthen the central bank**. They concurred with the staff's view on the urgency of enhancing the credibility of the BCC. They indicated that its recapitalization should be accompanied by a plan to cut its operating costs and improve its governance. Against the backdrop of low aggregate credit and deposit levels—six and nine percent in terms of GDP, respectively—the authorities also recognized the importance of increasing access to finance. To this end, a new foreign exchange swap facility—arranged with the International Finance Corporation—was implemented to enhance financing. Furthermore, building on TA provided by the Fund, the authorities are focusing on: (i) enhancing consumer protection and mobile banking and (ii) strengthening the financial stability framework by reinforcing the work on de-dollarization of the economy and banking supervision.

OTHER ISSUES

26. **The DRC's risk of debt distress remains moderate as in the 2014 debt sustainability analysis (DSA).** However, the DRC will need to continue its prudent policy and borrow mainly on concessional terms while strengthening its debt management capacity (see DSA).

27. **Data quality needs to be improved.** DRC's data has some shortcomings but is broadly adequate for surveillance purposes. Staff urged the authorities to further strengthen capacity in data compilation, handling and, also, on capacities to perform statistical analysis. Staff also suggested the authorities to provide greater financial autonomy to the National Statistical Agency (INS).

Authorities' views

28. **The authorities agreed with the staff assessment but stressed that progress is being implemented in this area.** They mentioned plans to improve collaboration across ministries and with the BCC and INS to produce more reliable data. The authorities welcomed the technical assistance provided in all these areas and, in particular, on national accounts statistics.

STAFF APPRAISAL

29. **After years of high growth rates and a stable macroeconomic environment, the DRC is now at a crossroads**. Staff commends the authorities for their steadfast pursuit of prudent macroeconomic policies, which was instrumental in the attainment of macroeconomic stability in DRC. It is noteworthy that such a performance was achieved despite DRC's fragility and limited external financial assistance. However, there is no room for complacency given looming vulnerabilities and the unsettled political and security situation. The prevailing pervasive poverty and high inequality calls for stronger efforts to diversify the economy, promote inclusive growth, and improve the social indicators.

30. **The political and security situation remains challenging.** DRC continues to exhibit the characteristics of a fragile state, which are exacerbating long standing vulnerabilities. Restoring lasting peace in the eastern provinces would help crowd in government expenditure for social sectors and infrastructure to support job creation. It is therefore important that the institutional reforms under the Addis Ababa Peace, Security, and Cooperation Framework, including the SSR be accelerated. Removing the political uncertainty related to the elections would help restore confidence of private investors.

31. **There is an urgent need to rebuild policy buffers and enhance domestic revenue mobilization**. The authorities are to be commended for pursing prudent fiscal policy despite a difficult environment. Their continued commitment to the fiscal anchor calls for the creation of more fiscal space in the short term to ease the expenditure trade-offs, while financing of the elections. They need to move expeditiously to implement the revenue-enhancing measures identified by Fund TA missions, build up international reserves, and improve budget credibility.

32. **Strengthening of the central bank should not be delayed any further**. Recapitalization of the BCC and passage of the Central Bank Law need to move forward to enable the central bank to fulfill its mandate. Putting the BCC on a sound financial footing while increasing its accountability will enhance its credibility and improve the effectiveness of monetary policy. At the same, the BCC should focus on its core activities. In this regard, the planned divestiture from the hospital is noted and should be accompanied by a rationalization of the BCC's operating costs.

33. **Promoting financial sector stability and development while improving inclusion will go a long way in sustaining strong economic growth.** Enhancing supervision and crisis management practices, and improving auditing and availability of credit information could help expand financial deepening. Furthermore, the solvency problems and lack of capital of MFIs should be addressed to improve access by SMEs to financial services. It is also critical to reinforce implementation of the regulatory framework with effective on-site inspections; promote financial inclusion, and facilitate access to financial services.

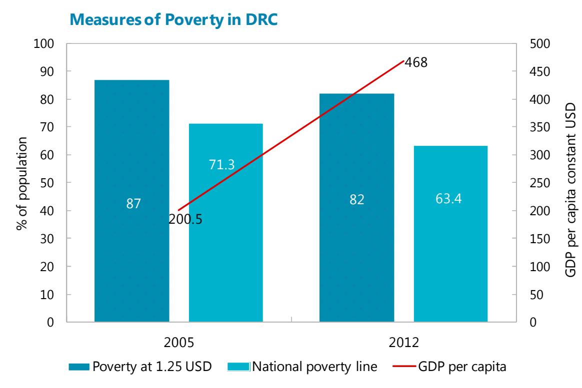
34. **Enhancing transparency and good governance in the mineral resource sector is critical for harnessing these resources for DRC development.** The authorities are to be commended for the recent made progress in transparency of its extractive industries. Further measures are needed to strengthen the government's oversight of the SOEs and ensure that they comply with the obligations to publish contracts of all mining operations and resort to competitive biddings when natural resource assets are sold. Enactment of a new mining code aligned with international best practices should lead to a higher contribution from the mining sector to government revenue.

35. **Data quality needs improvement**. Staff commends the authorities for regularly providing data broadly adequate for surveillance. It is imperative that the lack of resources for the production of key statistical data receives immediate attention. The authorities are encouraged to allocate more resources to statistics and leverage the capacity building assistance being provided by the Fund and other development partners for better outcomes.

36. **Staff recommends that the next Article IV consultation with the DRC be held on the standard 12-month consultation cycle.**

Box 1. Poverty in the Democratic Republic of the Congo

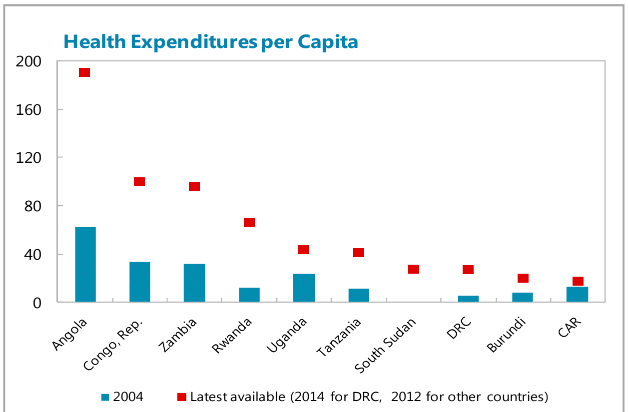
The Democratic Republic of the Congo (DRC) made progress in poverty reduction. Extending a continuous decrease since 1990, the share of the population living below the national poverty line receded by 8 percentage points between 2005 and 2012, to 63.4 percent driven by gains in the agriculture sector. Poverty reduction was most significant in rural areas (-14 percent). Yet, with high unemployment in the formal sector and precarious jobs in the informal sector, poverty remains pervasive, above the SSA average. The pace of poverty reduction has also varied widely across provinces.



Source: Congolese authorities.

While social indicators also improved, none of the Millennium Development Goals (MDGs) will be achieved by 2015. Health indicators improved significantly during the last decade. Life expectancy, which had decreased to 46.3 years by 2000, rose to 51.7 years in 2013, while the rate of child mortality decreased by 30 percent between 2007 and 2012. Progress was also made in the fight against communicable diseases and neo-natal care. However, geographical access and affordability continue to pose major obstacles to the delivery of health services. Progress was more significant in education with most indicators doubling between 2002 and 2012. Access to primary school is now quasi universal and exceeds the SSA average. Better quality in teaching, reduced inequities in access and achievements between social groups and also between genders are the next challenge.

Commitments from the authorities and support from donors have been decisive in education and health. Given the rapid population growth, continuous investments and spending in the sector combined with enhanced management, better traceability, and accountability will be needed.

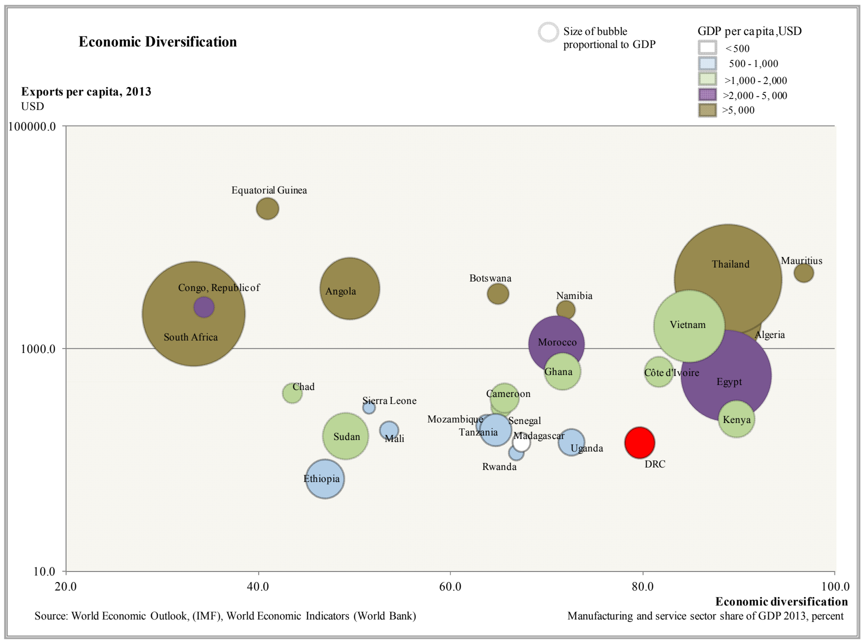


Source: Congolese authorities.

Box 2. Growth, Structural Transformation, and Export Diversification

While natural resources have delivered strong economic growth over recent years, the DRC faces challenges regarding export diversification. While manufacturing—mainly, mining activities—is of great significance to the development of the country, the value added of the service sector is essential to promote higher growth. The leading component of this sector is trade and commerce, which are indirectly linked to the mining activities mainly in the copper and zinc industries. DRC has maintained a steady sectoral share in the last decade, but has lagged behind the average of SSA countries in terms of its manufacturing and services as a share of GDP. Structural changes that followed after 2004 gradually brought the country to a much more favorable position today. However, DRC's diversification has lagged vis-à-vis comparators in SSA because exports are concentrated on minerals, even though overall export diversification and product exports moved slightly upwards, based on exports of new minerals in the last decade.

Factor productivity could be enhanced to achieve higher growth rates. Growth decomposition shows that the contributions of capital and labor have not been significant in DRC. Moreover, human capital has shown a negligible contribution to economic growth while total factor productivity has been low and stable. Hence, prioritizing human capital development becomes critical to promote further inclusion and economic diversification.

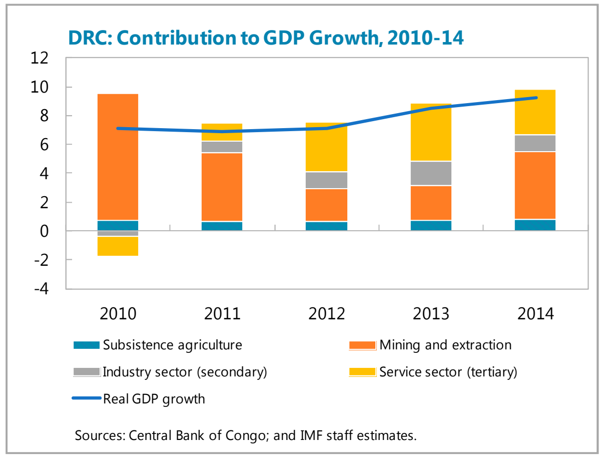


Product diversification could be enhanced in DRC. Product diversification could yield growth gains. Based on the estimates in IMF (2014a), a one standard deviation increase in LIC's export diversification raises the growth rate by about 0.8 percentage points.[1] For the DRC, this translates into estimated growth gains of 0.2 percentage points if export diversification was raised to levels observed in comparators like Vietnam. Developing human capital could also have a significant effect on DRC's growth rates. Improving infrastructure and trade networks, reducing barriers to entry for new products, and deepening financial markets would accelerate economic diversification

[1] IMF, 2014a, "Sustaining Long-Run Growth and Macroeconomic Stability in Low-Income Countries— The Role of Structural Transformation and Diversification." IMF Policy Paper, March.

Box 3. Contribution of the Natural Resources Sector to the Congolese Economy

The mining sector's contribution to real GDP growth has been strong starting in 2010. The mining code adopted in 2002 fueled steady inflows of foreign direct investments and a shift from artisanal mining to industrial production. DRC became the fifth largest producer of copper in the world in 2014 with 1.065 million tons produced. The sector now generates around one fifth of GDP and has accounted for one third of the growth recorded since 2004. Despite the recent adverse price developments and prospects, mineral production is expected to increase over the medium term as new mines enter production stage.



However, spillovers to other sectors of the economy remain limited, especially on government revenue and employment. The mining industry largely operates as an enclave within the economy with little spillovers to other sectors. Direct employment from the formal sector represents less than 0.5 percent of the labor force in the DRC, reflecting its capital intensive nature. Due to the generous provisions of the 2002 mining code and weaknesses in revenue administration, payments to the public sector were estimated at only 3.8% of GDP in 2012.

The contribution of the mining sector to public finances started to increase, but would benefit from better transparency and more accountability. With the end of the accelerated amortization granted to some major mining projects, as provided under the 2002 mining code, mining companies have started paying corporate tax in 2015. Also, a significant share of revenues from the mining sector has been mobilized directly by state-owned enterprises (SOEs) and provincial governments during the last five years. To harness these resources, corporate governance of the SOEs should be strengthened and a transparent dividend policy put in place.

Mining Fiscal Regimes: DRC and Peer Comparators (in percent)

Country	Royalty rate applying to copper 1/	Corporate Income Tax 2/
Chile	0-14	20; 42
Congo, Dem. Rep.	2	30
Indonesia	4	25
Zambia, 2014 regime	6	30 plus variable income tax

Source: FAD Fiscal Analysis of Resource Industries (FARI) database.
1/ Based on production level and operating margin
2/ If the company opted for the tax invariability regime

A revision of the mining code is key to further improve the revenue profile from the mining sector. Ongoing discussions on a new mining code seek to address the limitations of the 2002 mining mode with a view to increasing government revenue without jeopardizing the profitability of new projects. Implementation of the FARI model provided to the authorities through technical assistance from the IMF is expected boost revenue from the sector. Increasing local value added in the production process represents another policy objective worth pursuing.

Box 4. Strengthening Budget Credibility and Monitoring Budget

Wide differences between actual and forecasted resources undermine budget credibility for a number of reasons. First, taxes not collected mean that some expenditure will not take place, which directly undermines budget credibility. Second, shortfalls in budgeted resources lead to ad hoc re-prioritizing and re-allocating of resources by the executive branch, thus reducing the Parliament's role in the budget process. Third, the government seldom sends supplementary budget to Parliament.

There is a significant difference between budgeted resources and outcomes. The gap fluctuated between 48.6 to 71.9 percent over the past 5 years mostly on account of external resources, which fluctuated between 15 to 50 percent (see Figure 2). Both the grants and loans components of external financing have contributed to these outcomes. This calls into question the realism on the part of the authorities and foreign donors, the absorptive capacity, and the lack information sharing.

Difference between domestic revenue forecasted and outturns also contribute to the volatility in budget execution. This is so because tax and non-tax revenue projections are based not on previous years' revenue outturns, but on budget projections. The result is that budget execution outturns have been on average 45 percent lower than initial projections, undermining budget credibility. It is therefore important a link be established between previous year's outturns and current year projections during the budget preparation process.

Box 5. Financial Inclusion—Progress and Challenges

Figure 1. Access to and Use of Financial Services

The Democratic Republic of the Congo (DRC) has made some headway toward financial inclusion over the past decade. Evidence is provided by the increase in the number of access points for financial services, as well as by the number of depositors and borrowers (Figure 1). In addition, a benchmarking analysis reveals that DRC performed in line with its potential. Better macroeconomic and political environment together with the "*bancarisation*" policy implemented from 2011 (i.e., the policy of paying civil servant employees through bank accounts), are the driving forces behind this progress.

Despite this recent progress, financial inclusion in DRC remains low compared to regional peers in the Southern African Development Community (SADC). According to the 2014 FinScope Survey, the DRC has the lowest inclusion financial levels in the SADC region. Individuals at the bottom of the income distribution are the most financially excluded, in particular people making a living in farming activities.

Firms in DRC are also excluded. According to the World Bank Enterprise Survey, about 43 percent of enterprises in the DRC do not have a checking or savings account in 2013 as compared to an average of 13 percent for sub-Saharan Africa (SSA). More than 90 percent of enterprises in the DRC do not have a loan or line of credit, against 77 percent in SSA.

Financial literacy, income levels, and lack of trust in financial institutions are the main barriers to financial inclusion for households. The lack of access to financial services for firms is explained by the financial infrastructure gap and by weak judiciary and legal systems.

Policy measures to foster financial inclusion in the DRC include among others: (i) filling the infrastructure information gap, (ii) providing flexible regulatory environment to encourage the development of technology-based financial services, (iii) restructuring and strengthening the oversight of the MFIs, and (iv) promoting contractual savings. In addition, the authorities need to step up efforts to make government payments and collect taxes through financial institutions and fully exploit the mobile banking potential.

