



DEMOCRATIC REPUBLIC OF THE CONGO

June 13, 2022

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION, SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW— INFORMATIONAL ANNEX

Prepared By

The African Department
(In collaboration with other departments)

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RELATIONS WITH THE IMF

IMF and the [Democratic Republic of the Congo \(imf.org\)](https://www.imf.org/en/Countries/DR Congo)

As of April 30, 2022

[Financial Position in the Fund for Congo, Democratic Republic of as of April 30, 2022 \(imf.org\)](https://www.imf.org/en/Countries/DR Congo)

Membership Status: Joined September 28, 1963; Article VIII

General Resources Account:	SDR Million	Percent of Quota
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Quota	1,066.00	100.00
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Fund holdings of currency	1,066.00	100.00
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SDR Department:	SDR Million	Percent of Quota
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Net cumulative allocation	1,532.57	100.0
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Holdings	537.35	35.06
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Outstanding Purchases and Loans:	SDR Million	Percent of Quota
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RCF Loans	533.00	50.00
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ECF Arrangement	304.60	28.57
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Latest Financial Commitments

Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF ¹	July 15, 2021	July 14, 2024	1066.00	304.60
ECF ¹	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

¹ Formerly Poverty Reduction and Growth Facility (PRGF).

Outright Loans:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	Apr 22, 2020	Apr 24, 2020	190.98	190.98
RCF	Apr 22, 2020	Apr 24, 2020	75.52	75.52
RCF	Dec 16, 2019	Dec 24, 2019	266.50	266.50

Projected Payments to Fund:²

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

	Forthcoming				
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Principal				79.95	106.60
Charges/interest	<u>3.13</u>	<u>4.94</u>	<u>4.94</u>	<u>4.93</u>	<u>4.94</u>
Total	<u>3.13</u>	<u>4.94</u>	<u>4.94</u>	<u>84.88</u>	<u>111.54</u>

Implementation of HIPC Initiative:

I.	Commitment of HIPC assistance	Enhanced Framework
	Decision point date	July 2003
	Assistance committed by all creditors (US\$ millions) ³	7,252.00
	<i>Of which:</i> 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

² When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

³ 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.

Additional disbursement of interest income ⁴	50.44
Total disbursements	330.74

Implementation of MDRI Assistance:

I. MDRI-eligible debt (SDR Million) ⁵	248.08
Financed by: MDRI Trust	0.00
Remaining HIPC resources	248.08

II. Debt Relief by Facility (SDR Million)

Eligible Debt

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

Implementation of Catastrophe Containment Relief (CCR):

Date of Catastrophe	Board Decision Date	Amount Committed (SDR Million)	Amount Disbursed (SDR Million)
N/A	Apr 13, 2020	14.85	14.85
N/A	Oct 02, 2020	9.90	9.90
N/A	Apr 01, 2021	4.95	4.95

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 “crawl-like” arrangement, effective August 7, 2020. At end-April 2022, the rate was US\$1=CF 2004.006. 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 one exchange rate restriction subject to Fund approval arising from an outstanding net debt position against other contracting members under the inoperative regional payments’ agreement with the Economic Community of the Great Lakes Countries.

Last Article IV Consultation:

⁴ 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.

⁵ 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.

The last Article IV consultation was concluded by the Executive Board on August 26, 2019.

Safeguards Assessment:

An update safeguards assessment of the *Banque Centrale du Congo* (BCC) was completed in May 2020. Previous safeguards assessments were conducted in 2003, 2008 and 2010. The 2020 assessment found that the BCC had maintained good external audit arrangements and improved its legal framework, notably with the adoption of the BCC Law in 2018; guided by the Fund's technical assistance. However, the implementation of the amended law has been delayed and risks remained high for most of safeguards areas, with significant weaknesses in financial reporting and internal audit practices that are not aligned with international standards. In addition, governance arrangements presented significant gaps that led to a weak oversight function of the Board and exposed the BCC to legal uncertainty and conflicts of interest risks. In response to safeguards recommendations, actions taken since 2020 to mitigate those risks include the reconstitution of the BCC Board and the audit committee, and periodic independent data audits prior to the completion of program reviews. Remaining outstanding recommendations include the adoption of the IFRS, the recapitalization of the BCC, the strengthening of the governance and oversight of reserves management, and the development of the internal audit and compliance functions.

Resident Representative: Mr. Gabriel Leost assumed his duties in May 2021.

RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

A. World Bank

<https://www.worldbank.org/en/country/drc/overview>

World Bank Group Projects:

http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=ZR

B. African Development Bank

<https://www.afdb.org/en/countries/central-africa/democratic-republic-of-congo>

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance
<p>General: Data provision to the Fund has some shortcomings but is broadly adequate for surveillance purposes. Progress is needed in strengthening statistics in the fiscal sector, national accounts, financial soundness indicators, and debt data with the support of IMF capacity development. Despite 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 (ANA) are compiled in current prices and volume terms by the National Institute of Statistics (INS) under the Ministry of Plan, with technical assistance (TA) from IMF/AFRITAC Central. The compilation methodology adopted the use of ERETES software for the compilation of definitive ANA data for 2005 and 2006 in compliance with the 1993 <i>System of National Accounts (SNA)</i> (implying an upward revision of GDP by about 60 percent). The insufficient human resources pushed INS to temporarily suspend the use of the ERETES software. With TA from AFRITAC Central, the INS compiled and published ANA estimates for 2005-19 in March 2022, including estimates in current prices and chain-linked volume measures. INS is starting a GDP rebasing project, including the adoption of the main recommendations of the 2008 SNA.</p>
<p>Price statistics: Consumer price indices (CPI) are calculated for Kinshasa by the INS. Alternative CPIs for Kinshasa are also calculated by the BCC, the Institute of Economic and Social Research (IESR), and the Economics Section of the U.S. Embassy in Kinshasa. There is a need for coordination between the INS and the BCC to define the headline inflation number, and of a review of CPI compilation methods to ensure the index reflects international standards and best practices to enhance user confidence in the data.</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. The treasury is producing monthly and quarterly reports on revenue, grant, and expenditure with some shortcomings on foreign financed capex due to cumbersome compilation process on donors financing.</p> <p>The current work on tax administration and expenditure control, as well as the ongoing implementation of the new public accounts' framework are expected to improve the quality and timeliness of fiscal statistics. The authorities also benefit from continued technical assistance in GFS under AFRITAC Central. The treasury compiled provisional annual data for the budgetary central government for 2017 and 2018 in line with international standards, but these data have not yet been disseminated.</p>

The DRC reported annual data up to 2010 for the IMF's *Government Finance Statistics Yearbook (GFSY)* 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 2012-2016, which have already been validated at the national level.

Monetary statistics: Monthly monetary and financial statistics (MFS) covering the central bank and other depository corporations are compiled and reported to the Fund by the BCC in the format of standardized report forms. The depository corporation survey does not include data from non-bank deposit taking institutions.

Financial Access Survey (FAS): DRC reports some data and indicators of the FAS, including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

Financial Soundness Indicators (FSIs): DRC does not report FSIs for publication on the IMF website. A technical assistance mission took place in February-March 2022 to assist the authorities in their efforts to compile FSIs in accordance with international standards as well as implement the FSI action plan developed in the 2019 FSI mission, which includes regular reporting of FSIs to the IMF.

Balance of payments: The BCC has continued its efforts to improve ESS. It is now compiling ESS using the *BPM6* methodology from the data-collection phase to the compilation and dissemination phases, as supported by technical assistance under the JSA/IMF Project to Improve External Sector Statistics in 17 Selected African Countries in Francophone Africa, which ended in April 2020. BOP up to 2020 and IIP data up to 2019 are available in IFS. Direct investment is the main weakness because of the very large amounts of transactions in this category, both for the financial account and for the income account. A new questionnaire dedicated to foreign direct investments should be developed. A business register has been established but the creation of a specific collection vehicle has not materialized.

II. Data Dissemination Standards

Since April 24, 2004, the DRC participates in the Enhanced General Data Dissemination System (e-GDDS). The metadata needs to be updated.

**Democratic Republic of the Congo: Table of Common Indicators Required
for Surveillance**
(As of May 27, 2022)

	Date of latest observation	Date received	Frequency of data ⁶	Frequency of reporting ⁶	Frequency of publication ⁶
Exchange Rates	5/12/2022	5/16/2022	D	W	M
International Reserve Assets and Reserves	May-22	May-22	M	M	M
Liabilities of the Monetary Authorities ¹	Mar-22	May-22	M	M	M
Reserve/Base Money	Mar-22	May-22	M	M	M
Central Bank Balance Sheet	Mar-22	May-22	M	M	M
Consolidated Balance Sheet of the Banking System	1/22/2022	Feb-22	M	M	M
Interest Rates ²	1/22/2022	Feb-22	M	M	M
Consumer Price Index	May-22	May-22	W	M	M
General Government Revenue, Expenditure, Balance, and Composition of Financing	n/a	n/a	n/a	n/a	n/a
Central Government Revenue, Expenditure, and Financing ³	4/22/2022	5/22/2022	A	A	A
Stock of Central Government and Central Government-Guaranteed Debt ⁴	5/26/2022	May-22	A	A	A
External Current Account Balance	2021	Mar-22	A	A	A
Exports and Imports of Goods and Services	Dec-21	Mar-22	M	A	A
GDP/GNP	2019	Apr-22	A	A	A
Gross External Debt	2021	Mar-22	A	A	A
International Investment Position ⁵	2019	Mar-22	A	A	A

¹Any 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.

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

³Foreign, domestic bank, and domestic nonbank financing.

⁴Including currency and maturity composition.

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

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