Democratic Republic of the Congo: 2024 Article IV Consultation, Sixth Review Under the Extended Credit Facility Arrangement, Request for a Waiver of Nonobservance of Quantitative Performance Criterion, and Financing Assurances Review-Press Release; Staff Report; and Statement by the Executive Director for Democratic Republic of the Congo

INTERNATIONAL MONETARY FUND

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DEMOCRATIC REPUBLIC OF THE CONGO

July 2024

2024 ARTICLE IV CONSULTATION, SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF QUANTITATIVE PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR DEMOCRATIC REPUBLIC OF CONGO

In the context of the Combined 2024 Article IV Consultation and Sixth Review Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 3, 2024, following discussions that ended on May 8, 2024 with the officials of Democratic Republic of Congo on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 20, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for the Democratic Republic of the Congo.

The documents listed below have been or will be separately released.

Selected Issues

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PRESS RELEASE

PR24/253

IMF Executive Board Concludes the 2024 Article IV Consultation and Completes the Sixth Review under the Extended Credit Facility Arrangement for the Democratic Republic of the Congo

FOR IMMEDIATE RELEASE

- *The DRC's macroeconomic environment remains challenging, including from the security and humanitarian crisis in the East of the country. Against this backdrop, the authorities have maintained prudent macroeconomic policies.*
- *Performance under the program has been generally positive, with most quantitative targets met and key reforms implemented, albeit at a slow pace*
- *The economic outlook remains positive but is subject to substantial downside risks. This calls for continued prudent policies and increasing reform efforts in fiscal and monetary frameworks and in governance.*

Washington, DC – **July 3, 2024:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] and also completed the sixth and last review of The Extended Credit Facility (ECF) Arrangement for the Democratic Republic of the Congo. The completion of the sixth review allowed an immediate disbursement equivalent to 152.2 million SDR (about US$ 224.7 million) to support balance-of-payment needs, bringing the aggregate disbursement to date to 1,066 million SDR (about US$ 1,573.8 million).

The DRC's macroeconomic environment remains challenging since the last Article IV consultation, as the security and humanitarian crisis in the East of the country has worsened. Against this backdrop, the authorities have maintained prudent macroeconomic policy and are making progress on domestic revenue mobilization, even though revenues remain highly sensitive to international commodity price fluctuations. The continued refraining from monetary financing—a key anchor for the program—has been a significant achievement, and the Democratic Republic of the Congo (DRC) is at a moderate risk of external and overall debt distress. However, public financial management reforms have been slower than anticipated, and further efforts are needed to rationalize the earmarking of revenue for special accounts in the budget and to enforce the expenditure chain and cash management procedures. Foreign exchange reserves build-up has been much higher than expected but more needs to be done to strengthen the monetary and exchange rate policy frameworks.

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[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.

Real GDP growth is estimated at 8.4 percent for 2023, supported by the robust growth of the extractive sector. Inflation remained high, peaking at 23.8 percent at the end of 2023, before easing gradually to 21.2 percent at end-May 2024. With higher spending for elections and security, the 2023 domestic fiscal deficit exceeded projections and reached 1.3 percent of GDP, despite good revenue performance in the last quarter of 2023. International reserves continued to strengthen, reaching nearly US$5.5 billion or about two months of imports at the end of 2023.

For the sixth and last review of the ECF Arrangement, all quantitative performance criteria were met except for the performance criterion on the domestic fiscal balance that was missed due to higher-than-expected exceptional spending mostly on security and the 2023 general elections. Corrective actions are being implemented to address the missed performance criterion. The structural reform agenda is progressing, albeit at a slower pace than envisaged.

