

Definition of debt

(a) For the purpose of this guideline, the term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property, and

(b) Under the definition of debt set out in point (a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF THE CONGO

**Democratic Republic of the Congo—First Review Under the Three-Year Arrangement
Under the Extended Credit Facility and Financing Assurances Review****Informational Annex**

Prepared by the African Department

June 15, 2010

Relations with the Fund. Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 499.52 million (93.72 percent of quota) as of May 31, 2010.

Joint Managerial Action Plan. Describes the IMF's and World Bank Group's work program.

Statistical Issues. Provides assessment of data adequacy for surveillance and program monitoring purposes.

Table of Common Indicators for Surveillance. Provides information on statistical data for surveillance purpose.

Contents	Page
Relations with the Fund	55
Relations with the World Bank Group.....	59
Statistical Issues Appendix	60
Table of Common Indicators Required for Surveillance.....	61

DEMOCRATIC REPUBLIC OF THE CONGO
RELATIONS WITH THE FUND
(As of May 31, 2010)

I. Membership Status: Joined September 28, 1963; Article VIII

II. General Resources Account:	SDR Million	Percent of Quota
Quota	533.00	100.00
Fund holdings of currency	533.00	100.00

III. SDR Department:	SDR Million	Percent of Quota
Net cumulative allocation	510.86	100.0
Holdings	366.27	68.72

IV. Outstanding Purchases and Loans:	SDR Million	Percent of Quota
ESF RAC loan	133.25	25.00
ECF Arrangement	366.27	68.72

V. Latest Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Dec 11, 2009	Dec 10, 2012	346.45	49.49
ECF	June 12, 2002	Mar 31, 2006	580.00	553.47
Stand-By	June 09, 1989	June 08, 1990	116.40	75.00

VI. Projected Payments to Fund:

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

	Forthcoming				
	2010	2011	2012	2013	2014
Principal	94.68	110.69	68.69	24.03	26.68
Charges/interest	0.22	0.33	0.97	0.86	0.80
Total	94.90	111.02	69.66	24.88	27.48

VII. Implementation of HIPC Initiative:

I.	Commitment of HIPC assistance	Enhanced Framework
	Decision point date	July 2003
	Assistance committed by all creditors (US\$ millions)	6,311.00
	<i>of which:</i> IMF assistance (US\$ millions)	318.90
	(SDR equivalent millions)	228.30
	Completion point date	Floating
II.	Disbursement of IMF assistance (SDR millions)	
	Assistance disbursed to the member	49.05
	Interim assistance	49.05
	Completion point balance	--
	Additional disbursement of interest income	--
	Total disbursement	49.05

VIII. Implementation of MDRI Assistance: Not applicable**IX. Exchange Rate Arrangement:**

The currency of the Democratic Republic of the Congo is the Congo franc which, since May 26, 2001, has been freely floating. On June 15, 2010, the rate was US\$1=CF 901.

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 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 set quarterly applying to transactions through the bilateral payments agreement with Zimbabwe.

X. Last Article IV Consultation:

(a) Consultations with the Democratic Republic of the Congo are held in accordance with the provisions of the decision on consultation cycles approved on July 15, 2002.

(b) The last Article IV consultation was concluded by the Executive Board on December 11, 2009.

XI. Safeguards Assessment:

An update safeguards assessment of the central bank (BCC) was completed in April 2010. It found that most of 2008 recommendations have been implemented. However, significant risks remain. The central bank lacks independence from the government and its recapitalization requires urgent action. The BCC authorities agreed broadly with the priority recommendations of the assessment and some progress towards their implementation has been made.

X. Technical Assistance:

STA

FY 2004 – Multisector statistics

FY 2010 – Monetary statistics

MCM

Capacity building assistance to the central bank

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

Restructuring and reorganization of the central bank

FY 2009 – One short visit

FY 2010 – One short visit

Strengthening capacity in banking supervision and financial sector development

FY 2005 – One short visit on bank supervision and regulation

FY 2008 – Two short visits on bank supervision and regulation

FY 2010 – Three short visits on bank supervision and regulation

FY 2006 – One short visit on internal audit

FY 2008 – One short visit on internal audit

FY 2007 – Action plan for developing the financial system

FY 2008 – One short visit on TA assessment

FAD*Public financial management*

FY 2007 – Short visit

FY 2009 – Short visit

Revenue administration

FY 2004 – Two short visits

FY 2005 – One short visit

FY 2006 – One short visit

FY 2007 – One short visit

FY 2007 – One short visit

FY 2009 – One short visit

Fiscal decentralization

FY 2005 – Short visit

XIII. Long-term Resident Experts:

Expenditure management	Mr. Catalan	Jan. 2002–June 2004
	Mr. Nguenang	Sept. 2004–July 2008
	Mr. Akumchi	Aug. 2008 – July 2009
	Mr. Bremeersch	Jan. 2002–Jan. 2004
Tax administration	Mr. Fossat	Sept. 2005
Advisor to Governor of BCC	Mr. Nyssens	Jan. 2004–Jan. 2005
	Mr. d'Ambrières	Feb. 2006–June 2006
Capacity building of BCC	Mr. Pauwels	Sept. 2004–Mar. 2007
Statistics	Mr. Métreau	Oct. 2004
	Mr. Gbossa	Dec. 2005–08