Table 1. Democratic Republic of the Congo: Selected Economic and Financial Indicators, 2012–20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Act.	Est.		Proj.					
	(Annual percentage change; unless otherwise indicated)								
GDP and prices									
Real GDP	7.1	8.5	9.2	9.2	8.5	8.3	7.5	6.7	5.4
GDP deflator	4.7	9.3	1.3	2.2	1.4	2.3	2.5	2.6	2.6
Consumer prices, period average	2.1	0.8	1.0	1.0	1.7	2.5	2.5	2.5	2.5
External sector									
Exports, f.o.b. (U.S. dollars)	-9.5	14.1	17.3	4.0	13.2	8.1	11.4	10.4	7.0
Imports, f.o.b. (U.S. dollars)	-10.0	15.2	19.5	-3.0	6.3	14.5	12.8	11.0	11.2
Export volume	-3.4	22.8	10.1	10.6	12.9	7.2	10.6	9.5	6.2
Import volume	-10.8	10.7	26.9	11.5	5.4	11.6	10.8	9.4	9.5
Terms of trade	-5.6	-6.3	9.2	5.4	-0.8	-0.3	0.1	0.3	0.5
	(Annual change in percent of beginning-of-period broad money)								
Money and credit									
Broad money	21.1	18.1	14.2	9.3	...	...	...	...	
Net foreign assets	22.9	2.3	2.7	2.8	...	...	...	...	
Net domestic assets	-1.9	15.7	11.3	6.6	...	...	...	...	
Domestic credit	-4.6	14.5	14.9	2.1	...	...	...	...	
Of which:									
Net credit to government (annual percent change)	-18.9	3.6	2.6	-7.3	...	...	...	...	
Credit to the private sector (annual percent change)	25.6	26.5	22.7	20.1	...	...	...	...	
	(Percent of GDP; unless otherwise indicated)								
Central government finance									
Revenue and Grants	17.2	15.3	14.6	16.1	16.8	16.6	16.8	17.1	17.4
Revenue	14.4	12.9	13.3	13.7	14.1	14.5	14.8	15.1	15.4
Grants	2.9	2.4	1.3	2.4	2.7	2.1	1.9	1.9	1.9
Expenditure	15.4	13.4	14.4	15.3	16.6	16.4	16.5	17.1	17.5
Overall balance (including grants)	1.5	1.6	0.1	0.5	0.0	-0.1	0.1	-0.2	-0.3
Investment and saving									
Gross national saving	5.8	4.7	6.6	8.0	7.0	6.8	7.4	8.4	8.9
Government	-2.5	-3.7	-2.2	-1.2	-1.8	-1.5	-1.2	-1.4	-1.3
Nongovernment [1]	8.3	8.4	8.8	9.2	8.7	8.3	8.6	9.8	10.2
Investment	12.7	15.3	15.7	15.5	14.7	16.2	17.6	18.6	20.0
Government	4.6	6.2	6.4	6.4	5.7	6.5	6.6	6.8	7.0
Nongovernment	8.1	9.1	9.3	9.1	8.9	9.7	11.0	11.7	13.0
Balance of payments									
Exports of goods and services	35.6	32.3	34.3	32.8	34.0	33.1	33.9	34.7	34.6
Imports of goods and services	40.0	38.0	41.8	37.3	36.4	37.4	38.3	38.8	39.8
Current account balance, incl. transfers	-6.9	-10.6	-9.2	-7.5	-7.7	-9.4	-10.1	-10.1	-11.2
Current account balance, excl. transfers	-9.8	-14.0	-13.8	-11.3	-9.5	-11.1	-11.6	-11.6	-12.6
Overall balance	2.2	0.2	0.1	0.3	0.5	0.6	0.7	0.5	0.4
Gross official reserves (weeks of non-aid-related imports of goods and services)	7.1	6.2	6.2	5.5	4.6	3.9	3.5	3.1	3.2
	(Percent of GDP)								
External public debt									
Total stock, including IMF	16.6	13.6	11.5	13.5	14.4	16.5	18.8	20.2	21.7
Present value (PV) of debt	19.4	13.5	15.2	11.0	12.5	13.9	15.4	16.0	16.7
PV of debt (percent of exports of goods and services)	54.3	41.9	44.2	33.6	36.9	42.1	45.6	46.3	48.5
Exchange rate, (CDF per U.S. dollar)									
Period average	919	920	925	...	...	...	...	...	...
End-of-period	915	926	925	...	...	...	...	...	...
Memorandum item:									
Scheduled debt service	181.7	194.6	189.0	223.7	245.4	354.9	317.2	293.8	286.6
Percent of exports of goods and services	1.8	1.8	1.5	1.7	1.7	2.2	1.8	1.5	1.4
Percent of government revenue	4.6	4.6	4.0	4.1	4.0	5.1	4.1	3.4	3.1
Gross official reserves (end-of-period, millions of U.S. dollars)	1645	1695	1577	1534	1482	1418	1394	1344	1305
Nominal GDP (CDF billions)	25,344	30,051	33,224	37,056	40,774	45,210	49,818	54,493	58,931
Nominal GDP (U.S$ million)	27,566	32,676	35,918	39,982	43,665	47,937	52,300	56,642	60,648

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

[1] The projections for 2011 and beyond account for mining companies profit outflows.

[2] Projections are based on calculations under the 2010 HIPC Debt Sustainability Analysis (EBS/10/121, 06/16/2010). Includes assistance beyond the terms of the enhanced HIPC Initiative granted by some Paris Club creditors. Exports are a trailing three-year moving average.

Table 2a. Democratic Republic of the Congo: Central Government Financial Operations, 2012–20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Act.	Est.		Proj.					
	(Billion CDF, unless otherwise specified)								
Total revenue and grants	4,369	4,588	4,847	5,957	6,848	7,504	8,355	9,296	10,233
Total revenue	3,639	3,873	4,425	5,067	5,733	6,539	7,397	8,255	9,098
Tax revenue	2,565	2,823	3,249	3,865	4,389	5,027	5,724	6,424	7,132
Income tax	689	942	1,130	1,410	1,571	1,758	1,951	2,146	2,335
Individuals	360	529	577	656	736	833	936	1,045	1,152
Businesses	329	413	554	754	834	925	1,015	1,102	1,183
Revenue from goods	26	46	51	56	62	69	76	83	90
Wage taxes	0	0	0	0	0	0	0	0	0
Taxes on goods and services	1,850	1,835	2,068	2,398	2,756	3,200	3,697	4,195	4,707
Value added tax / Tax on turnovers	1,137	963	1,102	1,286	1,491	1,751	2,046	2,327	2,615
Excises	241	332	331	369	406	450	496	542	586
International trade	472	540	635	743	859	999	1,155	1,326	1,505
Non-tax revenue	1,074	1,049	1,177	1,202	1,345	1,512	1,672	1,830	1,966
Revenue from natural resources and telecoms	689	404	279	260	301	344	387	428	452
Mining royalties	90	108	43	35	44	56	71	90	97
Exceptional revenue from the mining industry	304	0	0	0	0	0	0	0	0
Oil royalty and rent	168	173	131	105	121	134	143	146	148
Forest industry	1	0	0	0	0	0	0	0	0
Telecoms	125	123	106	121	136	153	172	192	208
Dividends from state-owned enterprises	69	73	62	44	50	55	59	61	63
Fees from sectoral ministries	143	182	412	460	511	578	637	697	753
Other non-tax revenue	173	36	32	2	3	3	3	3	4
Licenses	2	4	2	2	3	3	3	3	4
Real estate transaction registration	2	0	0	0	0	0	0	0	0
Penalties and fines	169	32	30	0	0	0	0	0	0
Special accounts and budgets [1]		354	391	436	480	532	586	641	694
Total grants	730	716	421	890	1,114	965	958	1,042	1,134
Budget grants	193	226	64	448	468	490	435	466	501
Of which: HIPC/MDRI debt relief [2]	193	193	40	448	468	490	435	466	501
Project grants	536	490	358	442	647	476	523	576	633
Total expenditures	3,910	4,036	4,795	5,659	6,764	7,429	8,216	9,319	10,285
Current expenditures	2,813	3,281	3,334	3,713	4,079	5,284	5,888	6,684	7,385
Salaries	1,220	1,408	1,583	1,853	2,243	2,487	2,785	3,174	3,535
Interest due	366	359	322	319	320	385	381	382	380
External debt	235	228	222	213	207	252	236	223	208
Internal debt	131	132	99	106	113	134	144	159	172
Goods and services	813	1,016	827	833	772	1,419	1,603	1,841	2,051
Transfers	414	497	604	707	744	992	1,120	1,287	1,419
Capital expenditures	927	388	407	1,214	1,404	1,613	1,741	1,994	2,206
Foreign-financed	694	26	131	883	962	923	942	1,014	1,094
Domestically financed	233	362	277	331	442	691	799	979	1,112
Central government	69	133	106	97	94	266	307	377	428
Transfers to provinces (capital)	164	229	170	235	349	425	492	603	684
Exceptional expenditures [3]	170	13	662	296	800	0	0	0	0
Foreign-financed	0	0	0	49	160	0	0	0	0
Domestically financed	170	13	662	247	640	0	0	0	0
Of which: elections	31	7	45	247	640	0	0	0	0
Special accounts and budgets [1]	0	354	391	436	480	532	586	641	694
Payment of domestic arrears	69	62	31	96	97	98	99	100	101
Overall fiscal balance	389	491	20	202	-13	-23	40	-123	-153
Financing needs [4]	-409	-506	-183	49	291	329	219	419	494
Total financing	-409	-506	-183	49	291	329	219	419	494
Domestic financing	-431	-415	-26	-290	-55	52	-55	130	219
Banking system	-431	-415	-26	-290	-55	52	-55	130	219
Central bank	-431	-415	-26	-290	-55	52	-55	130	219
Commercial banks	0	0	0	0	0	0	0	0	0
Non-banks financial institutions	0	0	0	0	0	0	0	0	0
Financing	0	0	0	0	0	0	0	0	0
Debt relieg	0	0	0	0	0	0	0	0	0
Proceed of assets sales	0	0	0	0	0	0	0	0	0
Foreign financing	23	-91	-157	339	346	277	274	289	275
New arrears	0	0	0	0	0	0	0	0	0
Budget loans	0	0	0	0	0	0	0	0	0
Project loans	158	64	0	489	476	447	418	439	461
Amortisation of external debt	273	392	388	409	415	483	407	447	527
Debt relief	137	237	231	259	285	313	262	298	341
Paid	136	155	157	150	130	170	144	150	186
Financing gap	0	0	0	0	0	0	0	0	0
Memorandum items									
Gross Domestic Product (CDF billion)	25,344	30,051	33,224	37,056	40,774	45,210	49,818	54,493	58,931
Gross Domestic Product (USD million USD)	27,566	32,676	35,918	39,982	43,665	47,937	52,300	56,642	60,648

Sources: Congolese authorities and IMF staff estimates and projections.

[1] From 2013, various funds and previously off budget items are included in the Budget.

[2] Reflects calculation of HIPC Initiative assistance on the basis of the 2010 Debt Sustainability Analysis (EBS/10/121,16/06/2010).

[3] Mainly security and elections.

[4] Overall fiscal balance, minus HIPC/MDRI debt relief, plus debt relief on foreign interest payments.

[5] Excluding grants, interest payments on external debt, and foreign-financed expenditures.

Table 2b. Democratic Republic of the Congo: Central Government Financial Operations, 2012–20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Act.	Est.		Projections					
	Percentage of GDP, unless otherwise indicated								
Total revenue and grants	17.2	15.3	14.6	16.1	16.8	16.6	16.8	17.1	17.4
Total revenue	14.4	12.9	13.3	13.7	14.1	14.5	14.8	15.1	15.4
Tax revenue	10.1	9.4	9.8	10.4	10.8	11.1	11.5	11.8	12.1
Income tax	2.7	3.1	3.4	3.8	3.9	3.9	3.9	3.9	4.0
Individuals	1.4	1.8	1.7	1.8	1.8	1.8	1.9	1.9	2.0
Businesses	1.3	1.4	1.7	2.0	2.0	2.0	2.0	2.0	2.0
Revenue from goods	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Wage taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	7.3	6.1	6.2	6.5	6.8	7.1	7.4	7.7	8.0
Value added tax / Tax on turnovers	4.5	3.2	3.3	3.5	3.7	3.9	4.1	4.3	4.4
Excises	0.9	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
International trade	1.9	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.6
Non-tax revenue	4.2	3.5	3.5	3.2	3.3	3.3	3.4	3.4	3.3
Revenue from natural resources and telecoms	2.7	1.3	0.8	0.7	0.7	0.8	0.8	0.8	0.8
Dividends from state-owned enterprises	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Fees from sectoral ministries	0.6	0.6	1.2	1.2	1.3	1.3	1.3	1.3	1.3
Other non-tax revenue	0.7	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Special accounts and budgets [1]		1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Total grants	2.9	2.4	1.3	2.4	2.7	2.1	1.9	1.9	1.9
Budget grants	0.8	0.8	0.2	1.2	1.1	1.1	0.9	0.9	0.9
Of which: HIPC/MDRI debt relief [2]	0.8	0.6	0.1	1.2	1.1	1.1	0.9	0.9	0.9
Project grants	2.1	1.6	1.1	1.2	1.6	1.1	1.1	1.1	1.1
Total expenditures	15.4	13.4	14.4	15.3	16.6	16.4	16.5	17.1	17.5
Current expenditures	11.1	10.9	10.0	10.0	10.0	11.7	11.8	12.3	12.5
Salaries	4.8	4.7	4.8	5.0	5.5	5.5	5.6	5.8	6.0
Interest due	1.4	1.2	1.0	0.9	0.8	0.9	0.8	0.7	0.6
External debt	0.9	0.8	0.7	0.6	0.5	0.6	0.5	0.4	0.4
Internal debt	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Goods and services	3.2	3.4	2.5	2.2	1.9	3.1	3.2	3.4	3.5
Transfers	1.6	1.7	1.8	1.9	1.8	2.2	2.2	2.4	2.4
Capital expenditures	3.7	1.3	1.2	3.3	3.4	3.6	3.5	3.7	3.7
Foreign-financed	2.7	0.1	0.4	2.4	2.4	2.0	1.9	1.9	1.9
Domestically financed	0.9	1.2	0.8	0.9	1.1	1.5	1.6	1.8	1.9
Exceptional expenditures [3]	0.7	0.0	2.0	0.8	2.0	0.0	0.0	0.0	0.0
Foreign-financed	0.0	0.0	0.0	0.1	0.4	0.0	0.0	0.0	0.0
Domestically financed	0.7	0.0	2.0	0.7	1.6	0.0	0.0	0.0	0.0
Of which: elections	0.1	0.0	0.1	0.7	1.6	0.0	0.0	0.0	0.0
Special accounts and budgets [1]	0.0	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Payment of domestic arrears	0.3	0.2	0.1	0.3	0.2	0.2	0.2	0.2	0.2
Overall fiscal balance	1.5	1.6	0.1	0.5	0.0	-0.1	0.1	-0.2	-0.3
Financing needs [4]	-1.6	-1.7	-0.6	0.1	0.7	0.7	0.4	0.8	0.8
Total financing	-1.6	-1.7	-0.6	0.1	0.7	0.7	0.4	0.8	0.8
Domestic financing	-1.7	-1.4	-0.1	-0.8	-0.1	0.1	-0.1	0.2	0.4
Banking system	-1.7	-1.4	-0.1	-0.8	-0.1	0.1	-0.1	0.2	0.4
Central bank	-1.7	-1.4	-0.1	-0.8	-0.1	0.1	-0.1	0.2	0.4
Commercial banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-banks financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financing	0.1	-0.3	-0.5	0.9	0.8	0.6	0.5	0.5	0.5
Project loans	0.6	0.2	0.0	1.3	1.2	1.0	0.8	0.8	0.8
Amortisation of external debt	1.1	1.3	1.2	1.1	1.0	1.1	0.8	0.8	0.9
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items									
Gross Domestic Product	25,344	30,051	33,224	37,056	40,774	45,210	49,818	54,493	58,931
Gross Domestic Product (USD)	27,566	32,676	35,918	39,982	43,665	47,937	52,300	56,642	60,648

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

[1] From 2013, various funds and previously off budget items are included in the Budget.

[2] Reflects calculation of HIPC Initiative assistance on the basis of the 2010 Debt Sustainability Analysis (EBS/10/121,16/06/2010).

[3] Mainly security and elections.

[4] Excluding grants, interest payments on external debt, and foreign-financed expenditures.

Table 3. Democratic Republic of the Congo: Monetary Survey, 2011–15
(At current exchange rates)

	2011 Dec.	2012 Dec.	2013 Dec.	2014 Dec.	2015 Dec.
	Act.	Act.	Prel.	Proj.	
	(CDF billions)				
Net foreign assets	834.9	1389.2	1457.8	1552.2	1662.6
Central bank	19.2	337.1	393.4	353.1	311.0
Commercial banks	815.7	1052.0	1064.3	1199.2	1351.5
Net domestic assets	1,608.7	1563.7	2024.3	2409.3	2676.8
Domestic credit	441.0	326.6	712.9	1118.4	1201.2
Net credit to government	-521.0	-977.9	-872.8	-784.3	-1074.2
Credit to the private sector	913.3	1147.2	1450.8	1780.5	2139.1
Credit to parastatals	48.7	157.3	134.9	122.2	136.2
Credit to the economy	962.0	1304.5	1585.7	1902.6	2275.4
Of which: credit to private sector	913.3	1147.2	1450.8	1780.5	2139.1
Of which: credit to parastatals	48.7	157.3	134.9	122.2	136.2
Other items, net (including valuation change)	1,167.7	1237.2	1311.4	1290.9	1475.6
Difference of credit	51.2	8.5	-49.7	-149.1	0.0
Difference of banks depositt	-66.5	-67.6	-63.6	-28.6	0.0
Of which: Valuation change	22.8	19.2	52.9	42.1	34.7
Broad money (M2)	2,418.4	2930.1	3460.4	3950.5	4316.7
Narrow money (M1)	790.1	883.8	1061.5	1180.2	1224.9
Currency in circulation	615.3	595.2	692.9	742.5	722.0
Demand deposits	174.7	288.7	368.6	437.7	502.9
Quasi money	1,628.4	2046.3	2398.9	2770.2	3091.8
Time deposits in domestic currency	17.5	25.7	30.4	35.6	215.7
Foreign currency deposits	1,610.8	2020.5	2368.5	2734.6	2876.1
	(Year-on-year change, percent)				
Net foreign assets	-8.0	66.4	4.9	6.5	7.1
Net domestic assets	46.0	-2.8	29.4	19.0	11.1
Domestic credit	588.8	-25.9	118.3	56.9	7.4
Net credit to government	-30.6	87.7	-10.8	-10.1	37.0
Credit to the economy	18.0	35.6	21.6	20.0	19.6
Of which: credit to the private sector	16.7	25.6	26.5	22.7	20.1
Of which: credit to parastatals	50.5	223.0	-14.3	-9.4	11.5
Other items, net (including valuation change)	12.5	5.9	6.0	-1.6	14.3
Broad money (M2)	23.1	21.2	18.1	14.2	9.3
Narrow money (M1)	11.9	11.9	20.1	11.2	3.8
Quasi money	29.4	25.7	17.2	15.5	11.6
	(Annual change, percent of beginning-of-period broad money)				
Net foreign assets	-3.7	22.9	2.3	2.7	2.8
Net domestic assets	25.8	-1.9	15.7	11.1	6.8
Domestic credit	19.2	-4.7	13.2	11.7	2.1
Net credit to government	11.7	-18.9	3.6	2.6	-7.3
Credit to the economy	7.5	43.3	31.8	29.9	31.6
Other items, net (including valuation change)	6.6	2.9	2.5	-0.6	4.7
Broad money (M2)	23.1	21.2	18.1	14.2	9.3
Narrow money (M1)	4.3	3.9	6.1	3.4	1.1
Quasi money	18.8	17.3	12.0	10.7	8.1
Memorandum items:					
Nominal GDP (billions of Congo francs)	22,598	25,344	30,051	33,224	37,056
Velocity (GDP/broad money)	9.3	8.6	8.7	8.4	8.6
Foreign currency deposits (percent of M2)	66.6	69.0	68.4	69.2	66.6
Foreign currency deposits (percent of total deposits)	89.3	86.5	85.6	85.2	80.0
Net foreign assets of the BCC [1]	19	337	393	353	311
Net domestic assets of the BCC [1]	790	515	591	777	850
Of which : Net credit to government from the BCC [1]	-428	-752	-680	-648	-938
Base money [1]	809	852	984	1,136	1,161
Of which : currency in circulation [1]	647	643	760	817	666

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

[1] In billions of Congo francs at current exchange rates.