The economic outlook remains positive but is subject to substantial downside risks. Economic growth is projected at 4.7 percent in 2024 and an average of 4.8 percent during 2024-28, supported by the continued expansion of major mines and a gradual acceleration of non-extractive sector growth. Inflation is projected to remain elevated at 17.2 percent on average in 2024 and reach 12 percent at end-December 2024, before gradually reverting to the Banque Centrale du Congo's target of 7 percent over the medium term. Fiscal pressures are expected to persist, but good revenue performance and efforts to contain non-priority spending will help narrow the domestic fiscal deficit below 1 percent of GDP in 2024 and over the medium term. The main risks to the outlook arise from the escalation of armed conflicts in the East, further inflationary pressures stemming from oil and food price volatility, with negative effects on the real disposable income of households, an abrupt growth slowdown in China, and an intensification of regional conflicts, including Russia's war in Ukraine and the conflict in the Middle East, which could weigh on export revenues and foreign direct investment.

At the conclusion of the Executive Board's discussion, Mr. Okamura, Deputy Managing Director and Chair stated:

"Growth in the Democratic Republic of the Congo has remained resilient, primarily driven by a robust performance in the mining sector. Measures taken by the Central Bank, BCC, to tighten the monetary policy stance and alleviate pressures in the foreign exchange market have contributed to the modest moderation of the inflationary pressures. While the growth outlook is generally favorable, risks are tilted to the downside due to the persistent armed conflict in the East and further inflationary pressures stemming from oil and food price volatility.

"The Democratic Republic of the Congo has made significant progress under the ECF arrangement, although performance during the sixth review has been constrained by the persistent security and humanitarian crises, fiscal slippage, and ongoing inflationary pressures. This review notably marks the first successful completion of an Upper Credit Tranche (UCT)-quality program by the authorities, which has supported their efforts to sustain macroeconomic stability amid multiple external and domestic shocks.

"The domestic fiscal deficit for 2024 is projected to narrow compared to 2023, as higher mining revenue would help ease pressures from higher security spending and investment. Over the medium term, sustained fiscal discipline and a gradual move toward a resource-based fiscal framework, targeted public financial management reforms, including the enforcement of spending chain controls, will help curb procyclicality of spending, create space for investment and social spending, build resilience to shocks, and strengthen fiscal credibility.

"In addition to the BCC's commitment to further tighten monetary policy if necessary, ongoing reforms to strengthen the monetary policy implementation framework and FX intervention strategy are crucial steps to enhance the transmission of monetary policy and alleviate pressures in the FX market. Continued efforts to accumulate reserves while safeguarding the role of the exchange rate as a shock absorber are paramount to building external resilience.

"Advancing reforms to improve governance and transparency, including in mining, strengthen the anti-corruption and AML/CFT frameworks, and enhance the business climate is critical for supporting private sector development and for promoting diversified, sustainable, and inclusive growth.

Table 1. Democratic Republic of the Congo: Selected Economic and Financial Indicators, 2023-26

	2023	2024		2025		2026	
	Est.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	CR No. 23/434	Proj.
	(Annual percentage change, unless otherwise indicated)						
GDP and prices							
Real GDP	8.4	4.8	4.7	5.6	5.1	5.2	4.5
Extractive GDP	18.2	4.4	5.8	6.4	4.8	4.8	2.9
Non-extractive GDP	3.5	5.0	4.1	5.3	5.3	5.4	5.4
GDP deflator	14.4	13.0	16.2	8.1	9.1	6.4	6.7
Consumer prices, period average	19.9	14.7	17.2	8.5	8.8	7.0	7.0
Consumer prices, end of period	23.8	11.6	12.0	7.0	7.0	7.0	7.0
	(Annual change in percent of beginning-of-period broad money)						
Money and credit							
Net foreign assets	20.0	10.7	22.0	13.2	11.3	11.4	8.9
Net domestic assets	20.3	10.0	-0.3	2.8	3.4	2.0	2.5
Domestic credit	34.1	12.6	7.2	11.0	8.7	9.6	7.5
Broad money	40.3	20.7	21.6	16.0	14.7	13.3	11.4
	(Percent of GDP, unless otherwise indicated)						
Central government finance							
Revenue and grants	14.8	14.9	15.7	14.7	14.2	14.9	14.4
Expenditures	16.5	16.3	17.8	15.8	15.5	15.8	15.5
Domestic fiscal balance	-1.3	-0.6	-0.5	-0.4	-0.4	-0.3	-0.4
Investment and saving							
Gross national saving	9.4	6.8	10.9	9.3	11.7	9.6	11.8
Investment	15.7	10.8	15.6	12.6	15.3	12.4	15.3
Non-government	12.0	6.0	10.0	8.0	10.0	7.8	10.0
Balance of payments							
Exports of goods and services	44.3	39.6	43.9	37.2	43.2	35.5	42.3
Imports of goods and services	50.3	45.2	48.5	42.6	47.8	40.3	46.9
Current account balance, incl. transfer	-6.2	-4.1	-4.6	-3.2	-3.5	-2.8	-3.5
Current account balance, excl. transfers	-7.6	-5.4	-5.1	-4.6	-4.4	-4.1	-4.4
Gross official reserves (weeks of imports)	9.3	10.4	10.0	11.0	10.0	11.7	10.2
External debt							
Debt service in percent of government revenue	7.7	7.4	6.4	7.3	7.8	7.0	8.0