XIV. Resident Representative: Mr. Jahjah assumed his duties as Resident Representative in January 2009.

**Democratic Republic of the Congo:
Relations with the World Bank Group
Joint Managerial Action Plan (JMAP)
(As of June 1, 2010)**

1. The IMF and World Bank Democratic Republic of Congo teams discussed a joint managerial action plan under this initiative.
2. The World Bank's work program entails moving forward in FY11 with a Development Policy Operation (DPO) to provide US\$100 million in budget support, and a Country Economic Memorandum (CEM) that will focus on constraints to growth.
3. The IMF's work program entails three year arrangement under the Extended Credit Facility (ECF) approved by the IMF Executive Board on December 11, 2009.
4. Both institutions are supporting an FSAP that will take place during FY11.

Title	Products	Provisional timing of missions	Actual or Expected delivery date
A. Mutual information on relevant work program			
World Bank work program in the next 12 months	Development Policy Operation that may provide US\$100 million in budget support	September 2010–November 2010	December 2010
	Diagnostic Trade Integration Study	June 2010	June/July 2010
	Country Economic Memorandum	October 2010	December 2010
IMF work program in the next 12 months	Second review of the ECF	September 2010	December 2010
	Third review of the ECF	February 2010	May 2010
B. Requests for work program inputs			
Fund request to Bank	Provide comments on implications of sector-specific issues, including developments in the mining, energy, telecom and agricultural sectors.	None	FY 11
Bank request to Fund	Macroeconomic scenarios for DPO and CEM	None	FY 11
C. Agreement on joint products and missions			
Joint products in the next 12 months	JSAN of new PRSP	February 2011	June 2011
	Public Finance Management (PFM) technical assistance	FY11–12	FY11–12
	Banking sector supervision technical assistance	FY11–12	FY11–12

**Democratic Republic of the Congo:
Statistical Issues Appendix
(As of May 31, 2010)**

I. Assessment of Data Adequacy for Surveillance
<p>General: Data provision to the Fund is broadly adequate 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.</p>
<p>National accounts: Annual national accounts are compiled in constant and current prices by the Directorate of Research of the BCC and published yearly. The compilation methodology conforms to the <i>System of National Accounts 1968</i> (1968 SNA) and is based on the balance sheets of enterprises and surveys of public and semipublic enterprises and agencies, most of which date from the late 1980s. The activities of the traditional sector (including the informal sector) are estimated with extrapolation techniques using industry-specific data that are outdated. As a result, GDP is likely to be underestimated.</p> <p>With assistance from AFRITAC, work on the national accounts is underway to update the base year to 2005, incorporate the results of a recent 1-2-3 household survey, as well as implement the methodological recommendations of the 1993 SNA. While outputs of this work remain to be validated and officially published, as expected, the 2005 GDP estimates show a considerable upward revision compared to previously published estimates.</p>
<p>Price statistics: Consumer price indices are calculated for Kinshasa by the BCC, the National Statistics Institute (INS), the Institute of Economic and Social Research (IESR), and the Economics Section of the U.S. Embassy in Kinshasa. The IESR also calculates a monthly consumer price index for the Lubumbashi market. The household surveys on which these calculations are based date back to the late 1980s; they need to be updated to account for changes in household consumption patterns and demographic shifts, while geographical coverage should be expanded.</p>
<p>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.</p> <p>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.</p> <p>In 2003 the DRC reported annual data up to 2002 for the IMF's <i>Government Finance Statistics Yearbook</i> in the format of the <i>Government Finance Statistics Manual 2001</i>, but has not reported subsequently.</p>
<p>Monetary statistics: The BCC Directorate of Research regularly produces timely monetary statistics. These statistics are now generally reliable, but some problems remain with the classification of accounts.</p> <p>Since STA money and banking statistics mission of June 2000, BCC reporting of data for publication in the IMF's <i>International Financial Statistics (IFS)</i> has improved and monetary data are currently reported on time. A 2003 multisector statistics mission recommended a new chart of accounts for the BCC and other deposit-taking institutions, including the information needed for improved sectorization of economic units and classification of financial assets.</p>
<p>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 (UNDP) office, which collects the data from the European Union, embassies, and nongovernmental organizations. However, the 2003 multisector mission found that, due to computer problems, data have not been processed since 1999, so in effect balance of payments statistics are compiled using data from different sources, supplemented by estimates. The mission suggested that the BCC implement a system of quarterly surveys of corporations that are authorized to hold accounts overseas. The mission also recommended reinvigoration of a working group comprising staff of the customs and other agencies to prepare quarterly foreign trade data and take measures to improve data on services and transfers. No external sector data are reported to STA for publication.</p>
II. Data Standards and Quality
<p>Since April 24, 2004, the Democratic Republic of the Congo participates in the general Data Dissemination System (GDDS). The metadata needs to be updated.</p>