Table 4. Democratic Republic of the Congo: Balance of Payments, 2012–20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Act.	Est.		Projections					
	(Millions of U.S. dollars; unless otherwise indicated)								
Current account	-1,906	-3,479	-3,291	-2,984	-3,350	-4,504	-5,286	-5,729	-6,784
Merchandise trade	330	284	116	954	1,881	1,252	1,195	1,220	571
Exports, f.o.b.	9,016	10,290	12,072	12,551	14,206	15,362	17,117	18,892	20,213
Of which: mining and oil	8,864	10,060	11,743	12,188	13,779	14,856	16,518	18,179	19,364
Imports, f.o.b.	-8,686	-10,006	-11,956	-11,597	-12,325	-14,110	-15,923	-17,672	-19,642
Of which: aid-related imports	-1,208	-265	-694	-1,604	-1,257	-1,192	-1,145	-1,211	-1,283
Services	-1,529	-2,141	-2,799	-2,761	-2,937	-3,310	-3,469	-3,562	-3,724
Receipts	805	271	244	562	636	525	616	754	782
Expenditure	-2,334	-2,413	-3,043	-3,323	-3,573	-3,836	-4,085	-4,316	-4,506
Of which: aid-related imports	-128	-44	-107	-187	-147	-139	-134	-141	-150
Income	-1,719	-2,838	-3,041	-3,110	-3,524	-3,809	-4,246	-4,689	-5,017
Receipts	19	49	31	83	91	100	109	118	126
Expenditure	-1,738	-2,887	-3,071	-3,193	-3,614	-3,908	-4,355	-4,807	-5,143
Of which: interest payments [2]	-29	-26	-20	-19	-19	-129	-110	-293	-207
Current transfers	1,013	1,217	2,433	1,933	1,230	1,364	1,234	1,301	1,385
Of which: official aid	783	1,082	1,655	1,552	799	833	786	831	881
Capital and financial account	1,027	3,545	3,290	3,121	3,550	4,810	5,677	6,041	7,052
Capital account	803	153	26	293	541	466	508	552	596
Official	583	8	19	230	346	252	275	299	326
Private	220	146	7	63	195	214	233	252	270
Capital transfers (HIPC/MDRI)	…	…	…	…	…	…	…	…	
Of which : from IMF	…	…	…	…	…	…	…	…	
Financial account	224	3,392	3,264	2,828	3,010	4,344	5,169	5,489	6,456
Official capital	20	-99	-169	366	370	294	188	200	127
Gross disbursements	172	70	0	528	509	474	439	456	474
Scheduled amortization [3]	-152	-169	-169	-162	-139	-180	-252	-256	-347
Private capital (net)	204	3,491	3,433	2,462	2,640	4,051	4,982	5,289	6,329
Of which: foreign direct investment	1,159	1,698	1,720	1,866	2,006	2,404	2,960	3,415	4,056
Other private non-banking sector [4]	-955	1,793	1,713	597	633	1,646	2,022	1,874	2,273
Balance before errors and omissions	-879	66	-1	137	200	307	391	311	268
Errors and omissions	1,477	-2	32	0	0	0	0	0	0
Overall balance	598	65	32	137	200	307	391	311	268
Financing	-598	-65	-32	-137	-200	-307	-391	-311	-268
Net change in non-IMF arrears	0	0	0	0	0	0	0	0	0
Net banking sector reserves (increase = -)	-598	-65	-32	-137	-200	-307	-391	-311	-268
Central bank	-345	-50	119	4	-28	-30	-70	-25	-3
Of which: Net IMF credit	0	0	0	-39	-80	-94	-94	-75	-42
Commercial banks	-253	-15	-150	-141	-173	-276	-320	-286	-264
Financing need before exceptional assistance	0	0	0	0	0	0	0	0	0
Residual financing need (overfinancing = +)	0	0	0	0	0	0	0	0	0
Of which: fiscal	0	0	0	0	0	0	0	0	0
	(Percent of GDP, unless otherwise indicated)								
Memorandum items:									
Debt service after debt relief (percent of exports of gc	1.8	1.8	1.5	1.7	1.7	2.2	1.8	1.5	1.4
Current account balance (including official transfers)	-6.9	-10.6	-9.2	-7.5	-7.7	-9.4	-10.1	-10.1	-11.2
Current account balance (excluding official transfers)	-9.8	-14.0	-13.8	-11.3	-9.5	-11.1	-11.6	-11.6	-12.6
Gross official reserves (millions of U.S. dollars)	1,645	1,695	1,577	1,534	1,482	1,418	1,394	1,344	1,305
Weeks of non-aid-related imports of goods and ser	7.1	6.2	6.2	5.5	4.6	3.9	3.5	3.1	3.2

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

[1] Two reclassifications were introduced in 2013. First, repatriation of profits by international companies operating in the natural resources sector passed from the financial account (other private non-banking sector) to the current account (expenditure under the income balance). Second, a larger part of official grants were registered under the current account (current transfers) for aid covering recurrent expenditures

[2] Including interest due to the IMF.

[3] Excluding principal repayments to the IMF.

[4] Including unrecorded transactions. The latter may be substantial given weaknesses in statistics.

Table 5. Democratic Republic of the Congo: Selected Economic and Financial Indicators Under Alternative Scenario, 2012–20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Act.	Est.		Proj.					
	(Annual percentage change; unless otherwise indicated)								
GDP and prices									
Real GDP	7.1	8.5	9.2	9.7	10.1	8.7	7.6	6.8	5.4
GDP deflator	4.7	9.3	1.3	2.7	2.9	4.5	4.8	4.8	4.9
Consumer prices, period average	2.1	0.8	1.0	1.5	2.7	3.5	3.5	3.5	3.5
External sector									
Exports, f.o.b. (U.S. dollars)	-9.5	14.1	17.3	4.0	13.2	8.1	11.4	10.4	7.0
Imports, f.o.b. (U.S. dollars)	-10.0	15.2	19.5	-3.1	6.4	13.5	10.7	6.3	8.2
Export volume	-3.4	22.8	10.1	10.6	12.9	7.2	10.6	9.5	6.2
Import volume	-10.8	10.7	26.9	11.5	5.6	10.7	9.0	5.6	6.9
Terms of trade	-5.6	-6.3	9.2	5.4	-0.9	-0.4	0.1	0.3	0.4
	(Annual change in percent of beginning-of-period broad money)								
Money and credit									
Broad money	21.1	18.1	14.2	10.3	…	…	…	…	
Net foreign assets	22.9	2.3	2.7	19.3	…	…	…	…	
Net domestic assets	-1.9	15.7	11.3	-8.9	…	…	…	…	
Domestic credit	-4.6	14.5	14.9	2.4	…	…	…	…	
Of which:									
Net credit to government (annual percent change)	-18.9	3.6	2.6	-7.2	…	…	…	…	
Credit to the private sector (annual percent change)	25.6	26.5	22.7	20.3	…	…	…	…	
	(Percent of GDP; unless otherwise indicated)								
Central government finance									
Revenue and Grants	17.2	15.3	14.6	16.1	17.7	18.0	18.5	19.2	19.6
Revenue	14.4	12.9	13.3	13.7	15.1	15.9	16.7	17.4	17.8
Grants	2.9	2.4	1.3	2.4	2.7	2.1	1.8	1.8	1.8
Expenditure	15.4	13.4	14.4	15.3	17.5	17.8	18.2	19.3	19.6
Overall balance (including grants)	1.5	1.6	0.1	0.5	0.0	0.0	0.1	-0.2	-0.2
Investment and saving									
Gross national saving	5.8	4.7	6.6	8.3	7.3	8.2	9.4	10.6	12.0
Government	-2.5	-3.7	-2.2	-0.7	-1.8	-1.4	-1.3	-3.9	-3.8
Nongovernment [1]	8.3	8.4	8.8	8.9	9.2	9.6	10.8	14.5	15.9
Investment	12.7	15.3	15.7	15.7	15.1	16.9	18.3	18.3	19.8
Government	4.6	6.2	6.4	6.7	6.1	7.2	7.3	6.6	6.8
Nongovernment	8.1	9.1	9.3	9.1	8.9	9.7	11.0	11.7	13.0
Balance of payments									
Exports of goods and services	35.6	32.3	34.3	32.8	33.7	33.0	33.6	34.1	34.0
Imports of goods and services	40.0	38.0	41.8	37.2	36.1	36.6	36.7	35.8	35.8
Current account balance, incl. transfers	-6.9	-10.6	-9.2	-7.3	-7.6	-8.7	-8.7	-7.5	-7.6
Current account balance, excl. transfers	-9.8	-14.0	-13.8	-11.2	-9.4	-10.4	-10.2	-9.0	-9.0
Overall balance	2.2	0.2	0.1	2.0	2.4	2.1	1.7	1.7	0.4
Gross official reserves (weeks of non-aid-related imports of goods and services)	7.1	6.2	6.3	7.8	9.4	10.4	11.1	11.9	12.8
	(Percent of GDP)								
External public debt									
Total stock, including IMF	16.6	13.6	11.5	13.5	14.3	16.3	18.5	19.8	21.2
Present value (PV) of debt	19.4	13.5	15.2	11.0	12.3	13.7	15.1	15.6	16.3
PV of debt (percent of exports of goods and services)	54.3	41.9	44.2	33.9	37.2	42.1	45.6	46.5	48.7
Exchange rate, (CDF per U.S. dollar)									
Period average	919	920	925	…	…	…	…	…	…
End-of-period	915	926	925	…	…	…	…	…	…
Memorandum item:									
Scheduled debt service	181.7	194.6	189.0	223.7	245.4	354.9	317.2	293.8	286.6
Percent of exports of goods and services	1.8	1.8	1.5	1.7	1.7	2.2	1.8	1.5	1.4
Percent of government revenue	4.6	4.6	4.0	4.1	3.7	4.6	3.6	2.9	2.6
Gross official reserves (end-of-period, millions of U.S. dollars)	1645	1695	1577	2189	2978	3652	4132	4768	4729
Nominal GDP (CDF billions)	25344	30051	33224	37406	42374	48133	54269	60764	67172
Nominal GDP (U.S$ million)	27566	32676	35918	39981	44098	48633	53235	57870	62110

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

[1] The projections for 2011 and beyond account for mining companies profit outflows.

[2] Projections are based on calculations under the 2010 HIPC Debt Sustainability Analysis (EBS/10/121, 06/16/2010). Includes assistance beyond the terms of the enhanced HIPC Initiative granted by some Paris Club creditors. Exports are a trailing three-year moving average.

Table 6. Democratic Republic of the Congo: Millennium Development Goals, 1990–2014

	1990	1995	2000	2005	2010	2013	2014
Goal 1: Eradicate extreme poverty and hunger							
Employment to population ratio, 15+, total (%) (modeled ILO estimate)	..	66.2	66.3	66.1	66.0	66.2	..
Employment to population ratio, ages 15-24, total (%) (modeled ILO estimate)	..	39.4	39.1	39.2	38.7	38.8	..
GDP per person employed (constant 1990 PPP $)	1,455.0	830.0	605.0	642.0	717.0	..	..
Income share held by lowest 20%	..	..	..	5.5	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	30.7	..	..	24.2	23.4	..
Poverty gap at $1.25 a day (PPP) (%)	..	..	..	52.8	..	..	..
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	..	..	..	87.7	..	..	..
Vulnerable employment, total (% of total employment)	..	..	..	..	..	..	..
Goal 2: Achieve universal primary education							
Literacy rate, youth female (% of females ages 15-24)	..	..	..	..	..	..	..
Literacy rate, youth male (% of males ages 15-24)	..	..	..	..	..	..	..
Persistence to last grade of primary, total (% of cohort)	..	..	..	..	54.5	..	..
Primary completion rate, total (% of relevant age group)	..	..	..	..	64.0	..	..
Adjusted net enrollment rate, primary (% of primary school age children)	..	66.8	..	..	..	..	..
Goal 3: Promote gender equality and empower women							
Proportion of seats held by women in national parliaments (%)	5.4	..	..	12.0	8.4	8.9	10.6
Ratio of female to male primary enrollment (%)	70.8	68.8	..	..	86.6	..	..
Ratio of female to male secondary enrollment (%)	..	60.9	..	..	57.6	..	..
Ratio of female to male tertiary enrollment (%)	..	..	..	..	..	..	..
Share of women in wage employment in the nonagricultural sector (% of total nonagr	25.9	..	..	..	..	..	..
Goal 4: Reduce child mortality							
Immunization, measles (% of children ages 12-23 months)	38.0	27.0	46.0	61.0	74.0	73.0	..
Mortality rate, infant (per 1,000 live births)	114.7	114.7	114.6	104.9	92.4	86.1	..
Mortality rate, under-5 (per 1,000 live births)	176.0	176.0	175.9	156.0	130.7	118.5	..
Goal 5: Improve maternal health							
Adolescent fertility rate (births per 1,000 women ages 15-19)	136.9	133.6	130.9	131.2	134.0	134.3	..
Births attended by skilled health staff (% of total)	..	..	..	..	80.4	..	80.1
Contraceptive prevalence (% of women ages 15-49)	..	..	..	..	17.3	..	20.4
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,000.0	1,100.0	1,100.0	930.0	810.0	730.0	..
Pregnant women receiving prenatal care (%)	..	..	..	..	88.8	..	88.4
Unmet need for contraception (% of married women ages 15-49)	..	..	..	..	24.2	..	27.7
Goal 6: Combat HIV/AIDS, malaria, and other diseases							
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	..	39.1	..	29.2
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	328.0	326.0	327.0	327.0	327.0	326.0	..
Prevalence of HIV, female (% ages 15-24)	0.7	0.8	0.8	0.7	0.5	0.5	..
Prevalence of HIV, male (% ages 15-24)	0.4	0.4	0.4	0.4	0.3	0.3	..
Prevalence of HIV, total (% of population ages 15-49)	1.3	1.5	1.5	1.4	1.2	1.1	..
Tuberculosis case detection rate (%, all forms)	18.0	31.0	40.0	55.0	56.0	51.0	..
Goal 7: Ensure environmental sustainability							
CO2 emissions (kg per PPP $ of GDP)	0.1	0.1	0.1	0.1	0.1	..	..
CO2 emissions (metric tons per capita)	0.1	0.1	0.0	0.0	0.0	..	..
Forest area (% of land area)	70.7	70.0	69.4	68.7	68.0	..	..
Improved sanitation facilities (% of population with access)	17.0	18.7	22.6	26.4	30.0	..	..
Improved water source (% of population with access)	43.2	43.4	44.0	44.9	46.0	..	..
Marine protected areas (% of territorial waters)	3.8	4.4	4.4	4.4	4.4	..	..
Goal 8: Develop a global partnership for development							
Net ODA received per capita (current US$)	25.7	4.6	3.8	34.8	56.1	38.1	..
Debt service (PPG and IMF only, % of exports of goods, services and primary income	..	..	..	15.4	2.0	2.4	..
Internet users (per 100 people)	0.0	..	0.0	0.2	0.7	2.2	..
Mobile cellular subscriptions (per 100 people)	0.0	0.0	0.0	5.1	19.0	41.8	..
Fixed telephone subscriptions (per 100 people)	0.1	0.1	0.0	0.0	0.1	0.0	..
Other							
Fertility rate, total (births per woman)	7.1	7.3	7.1	6.7	6.3	5.9	..
GNI per capita, Atlas method (current US$)	240	140	140	210	320	430	..
GNI, Atlas method (current US$) (billions)	8.4	6.0	6.4	11.2	20.1	29.1	..
Gross capital formation (% of GDP)	9.1	9.4	14.4	11.8	20.7	20.6	..
Life expectancy at birth, total (years)	47.4	46.4	46.4	47.8	49.0	49.9	..
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	..	..	..
Population, total (billions)	34.9	42.0	46.9	54.0	62.2	67.5	..
Trade (% of GDP)	58.7	52.2	27.0	44.0	90.7	74.7	

Source: World Bank, *World Development Indicators*

Table 7. Democratic Republic of the Congo: Financial Soundness Indicators for the Banking Sector, 2010–14

	2010	2011	2012	2013	2014 Prel.
Capital adequacy					
Regulatory capital to risk-weighted assets	29.1	31.7	29.7	23.5	24.5
Regulatory Tier I Capital to risk-weighted assets	21.0	22.9	20.9	16.7	18.5
Asset quality					
NPLs to gross loans	5.9	4.2	4.3	5.4	6.9
NPLs net of provisions to capital	10.1	8.0	11.0	14.6	21.5
Earnings and profitability					
Return on assets (net income/total assets)	0.6	1.1	1.1	1.6	1.7
Return on net income (net income/equity)	7.8	17.9	11.7	20.6	23.2
Interest margin to gross income	29.6	34.6	31.9	35.2	34.4
Non-interest expenses to gross income	88.4	82.5	83.4	81.4	80.8
Liquidity					
Liquid assets to total assets	56.9	52.5	57.7	55.5	56.4
Liquid assets/total deposits to short-term liabilities	123.1	119.2	121.3	119.5	123.9
Sensitivity to market risk					
Net open in foreign exchange position to capital	3.0	0.8	1.6	2.5	2.2
Foreign currency-denominated liabilities to total liabilities	83.7	86.4	85.6	86.0	82.8
Foreign currency-denominated loans to total loans	85.6	86.1	82.6	83.2	79.3

Source: Central Bank of Congo (BCC)

Table 8. Democratic Republic of the Congo: Key FSAP Recommendations

Recommendations	Priority	Status
Financial stability, supervision, and crisis management		
Complete the cleaning of the BCC's balance sheet and its recapitalization	Short term	Incomplete. Recapitalization Law has yet to be passed.
Adopt the draft law on Central Bank statutes, reinforcing its independence, responsibilities, and transparency	Short term	Incomplete. Banking Law has yet to be passed.
Strengthen the BCC's validation and analysis of data	Short term	Partially implemented. Work needed to implement TA recommendations.
Establish a legal and operational mechanism for crisis prevention, preparation, and management	Medium term	Partially implemented. Work needed to implement TA recommendations
Strengthen the legal and regulatory framework for bank intervention and liquidation as well as the crisis management framework	Medium term	Partially implemented. Work needed to implement TA recommendations
Set up effective risk-based supervision	Medium term	Partially completed.
Strengthen regulations on provisioning and classification of non-performing loans	Short term	Partially completed.
De-dollarization		
Create a medium-term roadmap for de-dollarization that takes into account the risks of de-dollarization.	Medium term	Partially implemented. Roadmap needs to be updated
Financial inclusion		
Adopt a revised draft law on leasing	Medium term	Law on leasing was adopted.
Strengthen supervision of microfinance and provide for the liquidation of institutions that are not viable	Short term	Incomplete.
Adoption of a viability restructuring (or liquidation) plan of the CADECO based on minimization of risks and fiscal costs.	Short term	Incomplete.
Financial infrastructure		
Review and adopt the draft law on payment systems	Short term	Incomplete.
Make the new credit registry operational	Short term	Partially implemented.
Amend the law on commercial courts, adapting it to OHADA	Medium term	Incomplete.
Non-banking financial institutions		
Promulgate an amended insurance code to strengthen governance and powers of the supervisor	Medium term	Incomplete. Legal protection of supervisors is still absent.