Sources: Congolese authorities and IMF staff estimates and projections.

DEMOCRATIC REPUBLIC OF THE CONGO

June 20, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF QUANTITATIVE PERFORMANCE CRITERION , AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. President Félix Tshisekedi was re-elected in December 2023 and a new Prime Minister was appointed on April 1, 2024, and the government on May 28. Meanwhile, the security situation in the East is deteriorating, exacerbating a humanitarian crisis that has displaced millions of people and amplifying the burden on public finances.

Economic Background. Economic growth was stronger than expected in 2023 and the 2024 outlook remains positive notwithstanding the challenging security situation. Exchange rate depreciation and inflationary pressures remain high but have been moderating following monetary policy tightening in the second half of 2023. The 2023 domestic fiscal deficit widened relative to the fifth review target, as higher-than-expected spending (security spending mostly) was only partially offset by higher domestic revenue mobilization. The fiscal situation in 2024 is characterized by higher revenue mobilization counterbalancing the persistent rise in security expenditure.

ECF program performance. All quantitative performance criteria (QPCs) were met, except for the one on the domestic fiscal balance, due to higher-than-expected exceptional spending. Three indicative targets (ITs)—spending under emergency procedures, the floor on social spending and the wage ceiling—were missed. Structural reforms are advancing, albeit at a slower pace than envisaged: (i) mining contracts were published within 60 days of their signing, (ii) a manual for public investment management procedures was adopted by the Council of Ministers, but its climate section falls short of expectations, (iii) the decree establishing a framework for Treasury and BCC operations, compliant with AML/CFT law was approved on May 16, and (iv) the adoption of financial statements for 2023 by the central bank (BCC), prepared according to IFRS standards, is delayed to September 2024, but the financial statements in the current standards are expected to be published in June.

Article IV discussions. Article IV discussions covered domestic revenue mobilization, social spending, reserves accumulation and external sector assessment, and progress in fighting corruption and enhancing transparency. They also centered on the appropriate policy mix to fight inflation in a dollarized economy, emphasizing the role of fiscal discipline.

Future engagement. The authorities have expressed interest in a successor ECF arrangement along with a program under the Resilience and Sustainability Facility (RSF).

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

Discussions took place during April 25–May 8, 2024, in Kinshasa. The staff team comprised C. Ahokpossi (head), L. Drissi Bourhanbour, M. Oikonomou and M. Pohl (all AFR), D. Al Masri (FAD), M. Tovar Soria (STA), and J. Boussard (SPR), G. Leost (resident representative), and E. Gbadi and H. Katuala (local economists). M. Nkusu (OEDAF) participated in the meetings. The team met with President Tshisekedi, outgoing Prime Minister Jean-Michel Sama Lukonde Kyenge, incoming Prime Minister Judith Suminwa Tuluka, Ministers of Finance Nicolas Kazadi and Budget Aimé Boji Sangara, Central Bank Governor Malangu Kabedi Mbuyi and other senior officials, as well as representatives of the private sector, CSOs, and development partners. S. Lertprasert helped with document preparation.