[1] Short term: <12 months; Medium-term: 12 to 24 months.

Table 9. Democratic Republic of the Congo: Risk Assessment Matrix[1]

Source of Risk	Relative Likelihood	Expected Impact on the Economy	Staff Advice on Policy Responses
External Risks			
Heightened risks of fragmentation/state failure/security dislocation in the Middle East and some countries in Africa, leading to a sharp rise in oil prices with negative global spillovers.	Medium with medium-term time horizon	As a minor exporter of crude oil, DRC could benefit. However, import bill of refined products would increase and, in the absence of price adjustments at the pump, revenue will decline.	Adjust domestic petroleum prices to fully pass through the increase in oil prices to consumers.
Structurally weak growth in the Euro area/Japan.	High with medium-term time horizon	Lower demand for DRC's exports resulting in Lower government revenue and a deterioration of the current account and slower accumulation of international reserves.	Accelerate implementation of reforms to increase domestic non-natural resource mobilization to lessen dependence on fiscal revenues from the mining sector.
Sharp China slowdown in 2015–16, which could negatively affect commodity prices, copper in particular.	Low with short-term time horizon	Sustained lower fiscal revenues and exports earnings leading to lower spending in priority sectors and investment, including threatening poverty reduction efforts.	Build up international reserves to provide robust buffers against external shocks.
Domestic Risks			
Delays in implementing revenue-raising measures and key structural reforms.	High with short-term time horizon	Lower government revenue, crowding out spending on priority programs and loss of credibility of the BCC.	Implement revenue measures and reinvigorate the structural reform process, in particular, the recapitalization of the BCC and its independence; increase transparency and good governance in the natural resources sector, including the SOEs.
Escalation of armed conflict.	Medium with medium-term time horizon	Slower economic activities in war-affected areas and severe strains on public finance, including diversion of resources to security related expenditures.	Accelerate implementation of the Addis Ababa Peace Framework, particularly the reform of the SSR and the disarmament, demobilization and reinsertion program.
Political turmoil stemming from delays in the legislative and presidential elections.	High with short-term time horizon	Destruction of physical infrastructure and sharp drop in economic activity.	Design contingent policies that would allow quick adjustment to the changing environment and provide budgetary resources for the elections.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Appendix I. Implementation of Past IMF Recommendations

1. **Implementation of past policy recommendations was broadly satisfactory.** The authorities steadfastly adhered to the fiscal anchor, which has been instrumental in keeping inflation low. They continued to allocate more budgetary resources to education, health, infrastructure, and agriculture. Also, measures were taken to improve the business climate, but these did not translate in an improvement in DRC's ranking in the 2015 doing business ranking and the business climate remains challenging. Progress continued to lag in the implementation of structural reforms, including in the natural resource sector, recapitalizing the Central bank of Congo (BCC), and passing key economic bills.

Summary of Key Policy Recommendations

Area	Specific Recommendation	Status
MDGs	• Step up pace of reforms to promote diversified, sustainable and inclusive growth • Increase priority social spending and support pro-MDG public investments	In Progress Implemented
Fiscal Sector	• Maintain the fiscal anchor consisting of zero central bank financing of the fiscal deficit apart from the use of counterpart funds from the HIPC initiative and MDRI. • Increase domestic revenue mobilization by addressing known shortcomings and raising the contribution of the mining sector to the budget.	Implemented In Progress
Monetary and Financial Sectors	• Maintain a flexible exchange rate to be able to deal with exogenous shocks. • Recapitalize the central bank and bolster its operational independence and accountability. • Ensure swift passage of the central bank law to strengthen the BCC's independence and governance. • Implement FSAP recommendations to promote financial sector stability and development	Not implemented Not implemented Not implemented Partially implemented
Governance and Transparency	• Enhance transparency and good governance in the management of natural resources. • Strengthen oversight of SOEs to avoid revenue losses, including from the sale of assets. • Adopt a mining code and petroleum law aligned with international best practices. • Strengthen the anti-money laundering framework to address the illegal exploitation of natural resources.	Not implemented -- In Progress --
Promote Inclusive Growth	• Increase social spending and investment in labor intensive sectors such as agriculture. • Improve the business environment, including through infrastructure development to promote private sector participation in employment creation.	Partially implemented Partially implemented

Appendix II. Alternative Scenario

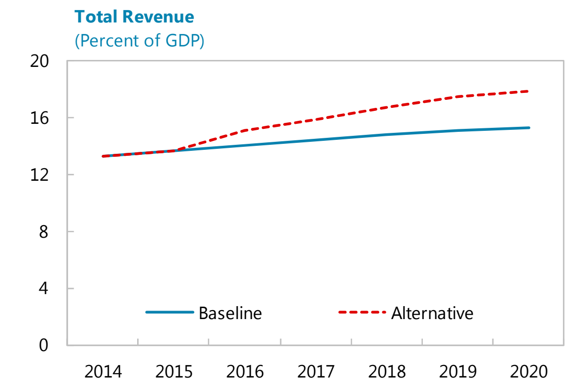
1. **The main assumptions underlying the alternative scenario are that the authorities adopt staff policy advice, implement technical assistance recommendations, and accelerate the stalled structural reforms, particularly the reforms of the central bank (expected to be completed by 2016**). Under this scenario, growth would be higher and relatively more inclusive with relatively stronger contribution from the non-mining sector. Inflation is targeted to average 2.9 percent over the medium term against 2.2 percent in the baseline and the exchange rate to depreciate gradually. The revenue-to-GDP ratio increases from 13.3 percent in 2014 to 17.4 percent by 2019; and the external current account deficit, including grants narrows to single digit by 2019 (7.5 percent of GDP against 10.1 percent of GDP in the baseline). The gradual depreciation of the exchange rate would allow some build up of international reserves, making the economy more resilient to external shocks (Figure 2 and Table 5).

2. **The improvement in the revenue-to-GDP ratio is predicated on a steadfast implementation of recent FAD TA recommendations (broadening the tax base, introducing e-procedures beginning with the VAT at the large taxpayer office, and developing risk-based compliance program for large and medium-sized businesses).** Together with a prioritization of expenditures and improvement in the efficiency of spending, the fiscal space created will allow to cover the cost of financing the elections in the 2016 budget ($889 million) while devoting more resources to key infrastructure projects and priority social spending in health and education.

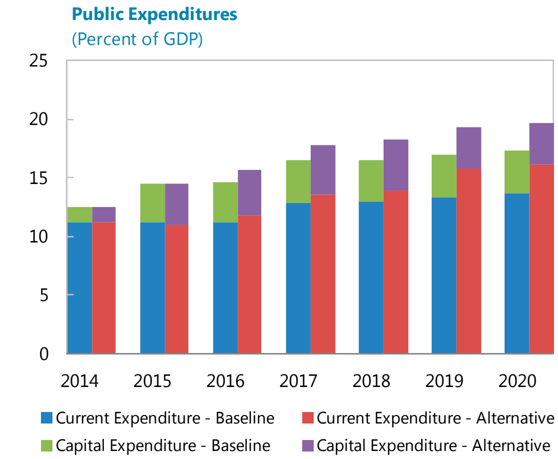
3. **The alternative scenario is subject to a number of specific downside risks, including: (i) inaction by the authorities on the key reforms and on the implementation of the TA recommendations ahead of the elections, and (ii) a higher-than-targeted inflation rate, given the history of hyperinflation.**

Figure II.1. Democratic Republic of the Congo: Baseline and Alternative Scenario

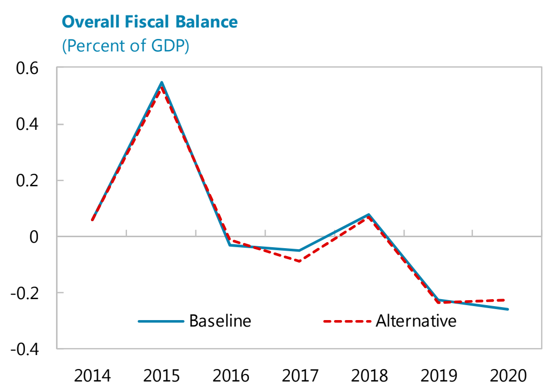
A better revenue performance ...



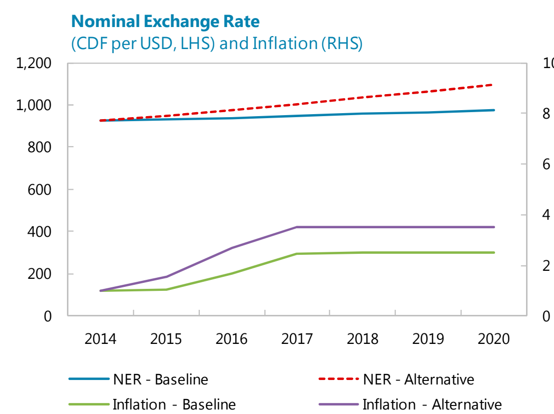
... creates space for more social spending and public investment...



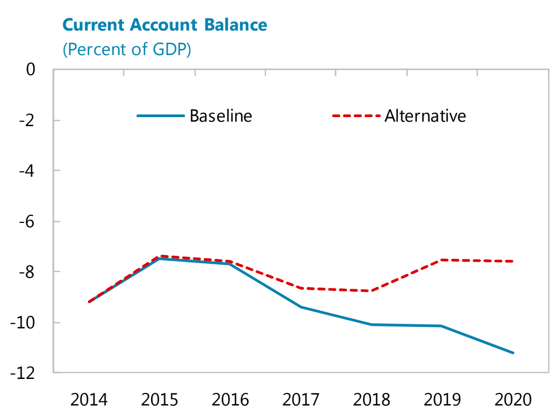
...without deteriorating the fiscal balance.



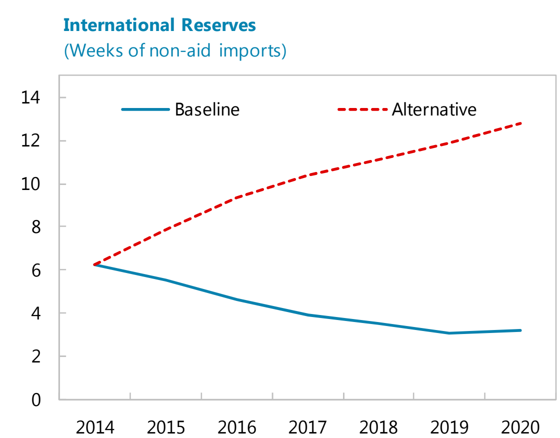
A gradual but moderate exchange rate depreciation and higher inflation...



... lead to an improved current account balance...



... and a build-up of international reserves.



Sources: Congolese authorities and IMF staff estimates.

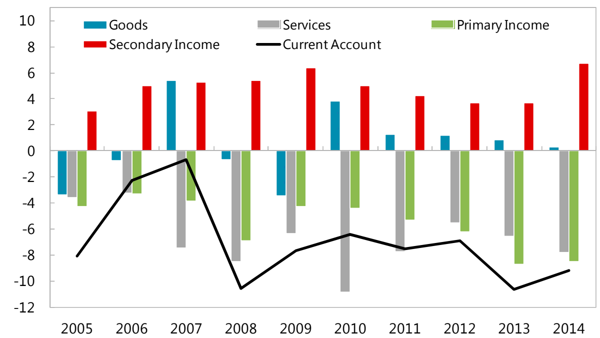
Appendix III. External Sustainability Assessment

1. **Developments in the balance of payments position remain consistent with external stability.** The real effective exchange rate is broadly in line with macroeconomic fundamentals. Nevertheless, the DRC's competitiveness suffers from institutional constraints, lack of basic infrastructure, and a weak business environment. Against this backdrop, international reserves could be strengthened to protect the economy against potential shocks.[1]

2. **Spurred by increasing mineral exports, the current account has been improving in recent years** (Table 1). In 2014 the current account deficit reached 9.2 percent of GDP and is projected at 7.6 percent of the GDP in 2015 (baseline scenario). The balance of goods has been continuously positive since 2009, but the DRC remains a net importer of services (see Figure I.1). Moreover, the repatriation of profits by foreign companies operating in the natural resources sector lead to a negative primary income balance.

Figure III.1. Democratic Republic of the Congo: Components of the Current Account, 2005–14

(Percent of GDP)



Sources: Congolese authorities and IMF staff calculations.

3. **The two approaches of the Consultative Group on Exchange Rate (CGER) methodology used to evaluate the REER indicate no major misalignment**. Both the macroeconomic balance and the external stability balance approaches calculate the exchange rate misalignment as a percent change in the real exchange rate that is needed to close the gap between a current account norm and the underlying current account i.e., the current account balance projected over the medium term at prevailing exchange rates, calculated on a set of fundamental variables, including the fiscal balance, population growth, net foreign assets, GDP values, and FDI. In particular,

- **Macroeconomic balance approach**: the current account norm is estimated through the projected values of medium-term fundamentals. This norm is estimated to lie between -5.8 and -8.2 percent of GDP based on coefficients estimated by Vitek (2013).[2] Assuming an elasticity of the trade balance with respect to the real exchange rate of 0.7,[3] the difference between the underlying current account and the current account norm indicates a REER negligible misalignment

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[1] The real effective exchange rate assessment should be interpreted cautiously due to data limitation and the high dollarization of the economy but the REER seems to be broadly in line with the fundamentals.

[2] Francis Vitek, 2013, "Exchange Rate Assessment Tools for Advanced, Emerging and Developing Economies"

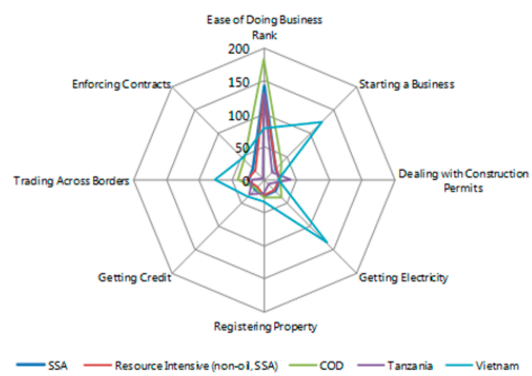
[3] Tokarick, Stephen, 2010, "A Method for Calculating Export Supply and Import Demand Elasticities", IMF Working paper WP/10/180.

between 0.6 and 0 percent. A use of the CGER elasticity of the current account would imply a REER misalignment between 1.4 and 0.1 percent of GDP.

- **External sustainability approach:** the current account norm is defined as the balance that would stabilize net foreign assets (NFA). The exchange rate misalignment is then equal to the adjustment necessary to bring the underlying current account to a level stabilizing the NFA. The current account balance necessary to stabilize the DRC's NFA-to-GDP ratio at its 2020 level is estimated to be -6.8 percent compared with an underlying current account of -7.8 percent, implying an overvaluation of 0.2 percent.

4. **The DRC's competitiveness is impaired by structural bottlenecks and a challenging business climate.** The 2015 Doing Business report ranks DRC 184th (out of 189 countries). Electricity shortages are among the key concerns among the business community. The 2015 Doing Business report ranks DRC 184th (out of 189 countries), worse than most peer countries in the region, stressing the administrative complexities, low access to finance, and inefficient tax policy. In this regard, the lack of progress on credit information and a weak judiciary system limit the capacity of the financial sector to develop and contribute to economic growth. The 2013 Human Development Index of the United Nations Development Program ranked DRC 186th out of 187 countries and territories listed.

Figure III.2. Doing Business, 2014
(Rank in total of 189 countries)



Source: Doing Business, World Bank.

5. **DRC holding of international reserves could become insufficient to cushion the impact of external shocks.** Given the fact that total U.S. dollar deposits in the banking system are currently larger than gross reserves and the volatility of commodity prices, DRC should hold gross reserves equivalent to at least 7.7 months of imports for a cost of holding reserves of 5 percent,[4] against an actual 1.8 months (see Figure III.3 and III.4).[5]

[4] The reserve coverage should represent up to 14.3 months of next year imports for a cost of holding reserves of 2 percent.

[5] The methodology balances the risk-reducing effects of reserves against their carrying costs. It estimates both the likelihood and the scale of a drop in domestic demand in a country and compares the benefits of holding additional reserves (which helps containing demand declines) with the costs of holding additional reserves (revenues foregone by investing in liquid and thus lower yielding foreign assets).

Figure III.3. Democratic Republic of the Congo: Reserve Coverage, 2010–20

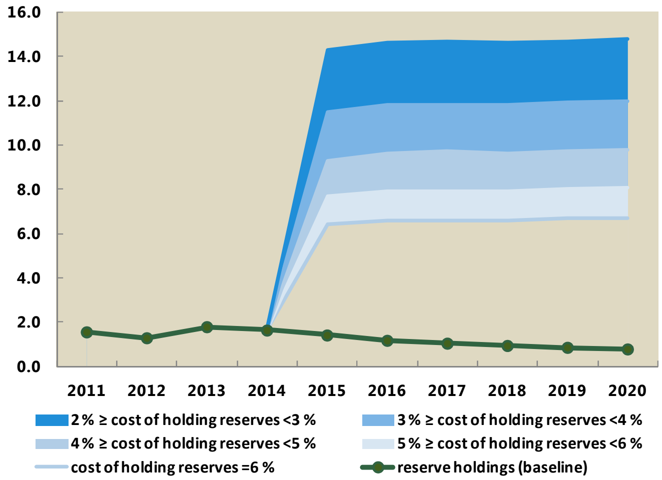
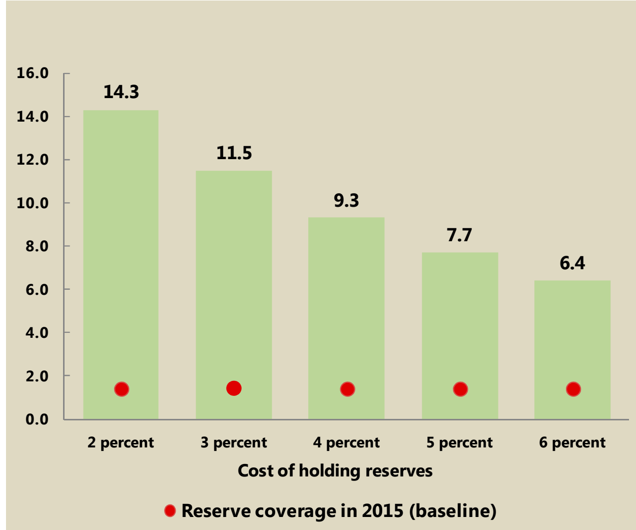


Figure III.4. Democratic Republic of the Congo: Optimal Level of Reserves (2014)

(Months of next year imports)



DEMOCRATIC REPUBLIC OF THE CONGO

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

August 17, 2015

Approved By
Michael Atingi-Ego and Ranil Salgado (IMF) and John Panzer (IDA)

Prepared by the staffs of the International Monetary Fund and the International Development Association.[19]

Stable macroeconomic fundamentals, prudent fiscal policy, and a strong export performance despite falling commodity prices result in the assessment that the Democratic Republic of the Congo's (DRC) risk of debt distress remains "moderate". However, the country is still highly vulnerable to shocks, in particular to its export revenues. Staff recommended that the authorities continue in their cautious approach to borrowing, relying mainly on concessional borrowing, and that the DRC strengthen its debt management capacity.

[19] This DSA was prepared by International Monetary Fund (IMF) staff with input from the World Bank, using the standard debt sustainability framework for low-income countries (LIC-DSA); see "Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries."

BACKGROUND

1. **The DRC's external debt has remained low following the substantial debt relief in 2010**. The DRC reached completion point under the Enhanced Heavily Indebted Poor Countries (HIPC) initiative and benefited from assistance under the Multilateral Debt Relief Initiative (MDRI) in July 2010. As a result, the ratio of public and publicly-guaranteed external debt (PPGE) to GDP was reduced from 75 percent at end-2009 to 22 percent in 2010 and fell further to 13 percent in 2014. Private external debt increased marginally from 2.0 percent of GDP in 2012 to 3.8 percent in 2014.

2. **The low debt stock reflects a prudent fiscal stance pursued since 2010 and favorable exchange rate movements.** . New disbursements to the central government during 2014 were limited to US$115 million. Also, the appreciation of the US dollar against the Euro contributed to a slight reduction in the value of Euro denominated debt. Furthermore, lower disbursements under the Sino-Congolese Mining Agreement (SCCA or Sicomines) due to delays in obtaining financing from Chinese banks also contributed to the low stock of debt. No new funds were disbursed for infrastructure projects under the SCCA in 2014 (see Box 1).

3. **More than half of the public external debt is owed to official creditors**. At end-2014, 60 percent of the debt was owed to multilateral creditors and 4 percent to the bilateral official creditors. The share of the debt owed to commercial creditors increased marginally in 2014 to 36 percent from 33 percent in 2013 (see Text Table II.1).

Text Table 1. Democratic Republic of the Congo: Total External Debt Stock, Central Government, 2010–14

(Millions of U.S.$, unless otherwise indicated)

	2010	2011	2012	2013	2014	2014 (Percent)
	Act.				Est.	
Total	4556	4629	4662	4911	4576	100
Multilateral creditors	2530	2655	2653	2959	2751	60
Bilateral creditors	247	242	242	292	188	4
Commercial creditors[1]	1780	1733	1768	1660	1636	36

[1] Includes publicly guaranteed SCCA debt

Sources: Congolese authorities; and IMF staff estimates.

Box 1. The Sino-Congolese Joint Venture (Sicomines)

In April 2008, the DRC signed a cooperation agreement (SCCA) with a consortium of Chinese enterprises involving a US$3.2 billion mining project and US$6 billion for a set of public infrastructure projects to be implemented in two phases. All projects are to be executed by Sicomines, a new mining company jointly owned by the Congolese state-owned mining conglomerate Gecamines (32 percent) and Chinese partners China Railway Engineering Corporation and Sinohydro. The agreement was amended in October 2009 to exclude the second phase public infrastructure projects, leaving just a single phase totaling US$3 billion to be implemented over the period 2009–14. The amended agreement also limited the government guarantee to the financing of the infrastructure projects. By end-2014, only US$ 478 million in infrastructure loans and US$ 1.3 billion in mining loans had been disbursed.

The current debt sustainability analysis (DSA) is conducted based on the terms laid out in the October 2009 amendment. Infrastructure projects are divided into two categories: priority projects and non-priority projects. Infrastructure and mining projects are financed from loans made by Chinese banks and by Sicomines' Chinese shareholders. Fifteen percent of the earnings from the mining operation are used to pay dividends with the remainder allocated to amortization of the loans (including capitalized interest).[20]
The amendment specifies a seniority rule according to which the priority infrastructure loans are repaid first, the mining loans second, and the non-priority infrastructure loans last.

The government has guaranteed the US$ 3 billion in public infrastructure loans. However, the guarantee on any such infrastructure debt outstanding can be called only after 2034. If it is not called, there is no repayment burden on the budget. Sicomines is expected to begin production in 2015 and to start servicing its debt in 2016. Based on current information, the earnings from the mining project are forecast to completely pay off the infrastructure loans by 2026. However, the repayment schedule is contingent on Sicomines' earnings and on the debt disbursement profile. Under the assumed disbursement profile, repayments will extend beyond 2034 if Sicomines' earnings drop by more than 22 percent each year.

Following the practice of previous years, this DSA includes all debt service payments related to SCCA infrastructure loans in the present value of PPGE debt.

UNDERLYING ASSUMPTIONS

4. **One of the main changes since the 2014 DSA is the sharp drop in international commodity prices**. Due to the DRC's heavy reliance on extractive industries, its exports and fiscal revenues are highly exposed to movements in the prices of minerals, in particular copper. The fall in copper prices in 2014 and the lower outlook for commodity prices in the medium term directly affect the projected trajectory of the debt-to-exports ratio. In the short term, however, the price shock is offset by an upward revision of projected export volumes as Sicomines starts its operations earlier than expected (see Text Table II.2).

[20] Sicomines is exempt from any taxes and customs duties until its debt has been repaid.

Text Table 2. Comparative Debt Ratios, 2013–18

	2013	2014	2015	2016	2017	2018
	Est.		Proj.			
PPGE debt to GDP ratio						
old DSA	17.9	19.3	20.7	21.4	23.3	24.8
new DSA	15.0	12.7	14.3	14.7	16.7	19.0
PPGE debt to exports ratio						
old DSA	49.2	49.2	51.5	52.0	55.1	59.3
new DSA	46.5	37.2	43.5	43.2	50.5	56.1
PPGE debt to revenue ratio						
old DSA	137.9	138.3	147.4	145.6	156.8	166.3
new DSA	116.6	95.6	104.3	104.4	115.7	128.0

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

5. **As in the 2014 DSA, strong growth over the medium term is supported by large investments in mining and public infrastructure projects**. The recent decline in commodity prices has not had a significant effect on mining investment and output so far, as prices are still far above the break-even point. As a result, foreign direct investment (FDI) will likely continue to be the most important source of external financing. The strong growth in mining production should also lead to improved fiscal revenues starting in 2015, as the tax holiday for several large mining projects expired at end-2014.

Text Table 3. Democratic Republic of the Congo: Selected Indicators, 2013–18

	2013	2014	2015	2016	2017	2018
	Est.		Proj.			
Real GDP growth						
old DSA	8.5	8.7	8.5	7.9	7.3	6.4
new DSA	8.5	9.2	9.2	8.5	8.3	7.5
Revenues (excluding grants) growth						
old DSA	-4.8	16.1	10.0	14.5	9.6	9.1
new DSA	6.4	13.6	14.3	12.3	12.9	12.0
Overall fiscal deficit (percent of GDP)						
old DSA	1.7	2.2	1.7	1.6	3.0	3.6
new DSA	-1.8	-0.2	-0.8	-0.2	-0.2	-0.3
Exports of goods and services growth						
old DSA	16.6	16.5	12.1	11.9	11.5	7.5
new DSA	7.5	16.6	6.5	13.2	12.9	11.6
Imports of goods and services growth						
old DSA	16.1	4.7	5.8	9.7	9.6	9.6
new DSA	12.7	20.8	-0.7	6.6	12.9	11.5
Current account deficit (percent of GDP)						
old DSA	10.1	9.3	8.8	7.8	7.4	7.1
new DSA	10.6	9.2	7.4	7.6	9.4	10.1

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

Box 2. Macroeconomic Assumptions for 2015–35

For the medium term (2015–20), projections are consistent with the macroeconomic framework of the 2015 Article IV Consultation.

Long-term (2021–35) projections assume macroeconomic stability, moderate growth, and a more rapid development of the domestic economy, as bottlenecks to private sector activity become less stringent.[21] As a consequence, the share of mining activities in GDP is projected to become less important, so that exports, FDI, and mining revenue outflows gradually decline as a share of GDP.

Real GDP growth is expected to remain strong at 9.2 percent in 2015, gradually declining to 5.4 percent in 2020 and reaching an average rate of 3.8 percent for the period 2021–35.

Average Inflation (measured by the GDP deflator in dollars) is 0.7 percent in 2014 and is expected to remain at around 1 percent in the medium-long run.

The primary fiscal balance displayed a surplus of 0.4 percent of GDP in 2014 and is expected to remain positive in the medium term. The long-run average primary surplus is 0.3 percent.

The non-interest current account deficit is projected to remain high in the medium term, at an average of about 9 percent of GDP, reflecting the equipment imports and dividend outflows of the mining sector. In the long term it should narrow to 3.3 percent of GDP by 2035, reflecting the declining share of the mineral sector in the economy.

Financing: Although FDI is expected to decrease in percent of GDP from 5.4 percent in the medium term to 4.7 percent on average in the long run, it should remain the main financing source of the current account deficit. Aid flows represented 4.6 percent of GDP in 2014. For the long term, this ratio would decline to an average of around 2 percent.

EXTERNAL DEBT SUSTAINABILITY RESULTS

6. **Because repayments of the loans start earlier than expected due to Sicomines starting operations in 2015 instead of 2016, the present value of debt was revised upward for the short to medium term.** The delays in disbursements of the infrastructure loans under the SCCA did not lead to a reduction in the PV of debt, as the contracted debt amounts remain unchanged. To the contrary, the earnings of the mining operation will be used to repay the priority infrastructure loans from 2016 on, two years ahead of the estimate underlying the 2014

[21] By 2014, the relative contribution of the services sector to real GDP growth was already substantial, and it is expected to further increase in the long term.

DSA. Given the concessionality of the infrastructure loans, an earlier repayment raises the present value of debt in the short term, with a steeper decline thereafter.

7. **The most extreme shock[22] leads to a breach of the debt-to-exports ratio, while all other external debt indicators remain below their respective thresholds in all scenarios**. With the shock to exports, the PV of debt-to-export ratio would increase significantly from 55 percent in 2015 to 111 percent in 2017 and remain well above the threshold of 100 percent through 2024. Under a one-time depreciation shock, the debt service-to-revenue ratio experiences a near breach of the corresponding threshold. (see Figures 1 and 3, Tables 1 and 2).

8. **Overall, compared with the 2014 DSA, the current results suggest that the DRC's risk of debt distress remains moderate.** In the baseline scenario all indicators remain far below their respective critical thresholds. This result reflects the authorities' prudent fiscal stance and comes despite a downward revision of commodity prices since the 2014 DSA. On the other hand, the analysis reveals that a further drop in export prices may put debt ratios above their respective thresholds. The overall risk assessment is validated by the probabilistic approach.[23] A caveat applies, as the DSA methodology cannot fully capture the modalities of the SCCA with its variable repayment. The prospect of early amortization raises the debt indicators in the short and medium term, even though it significantly reduces the government's exposure. However, this risk reducing factor is outweighed by the fact that the Public Debt Management Agency (DGDP) does not monitor disbursements under the SCCA. Moreover, a further shock to copper prices would inevitably slow down the amortization, thereby raising the government's exposure.

PUBLIC DSA RESULTS

9. **The DRC's (estimated) domestic debt primarily consists of domestic arrears, most of which were incurred prior to 2007**. These include arrears owed to domestic creditors, "social debts" (e.g., wages owed to past government employees), arrears owed to state-owned enterprises (SOEs), arrears owed to suppliers and contractors, and unpaid monetary awards stemming from judicial decisions. No new arrears were reported since the 2014 DSA. However, the DGDP's estimate for arrears is based on an audit conducted with the assistance of two audit firms, but with a two-year lag in reporting. Not all the arrears identified in the initial audit have been certified and many claims on the government may be at least partly offset by liabilities owed to the government. Information on interest rates is missing. Based on the audit, the potential domestic government debt outstanding at the end of 2014 remained at US$1.4 billion (3.9 percent of GDP). The baseline includes the expected clearance of all arrears by 2028.

[22] When looking at the debt-to-export ratio, the most extreme shock is calibrated as an export shock in 2016–17 equal to the historical average of export growth minus one standard deviation.

[23] The analysis of debt indicators alone places the DRC at the borderline between low and moderate risk, so that the complementary analysis of distress probabilities (Figure 3) is required.

10. **Public debt remains sustainable even under the most extreme shock scenario**. The most extreme shock is a one-time real depreciation by 30 percent in 2016. This implies a rise of the PV of the debt to GDP ratio from 18.5 percent to a maximum of 25 percent in 2016, below the benchmark for public debt ratios of 38 percent. The shock has also a significant impact on the PV of the debt-to-revenue ratio, which rises from 123 percent of GDP in 2015 to 150 percent in 2016 and a gradual decline thereafter. All other scenarios closely follow the baseline in its gradual decline of debt ratios (see Figure 2).

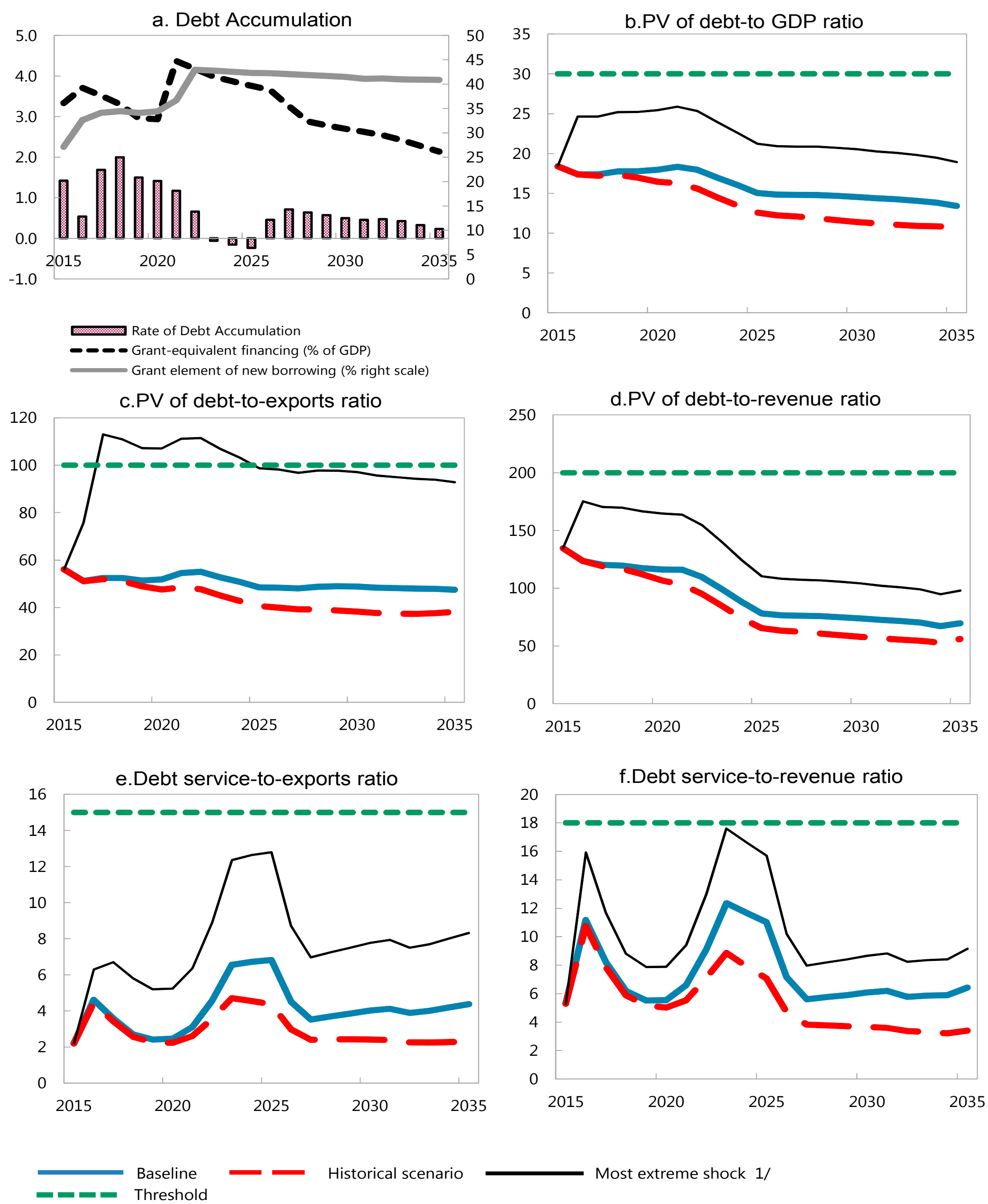
AUTHORITIES' VIEWS

11. **The authorities concurred with the overall assessment of DRC's debt sustainability.** They reiterated their commitment to a cautious fiscal policy stance and to seeking a high degree of concessionality for new borrowing.