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BACKGROUND

1. **Despite considerable logistical, financial and security challenges, general elections took place on December 20, 2023, as scheduled**. Notwithstanding major organizational difficulties and the impossibility of voting in some eastern territories, the elections took place in relative calm. President Félix Tshisekedi was re-elected with 73 percent of the votes and sworn in for a second five-year term on January 20, 2024; the coalition supporting him also scored a major victory in legislative elections. On April 1st, 2024, Judith Suminwa Tuluka, previously Minister of Planning, was named Prime Minister and the government was appointed on May 28th.

2. **The security situation in the East has deteriorated[1] and other fragilities continue to hinder inclusive growth (Annex VIII – Country Engagement Strategy-Summary).[2]** This is fueling a long-standing humanitarian crisis, including the largest displaced population in Africa. The gradual withdrawal of the United Nations peacekeeping force (MONUSCO), which started with a contingent in Sud-Kivu province, adds to security uncertainties. Concurrently, the government is supposed to increase its presence in the areas vacated by the force. Poor access to basic public services and infrastructure, frequent bouts of diseases, endemic corruption and weak rule of law harming private sector development are among other longstanding fragilities weighing on economic development, resulting in pervasive poverty. The deteriorating security situation is putting pressure on public finances, with exceptional security spending amounting to 2.2 percent of GDP in 2023.

RECENT ECONOMIC DEVELOPMENTS

3. **Economic growth remained robust in 2023, driven by stronger-than-anticipated mining exports despite the less favorable market conditions**. Real GDP growth is estimated at 8.4 percent, from 6.2 percent at the time of the fifth review (Table 1). The extractive sector grew by 18.2 percent (compared to projections of 9.1 percent at the time of the fifth review), as copper and cobalt volume exports significantly accelerated in 2023 Q4.[3] The non-extractive sector grew by 3.5 percent, supported primarily by strong growth in the construction industry. However, non-extractive growth was revised down relative to fifth review projections (4.7 percent) as persistently high inflation and the erosion of real incomes weighted negatively on several sectors (commerce, market services etc.).

4. **CPI inflation remains high, fueled by exchange rate depreciation.** CPI inflation remained high year-on-year in the second half of 2023, reaching 23.8 percent at end-December 2023. Inflation has decelerated somewhat in recent months, declining to 21.2 percent y-o-y at end-April 2024, as core and energy inflation continue to mildly decelerate. The official exchange rate depreciated by 32

[1] According to the UN, the security situation has deteriorated significantly in recent months, notably in North Kivu, the epicenter of the conflict.

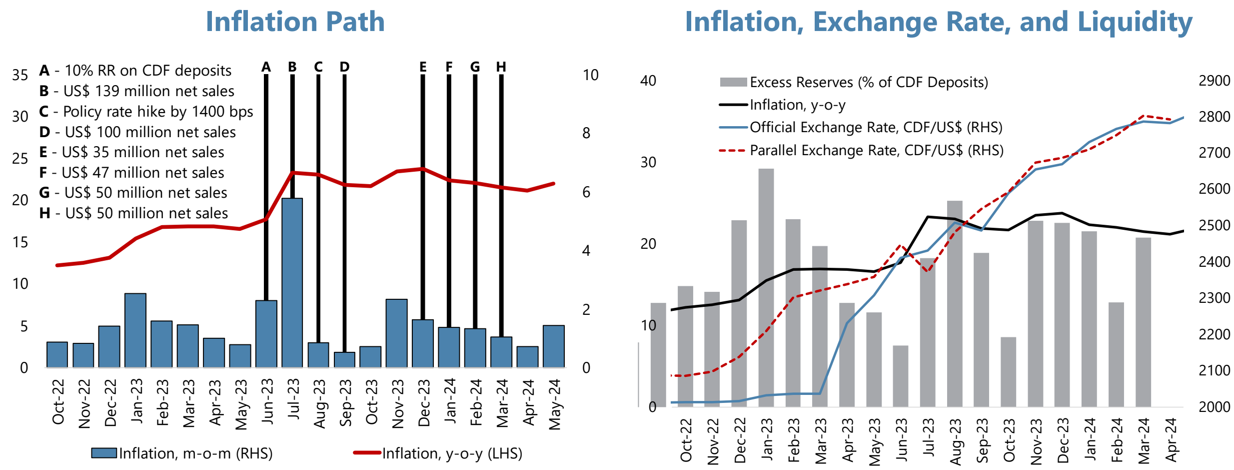
[2] A new Country Engagement Strategy has been finalized (a summary of the first one was published with the request for the ECF-arrangement in July 2021).