CONCLUSION

12. **The DRC's debt sustainability rating remains at "moderate" risk of debt distress**. This is mainly on account of sound macroeconomic fundamentals. A significant portion of the public debt stock and repayment profile in the DRC is attributable to the publicly-guaranteed infrastructure loans under the Sicomines agreement. Regular updates on projected disbursements and debt service are thus crucial to provide a valid assessment of the DRC's debt sustainability. Under the current framework, the country is still vulnerable to shocks to commodity prices that would reduce growth and drive the PV of debt-to-export ratio above its threshold. Moreover, a sufficiently large price shock could undermine the economics of the Sicomines mining project, in particular its ability to generate the earnings necessary to pay off the infrastructure loans, thus transferring the repayment burden for much or all of those loans to the central government. It is urgent that the DRC continues to improve its compilation of debt data, including Sicomines data, and strengthen its debt management capacity. Meanwhile, given the uncertainties, the DRC should continue its cautious approach to external borrowing.

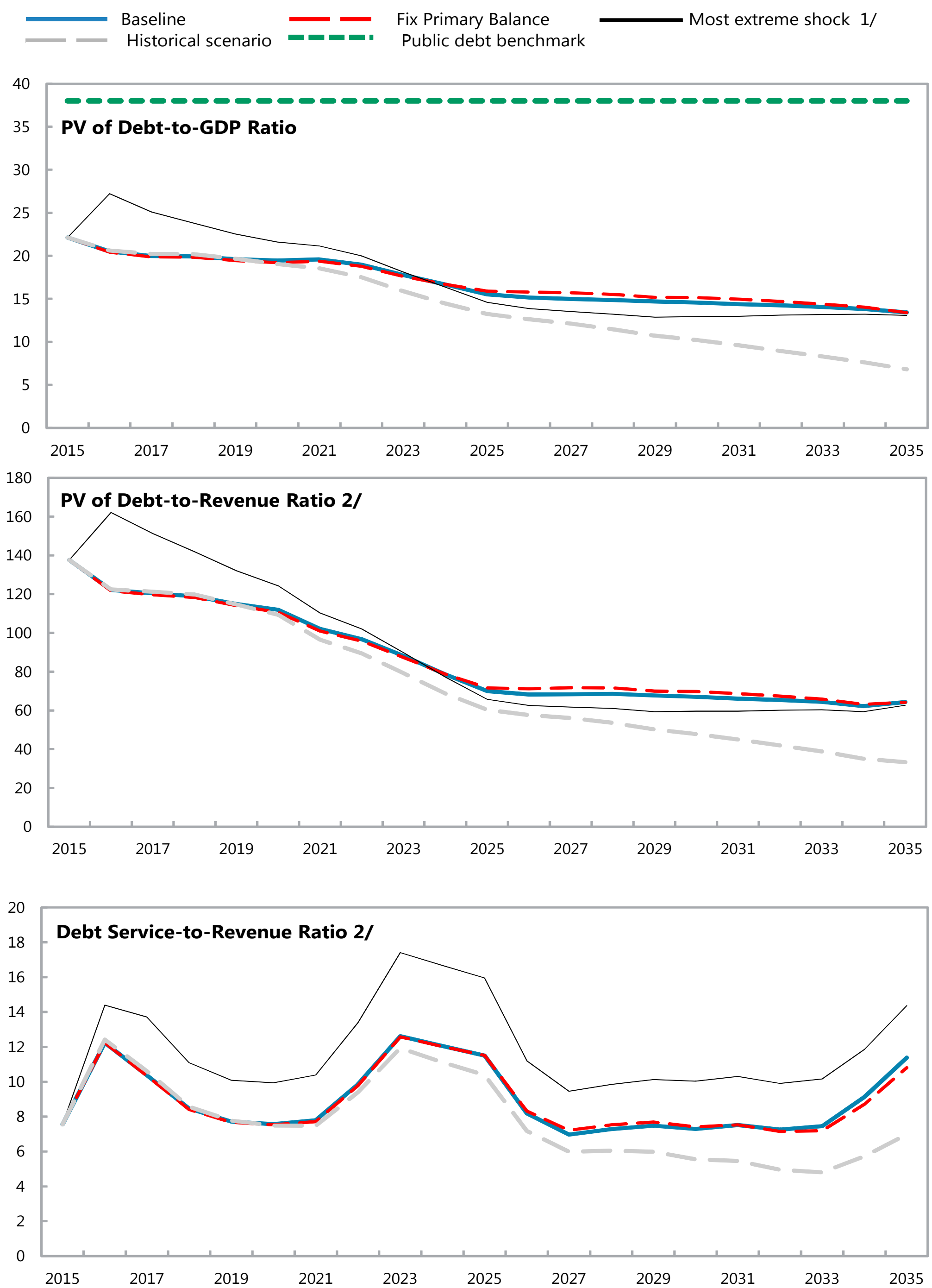
Figure 1. Democratic Republic of the Congo: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2015–35



Sources: Country authorities; and staff estimates and projections.

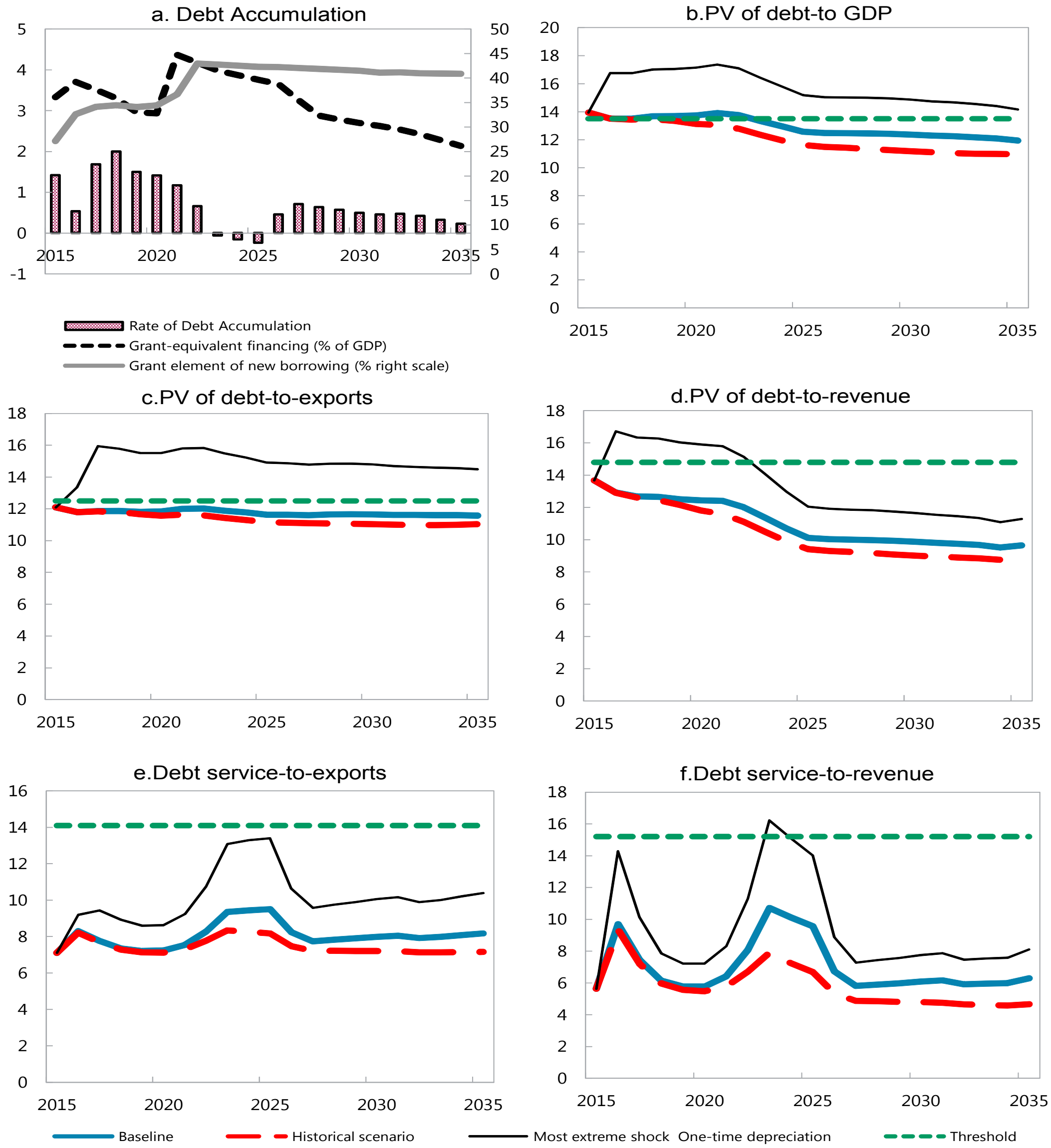
1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 2. Democratic Republic of the Congo: Indicators of Public Debt Under Alternative Scenarios, 2015–35[1]



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2025.
2/ Revenues are defined inclusive of grants.

Figure 3. Congo, DR: Probability of Debt Distress of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2015–35 [1]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Table 1. Democratic Republic of the Congo: External Debt Sustainability Framework, Baseline Scenario, 2012–35[1]

(Percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2012	2013	2014			2015	2016	2017	2018	2019	2020	2015-2020 Average	2025	2035	2021-2035 Average
External debt (nominal) 1/	**20.3**	**17.5**	**16.6**			**19.7**	**21.0**	**23.3**	**24.8**	**24.3**	**23.9**		**20.3**	**19.0**	
of which: public and publicly guaranteed (PPG)	18.3	15.1	12.7			14.3	14.8	16.8	19.1	20.4	21.6		20.3	19.0	
Change in external debt	-1.6	-2.8	-0.9			3.1	1.4	2.3	1.5	-0.5	-0.3		-0.8	-0.5	
Identified net debt-creating flows	0.3	2.3	2.8			1.4	1.5	2.7	2.8	2.5	3.2		1.1	-0.6	
Non-interest current account deficit	**6.8**	**10.6**	**9.1**	**5.5**	**4.0**	**7.2**	**7.3**	**8.8**	**9.4**	**9.5**	**10.6**		**6.6**	**3.2**	5.9
Deficit in balance of goods and services	4.3	5.7	7.5			4.4	2.4	4.3	4.3	4.1	5.2		3.3	-0.5	
Exports	35.6	32.3	34.3			32.8	34.0	33.1	33.9	34.7	34.6		31.1	28.3	
Imports	40.0	38.0	41.8			37.2	36.4	37.4	38.2	38.8	39.8		34.3	27.8	
Net current transfers (negative = inflow)	-2.8	-3.3	-4.6	-4.0	1.0	-3.9	-1.8	-1.7	-1.5	-1.5	-1.5		-2.7	-1.6	-2.3
of which: official	-2.8	-3.3	-4.6			-3.9	-1.8	-1.7	-1.5	-1.5	-1.5		-2.7	-1.6	
Other current account flows (negative = net inflow)	5.3	8.2	6.2			6.6	6.8	6.3	6.6	6.9	6.9		6.1	5.3	
Net FDI (negative = inflow)	**-4.2**	**-5.2**	**-4.8**	**-5.7**	**1.1**	**-4.7**	**-4.6**	**-5.0**	**-5.7**	**-6.0**	**-6.7**		**-5.1**	**-3.4**	-4.7
Endogenous debt dynamics 2/	**-2.3**	**-3.1**	**-1.5**			**-1.2**	**-1.3**	**-1.0**	**-1.0**	**-1.0**	**-0.7**		**-0.4**	**-0.4**	
Contribution from nominal interest rate	0.1	0.1	0.1			0.2	0.3	0.6	0.6	0.6	0.5		0.4	0.3	
Contribution from real GDP growth	-1.4	-1.5	-1.5			-1.4	-1.5	-1.6	-1.6	-1.5	-1.2		-0.8	-0.7	
Contribution from price and exchange rate changes	-1.0	-1.7	-0.1			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-1.9**	**-5.1**	**-3.7**			**1.7**	**-0.1**	**-0.5**	**-1.3**	**-3.0**	**-3.6**		**-1.9**	**0.1**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	22.8			23.8	23.6	23.9	23.4	21.7	20.3		15.1	13.4	
In percent of exports	...	...	66.6			72.5	69.6	72.0	69.2	62.5	58.6		48.5	47.5	
PV of PPG external debt	**...**	**...**	**19.0**			**18.4**	**17.4**	**17.4**	**17.8**	**17.8**	**17.9**		**15.1**	**13.4**	
In percent of exports	**...**	**...**	**55.4**			**56.1**	**51.1**	**52.4**	**52.4**	**51.3**	**51.9**		**48.5**	**47.5**	
In percent of government revenues	**...**	**...**	**142.7**			**134.6**	**123.6**	**120.1**	**119.6**	**117.5**	**116.2**		**78.2**	**69.6**	
Debt service-to-exports ratio (in percent)	**1.8**	**1.8**	**1.5**			**2.5**	**4.8**	**5.4**	**5.6**	**7.2**	**6.9**		**7.0**	**4.6**	
PPG debt service-to-exports ratio (in percent)	**1.8**	**1.8**	**1.5**			**2.2**	**4.6**	**3.6**	**2.7**	**2.4**	**2.5**		**6.8**	**4.4**	
PPG debt service-to-revenue ratio (in percent)	**4.6**	**4.6**	**4.0**			**5.3**	**11.2**	**8.2**	**6.2**	**5.5**	**5.5**		**11.0**	**6.4**	
Total gross financing need (Billions of U.S. dollars)	0.9	2.0	1.7			1.3	1.9	2.7	3.0	3.4	3.8		2.9	1.3	
Non-interest current account deficit that stabilizes debt ratio	8.4	13.3	10.0			4.1	6.0	6.5	8.0	10.0	11.0		7.5	3.8	
Key macroeconomic assumptions															
Real GDP growth (in percent)	7.1	8.5	9.2	6.6	1.7	9.2	8.5	8.3	7.5	6.7	5.4	7.6	4.1	3.6	3.8
GDP deflator in US dollar terms (change in percent)	4.7	9.3	0.7	6.5	6.0	2.0	0.6	1.3	1.5	1.5	1.6	1.4	0.9	1.0	0.9
Effective interest rate (percent) 5/	0.5	0.5	0.3	2.1	1.8	1.2	1.6	3.0	3.0	2.5	2.4	2.3	1.9	1.4	1.8
Growth of exports of G&S (US dollar terms, in percent)	-9.5	7.5	16.6	25.7	42.5	6.5	13.2	7.0	11.6	10.8	6.8	9.3	3.3	2.6	3.3
Growth of imports of G&S (US dollar terms, in percent)	-11.4	12.7	20.8	24.7	32.9	-0.7	6.6	12.9	11.5	9.9	9.8	8.3	2.6	0.4	2.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	27.1	32.6	34.1	34.5	34.1	34.4	32.8	42.3	40.9	41.4
Government revenues (excluding grants, in percent of GDP)	14.4	12.9	13.3			13.7	14.1	14.5	14.8	15.1	15.4		19.3	19.3	18.9
Aid flows (in Billions of US dollars) 7/	0.7	0.5	0.1			1.7	2.1	2.6	2.7	2.4	2.6		3.7	3.4	
of which: Grants	0.8	0.8	0.5			1.0	1.2	1.0	1.0	1.1	1.2		2.3	1.9	
of which: Concessional loans	-0.1	-0.3	-0.4			0.8	0.9	1.5	1.7	1.3	1.4		1.5	1.5	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.3	3.7	3.5	3.3	3.0	2.9		3.8	2.1	3.2
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			57.1	64.7	56.9	55.7	59.4	60.4		76.8	72.7	74.4
Memorandum items:															
Nominal GDP (Billions of US dollars)	27.6	32.7	35.9			40.0	43.7	47.9	52.3	56.6	60.6		78.0	120.9	
Nominal dollar GDP growth	12.2	18.5	9.9			11.3	9.2	9.8	9.1	8.3	7.1	9.1	5.0	4.6	4.7
PV of PPG external debt (in Billions of US dollars)			6.8			7.3	7.6	8.3	9.2	10.0	10.8		11.6	16.1	
(PVt-PVt-1)/GDPt-1 (in percent)						1.4	0.5	1.7	2.0	1.5	1.4	1.4	-0.2	0.2	0.4
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	19.0			18.4	17.4	17.4	17.8	17.8	17.9		15.1	13.4	
PV of PPG external debt (in percent of exports + remittances)	...	...	55.4			56.1	51.1	52.4	52.4	51.3	51.9		48.5	47.5	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	1.5			2.2	4.6	3.6	2.7	2.4	2.5		6.8	4.4	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

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

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

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

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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

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

Table 2. Democratic Republic of the Congo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External 2015–35

	Projections							
	2015	2016	2017	2018	2019	2020	**2025**	2035
PV of debt-to GDP ratio								
Baseline	18	17	17	18	18	18	**15**	13
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	18	17	17	17	17	16	**13**	11
A2. New public sector loans on less favorable terms in 2015-2035 2	18	18	18	18	18	19	**18**	20
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	18	18	18	19	19	19	**16**	14
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	18	19	21	21	21	21	**17**	15
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	18	17	17	18	18	18	**15**	13
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	18	17	17	17	17	18	**15**	13
B5. Combination of B1-B4 using one-half standard deviation shocks	18	17	18	18	18	18	**15**	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	18	25	25	25	25	25	**21**	19
PV of debt-to-exports ratio								
Baseline	56	51	52	52	51	52	**48**	47
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	56	51	52	51	49	48	**41**	38
A2. New public sector loans on less favorable terms in 2015-2035 2	56	52	54	54	53	54	**57**	70
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	56	51	52	52	51	52	**48**	47
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	56	76	113	111	107	107	**99**	93
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	56	51	52	52	51	52	**48**	47
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	56	50	51	51	50	51	**47**	47
B5. Combination of B1-B4 using one-half standard deviation shocks	56	55	59	59	58	58	**54**	53
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	56	51	52	52	51	52	**48**	47
PV of debt-to-revenue ratio								
Baseline	135	124	120	120	117	116	**78**	70
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	135	123	119	117	112	107	**65**	56
A2. New public sector loans on less favorable terms in 2015-2035 2	135	125	123	123	122	121	**91**	103
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	135	127	128	127	125	124	**83**	74
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	135	135	148	144	140	137	**91**	78
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	135	123	121	120	118	117	**78**	69
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	135	122	117	117	115	114	**76**	68
B5. Combination of B1-B4 using one-half standard deviation shocks	135	123	122	122	119	118	**79**	70
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	135	175	170	170	167	165	**110**	98

Table 2. Democratic Republic of the Congo: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–35 (concluded)

(Percent)

Debt service-to-exports ratio								
Baseline	2	5	4	3	2	2	**7**	4
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	2	4	3	3	2	2	**4**	2
A2. New public sector loans on less favorable terms in 2015-2035 2	2	5	4	3	3	3	**7**	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	2	5	4	3	2	2	**7**	4
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	2	6	7	6	5	5	**13**	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	2	5	4	3	2	2	**7**	4
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	2	5	4	3	2	2	**7**	4
B5. Combination of B1-B4 using one-half standard deviation shocks	2	5	4	3	3	3	**8**	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	2	5	4	3	2	2	**7**	4
Debt service-to-revenue ratio								
Baseline	5	11	8	6	6	6	**11**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2015-2035 1/	5	11	8	6	5	5	**7**	3
A2. New public sector loans on less favorable terms in 2015-2035 2	5	11	8	7	7	7	**11**	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2016-2017	5	12	9	7	6	6	**12**	7
B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/	5	11	9	8	7	7	**12**	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017	5	11	8	6	6	6	**11**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/	5	11	8	6	5	5	**11**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	5	11	8	6	6	6	**11**	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/	5	16	12	9	8	8	**16**	9
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	82	82	82	82	82	82	**82**	82

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly a an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 3. Democratic Republic of the Congo: Public Sector Debt Sustainability Framework, Baseline Scenario, 2012–35

(Percent of GDP, unless otherwise indicated)

	Actual					Estimate					Projections				
	2012	2013	2014	Average 5/	Standard Deviation 5/	2015	2016	2017	2018	2019	2020	2015-20 Average	2025	2035	2021-35 Average
Public sector debt 1/	23.6	19.4	16.9			18.0	17.9	19.4	21.3	22.2	23.1		20.8	19.0	
of which: foreign-currency denominated	18.3	15.1	12.7			14.3	14.8	16.8	19.1	20.4	21.6		20.3	19.0	
Change in public sector debt	-3.2	-4.2	-2.6			1.2	-0.1	1.5	1.8	0.9	0.9		-1.0	-0.5	
Identified debt-creating flows	-5.4	-6.0	-2.1			-3.7	-2.9	-2.9	-2.8	-2.5	-2.2		-4.3	2.1	
Primary deficit	-1.9	-1.9	-0.2	-2.2	1.6	-1.1	-0.7	-1.0	-1.2	-0.8	-0.7	-0.9	-3.1	2.8	-0.3
Revenue and grants	17.2	15.3	14.6			16.1	16.8	16.6	16.8	17.1	17.4	16.8	22.2	20.9	21.3
of which: grants	2.9	2.4	1.3			2.4	2.7	2.1	1.9	1.9	1.9		2.9	1.6	
Primary (noninterest) expenditure	15.3	13.4	14.4			14.9	16.1	15.6	15.6	16.3	16.7		19.1	23.7	
Automatic debt dynamics	-2.7	-3.4	-1.8			-1.4	-1.1	-0.8	-0.8	-0.8	-0.7		-0.4	-0.7	
Contribution from interest rate/growth differential	-2.8	-3.6	-1.7			-1.4	-1.1	-0.8	-0.8	-0.8	-0.7		-0.4	-0.7	
of which: contribution from average real interest rate	-1.0	-1.8	-0.1			0.0	0.3	0.6	0.6	0.5	0.4		0.4	0.0	
of which: contribution from real GDP growth	-1.8	-1.8	-1.6			-1.4	-1.4	-1.4	-1.4	-1.3	-1.1		-0.9	-0.7	
Contribution from real exchange rate depreciation	0.1	0.2	-0.1			0.0	0.0	0.0	0.0	0.0	0.0		...	...	
Other identified debt-creating flows	-0.8	-0.6	-0.1			-1.2	-1.1	-1.1	-0.9	-0.9	-0.9		-0.7	-0.1	
Privatization receipts (negative)	-0.8	-0.6	-0.1			-1.2	-1.1	-1.1	-0.9	-0.9	-0.9		-0.7	-0.1	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	2.2	1.8	-0.4			4.9	2.8	4.4	4.6	3.4	3.2		3.3	-2.6	
Other Sustainability Indicators															
PV of public sector debt	...	...	23.1			22.1	20.5	20.0	19.9	19.6	19.4		15.5	13.4	
of which: foreign-currency denominated	...	...	19.0			18.4	17.4	17.4	17.8	17.8	17.9		15.1	13.4	
of which: external	...	...	19.0			18.4	17.4	17.4	17.8	17.8	17.9		15.1	13.4	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	-1.0	-1.1	0.4			0.1	1.4	0.7	0.3	0.5	0.6		-0.6	5.2	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	158.5			137.6	122.2	120.4	118.9	114.9	112.0		69.9	64.3	
PV of public sector debt-to-revenue ratio (in percent)	...	...	173.6			161.7	145.9	138.2	134.3	129.4	125.9		80.5	69.6	
of which: external 3/	...	...	142.7			134.6	123.6	120.1	119.6	117.5	116.2		78.2	69.6	
Debt service-to-revenue and grants ratio (in percent) 4/	5.4	5.2	4.3			7.6	12.2	10.4	8.5	7.7	7.6		11.5	11.4	
Debt service-to-revenue ratio (in percent) 4/	6.5	6.2	4.7			8.9	14.6	11.9	9.6	8.7	8.5		13.2	12.3	
Primary deficit that stabilizes the debt-to-GDP ratio	1.3	2.3	2.4			-2.3	-0.5	-2.5	-3.0	-1.7	-1.6		-2.1	3.4	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	7.1	8.5	9.2	6.6	1.7	9.2	8.5	8.3	7.5	6.7	5.4	7.6	4.1	3.6	3.8
Average nominal interest rate on forex debt (in percent)	0.6	0.5	0.4	2.1	1.7	1.8	2.3	4.4	4.2	3.3	2.8	3.1	1.8	1.1	1.6
Average nominal interest rate on domestic debt (in percent)	...	...	...	...	...	3.2	4.4	8.5	9.9	11.9	14.3	8.7	49.0	...	123.1
Average real interest rate (in percent)	-4.1	-8.1	-0.5	-5.6	5.0	0.1	1.9	3.5	3.3	2.4	2.1	2.2	2.1	0.1	1.6
Average real interest rate on foreign-currency debt (in percent)	-4.5	-8.4	-0.6	-5.7	5.6	-1.9	-0.6	-1.3	-1.4	-1.5	-1.5	-1.3	-0.8	-0.9	-0.8
Average real interest rate on domestic debt (in percent)	...	...	...	...	...	1.1	3.0	6.0	7.3	9.1	11.4	6.3	44.8	...	116.8
Real exchange rate depreciation (in percent, + indicates depreciation)	0.5	1.1	-0.7	-0.5	11.3	0.3	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	4.7	9.3	1.3	16.1	10.3	2.2	1.4	2.3	2.5	2.6	2.6	2.3	2.9	3.0	2.9
Growth of real primary spending (deflated by GDP deflator, in percent)	5.3	-5.5	17.6	1.9	6.1	13.5	17.2	4.8	7.5	11.3	7.9	10.4	3.5	1.8	6.2
Grant element of new external borrowing (in percent)	...	...	...	...	...	27.1	32.6	34.1	34.5	34.1	34.4	32.8	42.3	40.9	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 4. Democratic Republic of the Congo: Sensitivity Analysis for Key Indicators of Public Debt 2015–35

	Projections							
	2015	2016	2017	2018	2019	2020	2025	2035
PV of Debt-to-GDP Ratio								
Baseline	22	21	20	20	20	19	16	13
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	22	21	20	20	20	19	13	7
A2. Primary balance is unchanged from 2015	22	20	20	20	19	19	16	13
A3. Permanently lower GDP growth 1/	22	21	20	20	20	20	17	19
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017	22	21	22	22	22	22	18	20
B2. Primary balance is at historical average minus one standard deviations in 2016-2017	22	21	20	20	20	19	16	16
B3. Combination of B1-B2 using one half standard deviation shocks	22	21	21	21	21	21	17	19
B4. One-time 30 percent real depreciation in 2016	22	27	25	24	23	22	15	13
B5. 10 percent of GDP increase in other debt-creating flows in 2016	22	22	22	21	21	21	17	16
PV of Debt-to-Revenue Ratio 2/								
Baseline	138	122	120	119	115	112	70	64
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	138	122	121	120	115	109	60	33
A2. Primary balance is unchanged from 2015	138	122	120	118	114	111	72	64
A3. Permanently lower GDP growth 1/	138	123	121	120	117	114	74	90
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017	138	126	129	129	125	123	81	95
B2. Primary balance is at historical average minus one standard deviations in 2016-2017	138	122	121	119	115	112	70	75
B3. Combination of B1-B2 using one half standard deviation shocks	138	124	125	124	121	119	77	89
B4. One-time 30 percent real depreciation in 2016	138	162	151	142	132	124	66	63
B5. 10 percent of GDP increase in other debt-creating flows in 2016	138	133	131	128	123	119	75	78
Debt Service-to-Revenue Ratio 2/								
Baseline	8	12	10	8	8	8	12	11
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	8	12	11	9	8	7	10	7
A2. Primary balance is unchanged from 2015	8	12	10	8	8	8	12	11
A3. Permanently lower GDP growth 1/	8	12	10	9	8	8	12	13
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017	8	13	11	9	8	8	13	13
B2. Primary balance is at historical average minus one standard deviations in 2016-2017	8	12	10	8	8	8	12	11
B3. Combination of B1-B2 using one half standard deviation shocks	8	13	11	9	8	8	12	13
B4. One-time 30 percent real depreciation in 2016	8	14	14	11	10	10	16	14
B5. 10 percent of GDP increase in other debt-creating flows in 2016	8	12	11	9	8	8	12	12

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF THE CONGO

August 17, 2015

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

The African Department
(In collaboration with other departments)

CONTENTS

RELATIONS WITH THE IMF

As of June 30, 2015

Membership Status: Joined September 28, 1963; Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	533.00	100.00
Fund holdings of currency	533.00	100.00
SDR Department:	**SDR Million**	**Percent of Quota**
Net cumulative allocation	510.86	100.0
Holdings	345.47	67.63
Outstanding Purchases and Loans:	**SDR Million**	**Percent of Quota**
ESF RAC loan	106.60	20.00
ECF Arrangement	195.69	36.72

Latest Financial Arrangements:

Type	**Approval Date**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ECF[24, 25]	Dec 11, 2009	Dec 10, 2012	346.45	197.97
ECF[1]	June 12, 2002	Mar 31, 2006	580.00	553.47
Stand-By	June 09, 1989	June 08, 1990	116.40	75.00

Projected Payments to Fund:[26]

(SDR million; based on existing use of resources and present holdings of SDRs):

[24] Formerly Poverty Reduction and Growth Facility (PRGF).

[25] Three reviews were concluded (of which two were associated with non-complying purchases on account of misreporting on external arrears for which the Fund granted waivers) and the last three reviews were not concluded because of governance concerns in the management of natural resources.

[26] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

	Forthcoming				
	2015	2016	2017	2018	2019
Principal	20.94	56.35	66.24	66.24	52.92
Charges/interest	0.04	0.09	0.22	0.16	0.25
Total	20.99	56.44	66.47	66.40	53.17

Implementation of HIPC Initiative:

I.	Commitment of HIPC assistance	Enhanced Framework
	Decision point date	July 2003
	Assistance committed by all creditors (US$ millions)[27]	7,252.00
	Of which: IMF assistance (US$ millions)	391.60
	(SDR equivalent millions)	280.30
	Completion point date	July 2010
II.	Disbursement of IMF assistance (SDR millions)	
	Assistance disbursed to the member	280.30
	Interim assistance	49.05
	Completion point balance	231.25
	Additional disbursement of interest income[28]	50.44
	Total disbursements	330.74

Implementation of MDRI Assistance:

I.	MDRI-eligible debt (SDR Million)[29]	248.08
	Financed by: MDRI Trust	0.00
	Remaining HIPC resources	248.08
II.	Debt Relief by Facility (SDR Million)	

[27] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two numbers cannot be added.

[28] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

[29] The MDRI provides 100 percent debt relief to eligible countries that qualified for the assistance. Grant assistance from MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

	Eligible Debt		
Delivery Date	GRA	PRGT	Total
July 2010	N/A	248.08	248.08

Exchange Rate Arrangement:

The currency of the Democratic Republic of the Congo (DRC) is the Congo franc (CDF). The de jure exchange rate arrangement is floating, although the Fund classifies the de facto exchange rate arrangement as "stabilized." At end-July 2015, the rate was US$1=CF 924.89. Effective February 10, 2003, the DRC accepted the obligations of Article VIII, Sections 2 (a) 3, and 4, of the Fund's Articles of Agreement; however, the DRC maintains measures that give rise to one exchange rate restriction and one multiple currency practice subject to Fund approval. The exchange restriction involves an outstanding net debt position against other contracting members under the inoperative regional payments agreement with the Economic Community of the Great Lakes Countries. The multiple currency practice relates to a fixed exchange rate provided for in a bilateral payments agreement with Zimbabwe.

Last Article IV Consultation:

Consultations with the DRC are held in accordance with the provisions of the 2010 Decision on consultation cycles approved in September 2010. The last Article IV consultation was concluded by the Executive Board on June 9, 2014.

Safeguards Assessment:

An updated safeguards assessment of the *Banque centrale du Congo* (BCC) completed in April 2010 found that while most of the 2008 recommendations had been implemented, significant risks remained. The BCC continued to lack autonomy from the government and was in need of recapitalization, and the absence of an independently defined financial reporting framework continued to impair transparency. The Ministry of Finance completed the first phase of the recapitalization in March 2011 by bringing the BCC's net worth to zero. The IMF is providing technical assistance to support the recapitalization efforts. The transition process to a new financial reporting framework has been significantly delayed; the BCC now aims to issue their 2015 financial statements in accordance with IFRS.

Technical Assistance:

STA

The focus of the assistance is placed on developing national accounts, including data, compilation, and methodology. STA has provided support to finalize national accounts consistent with the System of National Accounts 93 for several years up to 2013.

FY 2007 – Real sector statistics
FY 2008 – Real sector statistics
FY 2009 – National accounts
FY 2010 – Monetary statistics and national accounts
FY 2011 – Monetary statistics and national accounts

FY 2012 – Monetary statistics, national accounts and balance of payments.
FY 2013 – National accounts (three missions), balance of payments (one mission)
FY 2014 – Balance of payments (one mission)
FY 2015 – National accounts (3 missions) and monetary statistics (one mission)

MCM

TA has been informed by the 2013 FSAP recommendations and focusing, mainly, on BCC modernization process, banking supervision, reinforcing BCC collateral framework, and implementing a two-way foreign exchange auction.

Capacity building assistance to the central bank
FY 2012 – One mission (TA needs assessment)
FY 2013 – One mission
FY 2014 – One mission
FY 2015 – One mission

Strengthening capacity in Anti-Money Laundering/Combating Financial Terrorism (AML/CFT)
FY 2005 – One short visit
FY 2006 – Two short visits

Strengthening capacity in monetary policy implementation, exchange operations, and liquidity management
FY 2005 – Three short visits
FY 2006 – Two short visits
FY 2007 – Seven short visits
FY 2008 – Three short visits
FY 2009 – One short visit
FY 2011 – Three short visits
FY 2012 – Two short visits (of which one on currency reform and handling)
FY 2013 – Two missions and four short visits (of which three on upgrading the financial framework)
FY 2014 – One mission

Restructuring and reorganization of the central bank
FY 2009 – One short visit
FY 2010 – One short visit
FY 2011 – Four short visits
FY 2012 – One mission

Strengthening capacity in banking supervision and financial sector development
FY 2005 – One short visit on bank supervision and regulation
FY 2006 – One short visit on internal audit

FY 2007 – Action plan for developing the financial system
FY 2008 – One short visit on TA assessment
FY 2008 – Two short visits on bank supervision and regulation
FY 2008 – One short visit on internal audit
FY 2010 – Three short visits on bank supervision and regulation
FY 2011 – Three short visits
FY 2011 – Two short visits on bank supervision and regulation
FY 2012 – One mission
FY 2013 – Six short visits on bank supervision and regulation
FY 2014 – Two missions and one short visit on bank supervision and regulation
FY 2015 – One mission

LEG
FY 2012 – Two missions (Central Banking and Bank Resolution)

FAD
Simplification of the tax system—notably tax incentives and the myriad of fees and charges that hinder the business climate—remains a key priority, along with better mobilization of mining sector revenue through a new Mining Code and tighter customs control. Although authorities have started to streamline fees and charges, much remains to be done and progress is slow given administrative obstacles. Customs and VAT measures are largely administrative in nature and depend on the political capacity of authorities to bring all potential taxpayers in the tax net. Other priorities include: (i) reinforcing the administration of revenue collected from extractive industries (EI) and VAT administration, and improving customs operations and (ii) consolidating the state budget, the medium-term budget framework (MTBF) and the medium-term expenditure framework (MTEF).

Public financial management
FY 2007 – Short-term expert visit
FY 2009 – One mission and one short- term expert visit
FY 2010 – Short –term expert visit
FY 2011 – One mission
FY 2012 – One mission (MNRW TTF diagnostic) and one short-term expert visit (JSA)
FY 2013 – One mission and three short-term expert visits (all MNRW TTF)
FY 2014 – Two short-term expert visits (all MNRW TTF)
FY 2015 – One mission

Revenue administration
FY 2005 – One short visit
FY 2006 – One short visit
FY 2007 – One short visit
FY 2008 – One short visit

FY 2009 – One short visit
FY 2011 – One short visit (VAT diagnostics)
FY 2012 – One short visit (MNRW TTF diagnostic)
FY 2013 – Eight visits (on which three on MNRW)
FY 2014 – One mission
FY 2015 – Three missions

Fiscal decentralization
FY 2005 – Short visit.

Tax Policy
FY 2012 – One short visit (MNRW TTF diagnostic)
FY 2013 – Two short visits
FY 2014 – Two short-term expert visits.
FY 2015 – One mission.

AFRITAC Central
Technical assistance efforts have been focusing on improving tax administration; strengthening of tax audits and enhancement of research activities with a view of the broadening the tax base; improving public debt management macroeconomic statistics; streamlining and compiling national accounts systems; and supporting banking supervision and financial stability, including training of newly recruited banking supervisors.