[3] This acceleration occurred amidst declining copper and cobalt prices, as a major mining company (CMOC) destocked inventories accumulated during the 2022 and 2023 export ban and started operations at a major new mine (KFM).

percent y-o-y at end-December 2023 while the parallel exchange rate depreciated by 33.2 percent.[4] The depreciation pressures have slowed in 2024, with both parallel and official rates depreciating by 4 percent year-to-end-April 2024, and the gap between the rates has significantly narrowed to 0.05 percentage points on average since the beginning of the year.

Text Figure 1. Inflation and Exchange Rate Developments, 2022-24

(Percent, unless otherwise indicated)



Sources: Congolese authorities and IMF staff estimates.

5. With higher-than-anticipated spending for elections and security, the 2023 domestic fiscal deficit exceeded projections, but revenue performance so far in 2024 is easing pressures. Central government revenues in 2023 were higher than projected, due to the resolution of tax disputes relating to 2021 mining sector super profits, advances on tax payments for 2024 from major mining companies, and the transfer to the Treasury of unused resources by several Public Entities and Funds. However, exceptional spending exceeded projections by 1.2 percent of GDP—0.2 percent of GDP for elections and 1.0 percent of GDP for security—thereby leading to a domestic fiscal deficit of 1.3 percent of GDP, compared to a target of 0.8 percent of GDP. Other current spending also slightly exceeded projections mainly due to higher transfers and subsidies. For the first four months of 2024, revenue performance exceeded projections by 0.6 percent of GDP, reflecting a strong corporate income tax revenue, essentially from the mining sector. This helped compensate for exceptional security spending, which was 0.6 percent of GDP higher than expected over the same period.

6. Despite a deteriorated current account, reserves strengthened in 2023. Strong FDI inflows in the mining sector supported large capital goods imports for the second consecutive year, and

[4] A combination of fiscal pressures in 2023Q4 and increased preference for dollars contributed to depreciation in 2023Q4, which contributed to inflation, given high pass-through. In the context of DRC’s highly dollarized economy, and given weaknesses in monetary policy transmission, deprecation and inflationary pressures persisted in 2023Q4 despite the relatively small fiscal deficit adjustment.

together with a further deterioration of terms of trade, led to a current account deficit of 6.2 percent of GDP in 2023. Nevertheless, the strong financial inflows supported net international reserves (NIR) accumulation, estimated at US$275 million. Gross international reserves stood at US$5,421 million at end-2023. However, reserve coverage remains inadequate and is lower than expected at the fifth review, due to higher-than-projected imports. Overall, the external position was weaker than the level implied by fundamentals and desirable policies (Annex II, ESA).