Public financial management
FY 2009 – Four missions
FY 2010 – Four missions
FY 2011 – One mission
FY 2012 – Four missions
FY 2013 – Four missions
FY 2014 – Two missions
FY 2015 – Four missions

Tax and Customs administration
FY 2008 – One mission
FY 2009 – Four missions
FY 2010 – Four missions
FY 2011 – Two missions
FY 2012 – Two missions
FY 2013 – Two missions
FY 2014 – Three missions
FY 2015 - Six missions

Bank supervision and financial stability
FY 2008 – Four missions
FY 2009 – Three missions
FY 2010 – Three missions
FY 2011 – Three missions
FY 2012 – Three missions
FY 2013 – Five missions
FY 2014 – Four missions
FY 2015 – Six missions

Public debt
FY 2008 – Two missions
FY 2009 – One mission
FY 2010 – Three missions
FY 2013 – One mission
FY 2014 – Two missions
FY 2015 - Two missions

Macroeconomic Statistics and National Accounts
FY 2010 – Two missions
FY 2011 – Two mission
FY 2012 – One mission
FY 2013 – Two missions
FY 2014 – Two missions
FY 2015 – Three missions

Long-term Resident Experts:

Expenditure management	Mr. Catalan	Jan. 2002 – June 2004
	Mr. Nguenang	Sept. 2004 – July 2008
Tax administration	Mr. Fossat	Sept. 2005 – Jan. 2007
VAT preparation and implementation	Mr. Ramarozatovo	Feb. 2011 – July 2013
Customs administration	Mr. Bremeersch	Jan. 2002 – Jan. 2004
Advisor to Governor of BCC	Mr. Nyssens	Jan. 2004 – Jan. 2005
	Mr. d'Ambrières	Feb. 2006 – June 2006
	Mr. Traoré	June 2010 – May 2015
Capacity building of BCC	Mr. Pauwels	Sept. 2004 – Mar. 2007
Statistics	Mr. Métreau	Oct. 2004 – Oct. 2005
	Mr. Gbossa	Dec. 2005 – Dec. 2008

Resident Representative: Mr. Melhado Orellana assumed his duties in October 2012 and he will be replaced by Mr. Nicholas Staines who has been assigned for three years starting on September 2015.

JMAP IMPLEMENTATION MATRIX

As of April 30, 2014

2. The Fund and World Bank teams liaise to support the joint managerial action plan (JMAP) initiative. The World Bank's FY15–17 work program entails projects directed at strengthening the poverty reduction efforts being implemented by the authorities and improving governance (Tables 1 and 2). The Fund's work program entails Article IV consultations. Both institutions provide technical assistance to help in the implementation of FSAP recommendations.

Table 1. Indicative FY15–FY17 Non-lending Program

Activities
Skills for Agriculture and Mining (FY15–16)
Congo Basin Timber (FY15–16)
Review of the Forest Sector of the DRC (FY15–16)
DRC Spatial Development (FY14–16)
DRC-ASA Sub-National Governance (FY16–17)
Support to DRC Gov in the Procurement-UCS (FY16)
DRC - Economic Update (FY16/17 each)
DRC-PEMFAR Dissemination/Implementation. Model (FY15–16)
DRC-Sub-National Economic Analysis Program (FY16–FY17)
DRC- Poverty Assessment (FY15–16)
DRC-Jobs(FY16–17)
National Social Protection Strategy (FY15–16)
Support to the Land Sector Review (FY15–16)
DRC-Urbanization Review (FY16)
DRC-Promoting Investment. in agriculture (FY16)
DRC-Doing Business Reforms Coordination (FY16–17)
TA on domestic revenue GAP Assessment (FY16–17)
TA on Provincial PEFA (FY16) MDTF
TA on Public Investment Efficiency (FY16–17) – MDTF

Table 2. Indicative FY15–FY17 Financing Program (IDA, Grants, and Regional Programs)

FY15		FY16		FY17	
Project	**US$ million**	**Project**	**US$ million**	**Project**	**US$ million**
Health System Strengthening	220	Statistics Development	45	Rural Electrification	100
Education Quality – Secondary	200	Expansion of Eastern Recovery and Regional Displacement Project*	79	AF to Urban Project (scale up to additional cities in the East)	
Reinsertion and Reintegration (P152903)	15	AF Urban Water Supply	150	Follow on to basic education ($100m from GPE)	
Goma Airport	52	AF to expansion of HD systems	30	Public sector strengthening in decentralized env. (PFM/PRCGAP)	100
		(AF to AG Rehab)	50		
Great Lakes CAB 5 Project	33	4-Great Lakes Trade Facilitation Program – phase 1	11	Inga 3 BC development ($350 natl/ $650 regional)	
		AF to Pro-Routes (national with regional component)*	70	Great Lakes SGBV - Phase 2	7
		Great Lakes Ag Program (regional with national component)*	100	Great Lakes Cross-border Trade Facilitation– Phase 2	8
IDA Total (US$m)	**520**		**535**		**215**

Notes: AF: Additional Financing; * Combined national and regional allocation.

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance
General: Data provision to the Fund is broadly adequate (category B as per SM/13/155) for surveillance and program monitoring purposes, but upgrades to the national accounts, balance of payments, and government finance statistics would be helpful. In spite of difficulties, the authorities have continued to produce an array of economic and financial statistics, most of which are published in the annual report of the Central Bank of the Congo (BCC) or its monthly statistical bulletin.
National accounts: Annual national accounts (ANA) are compiled in constant and current prices by National Institute of Statistics (INS) under the Ministry of Plan with the technical assistance (TA) from IMF/AFC. The compilation methodology has then changed since 2006 with the use of ERETES software and the compilation of definitive ANA for 2005 and 2006 in compliance with the *System of National Accounts 1993 (1993 SNA)* (implying an upward revision of GDP by about 60 percent). The insufficient human resources pushes the authorities of INS to temporary suspend the use of the ERETES software. The INS compiles then ANA for 2007 to 2009 on a light system with Microsoft Excel. The use of ERETES software is resumed in 2013 for the compilation of 2010 definitive ANA which are ongoing. Once the 2010 definitive ANA are achieved a provisional ANA system is supposed to be based on that 2010 ANA to compile 2011, 2012, 2013 etc. accounts.
Price statistics: Consumer price indices (CPI) are calculated for Kinshasa by the INS, the BCC, the Institute of Economic and Social Research (IESR), and the Economics Section of the U.S. Embassy in Kinshasa. In 2011, the INS started to compile CPI data Country wide using weights calculated on the basis of the 2005 household survey. Prices are collected in the 11 provinces (the BCC in 2013 began the compilation of a similar CPI using a slightly different basket and different weights and based on prices in 5 provinces).
Government finance statistics: The BCC produces aggregated monthly statistics on a cash basis based on its own accounting for the government cash operations. The treasury produces two sets of monthly statistics based on its own records: one relates to the transactions executed through the BCC, the other set attempts to consolidate operations through commercial bank accounts and off-budget operations. These statistics do not rely on an integrated double-entry public accounting system and do not provide sufficient details about the nature of expenditures owing to problems in the expenditure chain. However, the treasury has started to produce quarterly expenditure data reports by ministry and institution. The current work on tax administration and expenditure control is expected to improve the quality and timeliness of fiscal statistics. In parallel with technical assistance on public expenditure management, a STA multisector statistics advisor has been advising on government finance statistics, producing improvements in the quality of the statistics. Furthermore, adoption of a simplified double-entry bookkeeping system should significantly improve the availability of data on government financial operations. In 2003 the DRC reported annual data up to 2002 for the IMF's *Government Finance Statistics Yearbook* in the format of the *Government Finance Statistics Manual 2001* but has not reported

subsequently. However, work is underway to resume submission of data to the GFSY, beginning with data for 2010.

Monetary statistics: Monetary and financial statistics (MFS) are compiled and reported to the Fund by the BCC Directorate of Statistics. These statistics are now generally reliable but institutional coverage, source data, and timeliness issues remain to be addressed.

The BCC has improved data compilation with the adoption in 2007 and 2011 of new charts of accounts for the central bank and commercial banks, respectively. The sectorization of institutional units and the classification of financial assets used in these new charts of accounts are broadly in line with the Fund's *Monetary and Financial Statistics Manual*'s methodology. In September 2013, the BCC completed migration to the Standardized Report Forms (SRFs) for the submission of its MFS to the Fund. Since then, SRF-based monetary statistics have been reported to STA for publication in IFS.

Despite this progress, MFS data are still in need of improvements in terms of financial institution coverage, source data reliability, and the timeliness for reporting the data to the Fund. The depository corporation survey does not include data from non-bank deposit taking institutions, a growing sector in the country. In addition, source data from commercial banks are not fully reliable as respondents do not completely master the new sectoral chart of accounts yet. Similarly, the data is reported with delays of up to five months in a package that include several months. Only when STA send reminders, does the BCC submit the data.

Balance of payments: Annual balance of payments statistics are compiled with information on the exports and imports of large public and semipublic enterprises, BCC payment records, and a survey of the foreign operations of residents. The estimates also take account of information on the informal sector and foreign aid flows provided by the World Bank and the local UN Development Program office, which collects the data from the European Union, embassies, and nongovernmental organizations. In effect balance of payments statistics are compiled using data from different sources, supplemented by estimates. In February 2012, the authorities created an interministerial committee, lead by the central bank and also including representatives from customs, and the National Statistics Institute and key sectors, to improve the collection and the validation of balance of payment data and ensure its regular publication.

II. Data Standards and Quality

Since April 24, 2004, the DRC participates in the General Data Dissemination System. The metadata needs to be updated.

Democratic Republic of the Congo: Table of Common Indicators Required for Surveillance

(as of July 13, 2015)

	Date of latest observation	Date Received	Frequency of Data [6]	Frequency of Reporting [6]	Frequency of Publication [6]
Exchange Rates	7-Jul-15	7-Jul-15	D	W	D
International Reserve Assets and Reserves	15-Jun	15-Jun	M	M	M
Liabilities of the Monetary Authorities [1]	15-Jun	15-Jun	M	M	M
Reserve/Base money	15-Jun	15-Jun	M	M	M
Broad money	15-Jun	15-Jun	M	M	M
Central Bank Balance Sheet	15-Jun	15-Jun	M	M	M
Consolidated Balance Sheet of the Banking System	15-Jun	15-Jun	M	M	M
Interest Rates [2]	15-Jun	15-Jun	M	M	M
Consumer Price Index	15-Jun	15-Jun	M	M	M
Central Government Revenue, Expenditure, and Financing [3]	14-Dec	15-Jun	M	M	M
Stock of Central Government and Central Government-Guaranteed Debt [4]	2014	15-Jun	A	A	I
External Current Account Balance	2014	15-Jun	A	A	I
Exports and Imports of Goods and Services	2014	15-Jun	A	A	I
GDP/GNP	2014	15-Jun	A	A	I
Gross External Debt	2014	15-Jun	A	A	I
International Investment Position [5]	NA	NA	NA	NA	NA

1 Any reserves assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the national values of financial derivatives to pay and receive foreign currency, including those linked to a foreign currency but settled by other means.

2 Both market-based and officially-determined, including discount rates, money markets rates, rates on treasury bills, notes and bonds.

3 Foreign, domestic bank, and domestic nonbank financing.

4 Including currency and maturity compostion.

5 Includes external gross financial asset and liability positions vis-à-vis nonresidents.

6 Daily (D). Weekly (W). Monthly (M). Quarterly (Q). Irregular (I). Not available (NA).

Statement by Mr. Yambaye, Executive Director for Democratic Republic of the Congo and Mr. Allé, Senior Advisor to Executive Director

September 2, 2015

The DRC authorities appreciate the candid dialogue with Staff and thank the Board and Management for the continuous support to their development agenda. The recent discussions held in Kinshasa in the context of the 2015 Article IV consultation gave another opportunity to take stock of the country's progress in ensuring macroeconomic stability and implementing structural reforms and to assess the challenges facing the economy. The staff report put forward is a fair analysis of the economic and financial situation and broadly reflects the authorities' views. The Selected Issues Paper is also welcome as a useful element in the authorities' overall thinking on the DRC's development dynamics.

In the recent past, the DRC has been posting a strong macroeconomic performance on the back of buoyant mineral exports and continuously improving overall economic management. The 2014 growth rate ranks among the highest in the world and inflation has drastically abated. Significant progress has also been recorded in the governance of the natural resource sector with the authorities committed to keep pace with this positive momentum. Likewise, the authorities are cognizant that they need to step up reforms in many areas with the view to entrench growth and reduce poverty in a sustainable fashion. In this regard, the authorities' efforts over the medium term will focus on easing the business and socio-political environment for private sector development, improving fiscal management to build buffers against commodity price shocks, stepping up de-dollarization to enhance monetary policy and foster financial deepening, diversifying the economy to further structural transformation for job creation.

RECENT DEVELOPMENTS AND OUTLOOK

2014 has confirmed the trend of strong growth displayed by DRC over the past years. Real GDP growth is estimated to have recorded a solid 9.2 percent owing to high copper production and performing telecommunications, trade and transport sectors. Inflation is subdued at 1 percent, falling sharply from double digits territories in three years. The government budget is in balance with a low debt ratio.

The medium term outlook remains positive, with growth projected to remain strong, at 9.2 percent in 2015 and around 8.4 percent in 2016-17, essentially driven by the mineral and service sectors. It is the firm intention of the authorities to pursue steadfastly policies that will maintain high, sustainable and inclusive growth while also ensuring macroeconomic stability. However, the authorities are cognizant of the risks highlighted by staff. While they will continue their efforts to address them, they are also of the view that some of these risks are manageable. In this vein, they see scope for their ongoing actions to maintain a benign political situation, which should help to boost investor confidence. Likewise, the efforts initiated with the electoral commission – CENI - to cut elections costs should help keep spending pressures in check and not jeopardize further the fiscal stance.

MACROECONOMIC POLICIES GOING FORWARD

Fiscal policy

Cognizant of the challenges still facing the economy, the DRC authorities are committed to implementing policies to further improve the outlook. In this regard, enhancing fiscal policy remains a key objective, with a particular emphasis on domestic revenue mobilization. Efforts will consist of bringing the VAT back to its performance path. To this end, the authorities concur with the staff's recommendations and will enhance the VAT administration through measures to modernize and simplify procedures. An important line of actions of the authorities will consist of increasing significantly the contribution of the natural resource sector to fiscal revenue. They have already implemented the conclusions of the National Conference on Mineral Resources Management, which should help boost the revenue share of the sector. Enacting a new mining code aligned with international best practice is another option under discussion. The revenue-enhancing measures identified by Fund TA will also be part of the overall action plan.

On the spending side, the authorities are committed to keep outlays under control. To this end, a decree on Fiscal Governance in the DRC is being finalized and will be adopted soon as a major anchor for fiscal policy. This is expected to strengthen the medium-term expenditure framework. The authorities also share staff's recommendations for enhancing budget credibility, including the need to improve resource forecasts. The overall effort to build capacity, especially on national account statistics will help address this issue going forward.

Along with the favorable macroeconomic fundamentals, the authorities welcome staff assessment indicating that DRC's risk of debt distress remains "moderate". Our authorities are committed to maintain a prudent borrowing strategy and to enhance debt management capacity to preserve long-term debt sustainability.

Monetary policy and financial sector development

Enhancing the effectiveness of monetary policy is an important endeavor for our authorities. Among others, the development of the financial sector should help to this end, besides its key role of supporting the private sector activity. Discussion with staff and past initiatives such as the 2014 FSAP provided useful materials and policy directions, which the authorities intend to follow through with concrete actions. In this regard, they will take steps to strengthen the central bank –BCC. Measures include the BCC's recapitalization, cutting its operating costs by focusing on core activities and improving its governance and enhancing staff's capacity.

The passage of the Central Bank Law is set to help on many of these fronts and strengthen the BCC's credibility.

The authorities are also committed to enhance the financial sector by implementing structural reforms aimed at improving financial intermediation and financial inclusion. New financing instruments are being devised such as a foreign exchange swap facility arranged with the International Finance Corporation. Going forward, other reforms meant to strengthen the financial sector are underway, including measures to enhance consumer protection and mobile banking, as well as to further de-dollarization and reinforce banking supervision.

NATURAL RESOURCE MANAGEMENT

Natural resource endowment is a major asset to the DRC's economy. The authorities are mindful that its sound management is critical to growth, to government revenue and to the country's overall development. Significant progress has been made recently to improve transparency in the sector by implementing the recommendations of the Extractive Industries Transparency Initiative (EITI). The authorities share staff's views on the need to take additional measures "to strengthen the government's oversight of the SOEs and ensure that they comply with the obligations to publish contracts of all mining operations and resort to competitive biddings when natural resource assets are sold." Moreover, the authorities place a particular importance on the new mining code under discussion, and set to replace the current 2002 code. Key features of the new code should further enhance transparency and accountability in the mining sector and help address critical issues such as its fair contribution to domestic revenue. Main proposed changes include: (i) increase in the royalty rate; (ii) alignment of the corporate income tax (30 percent) to the general regime (35 percent); (iii) introduction of super profit tax; and (iv) provisions to secure corporate tax basis.

STRUCTURAL REFORMS FOR ECONOMIC DIVERSIFICATION AND JOB CREATION

The DRC authorities are fully aware that enhancing the inclusiveness of growth, creating jobs and addressing poverty on a more sustainable footing require the implementation of bold structural reforms to bolster economic diversification and structural transformation. Staff's selected issues chapter on "The Quest Towards Diversification" shed light on the structural shift from agriculture to industry and services being witnessed in DRC. The authorities are of the view that such shift should be accompanied with measures to enhance productivity in the agriculture sector to maintain and strengthen output, while enlarging the industrial and export bases. In this regard, reforms underway in the natural resource sector should improve the business environment in this specific area and attract new investors.

Furthermore, improving the overall business climate is a top priority to the authorities. They concur with staff that pressing measures should include: (i) simplifying the tax system to support higher non-mineral activity and promote inclusive growth, (ii) streamlining the regulation for granting construction permits and transferring ownership, and (iii) facilitating access to credit while enforcing contracts. The authorities are also mindful that they should sustain their ongoing efforts to address key bottlenecks such as the electricity shortages and the infrastructure gap. Furthermore, they see scope for their financial sector reforms to support the dynamism in the service sector and avail credit to help reduce informality in commerce activities.

The improvement of the general security situation of the country and the political environment is also a key element to enhance confidence of private investors. In this regard, the authorities are determined to address all factors of fragility and implement the agreed institutional reforms aimed at entrenching democracy.

CONCLUSION

The DRC has made important strides over the past years in terms of macroeconomic performance and poverty reduction. Growth has been strong in a stable environment and the outlook is promising owing to positive prospects on mining activity. Yet, unemployment and poverty still remain acute despite some progress. The DRC authorities are striving to conduct the needed reforms to entrench growth and bolster economic diversification. In the period ahead, they are committed to step up macroeconomic policies to enhance buffers and ring-fence against shocks as they take steps to transform the economic landscape. In this effort, harnessing natural resource endowment for the country's overall development is of particular importance. Our DRC authorities appreciate the Board's continuous support in their challenging endeavors.