7. Bank profitability and credit to the private sector improved in 2023, but domestic currency deposits declined. Lifted by higher dollar interest rates, banks' returns on assets and net interest margins have significantly increased. Banks deposits grew by 4 percent in dollars terms, but this masks a contrast between domestic currency deposits, which declined by 36 percent year-to-year, and deposits in foreign currency, which increased by 11.6 percent. The dollarization of the financial system increased to 90 percent for loans and 96 percent for deposits, from 84 and 94 a year earlier. Banks' credit to the central government decreased by 9 percent, while credit to the private sector remained robust, increasing by 30 percent in dollar terms, benefiting mainly the mining sector.

OUTLOOK AND RISKS

8. The growth outlook remains positive, supported by the mining sector. The growth outlook for 2024 is stable at 4.7 percent, from 4.8 percent at the time of the fifth review as mining activity remains robust, supported by the continued expansion of major mines. GDP growth is projected to average 4.8 percent in 2024-28, as the gradual acceleration of non-extractive growth compensates for the slowdown of the extractive sector where mining activity is expected to stabilize as mining projects reach maturity. Inflation is projected to remain elevated at 17.2 percent on average in 2024 and reach 12 percent at end-December 2024, due to base effects and supported by appropriate fiscal and monetary policies, before gradually reverting to BCC's target of 7 percent over the medium term.

Text Table 1. DRC: Medium-Term Macroeconomic Framework, 2022-29

	2022		2023		2024		2025		2026	2027	2028	2029
	CR No. 23/434	Prel.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	Proj.	Proj.	Proj.	Proj.
Real GDP (percent change)	8.8	8.8	6.2	8.4	4.8	4.7	5.6	5.1	4.5	5.1	4.4	4.3
of which: extractive	22.2	22.3	9.1	18.2	4.4	5.8	6.4	4.8	2.9	4.0	1.2	2.1
GDP deflator (percent change)	5.0	5.9	16.7	14.4	13.0	16.2	8.1	9.1	6.7	6.4	6.4	6.5
CPI inflation, average (percent)	9.3	9.3	19.4	19.9	14.7	17.2	8.5	8.8	7.0	7.0	7.0	7.0
CPI inflation, eop (percent)	13.1	13.1	20.8	23.8	11.6	12.0	7.0	7.0	7.0	7.0	7.0	7.0
Domestic fiscal balance (% GDP), cash basis	-1.2	-1.2	-0.8	-1.3	-0.6	-0.5	-0.6	-0.4	-0.4	-0.4	-0.4	-0.4
External public debt (% GDP)	15.0	15.0	17.8	17.8	17.0	18.5	16.0	18.3	18.2	17.8	17.6	17.6
Current account balance (% GDP)	-5.0	-4.9	-5.3	-6.2	-4.1	-4.6	-3.2	-3.5	-3.5	-3.3	-3.3	-3.1
Gross international reserves (weeks of imports)	8.3	7.9	9.6	9.3	10.4	10.0	11.0	10.0	10.2	10.4	10.6	11.2

Sources: Congolese authorities and IMF staff estimates and projections.

9. The fiscal and external positions are expected to remain under pressure. Tax revenue performance is expected to be strong in 2024, driven by corporate income tax, based on strong 2023 balance sheets for mining companies. Historical data suggest that corporate income tax from mining companies is volatile and is unlikely to remain high in subsequent years. On the spending side, pressures are expected from increased security spending, ambitious investments plans[5] and the clearance of domestic arrears amounting to 3.2 percent of GDP for 2024-29. Despite a narrowing of the current account deficit (at 4.6 percent of GDP), the external position is expected to remain under pressure in 2024. Large development needs are expected to continue to fuel strong import growth, in part financed by mining-related inflows, but they will put pressure on reserve accumulation. Reserve coverage is expected to reach 2.5 months of imports in 2029, requiring additional reserve accumulation from currently unidentified sources to ensure appropriate coverage.

10. Public debt is expected to remain sustainable. The updated Debt Sustainability Analysis assesses that the DRC remains at a moderate risk of external and overall debt distress, with some space to absorb shocks (DSA Appendix). Low revenue and vulnerabilities to export shocks are the main factors for the moderate risk assessment, despite low external (17.8 percent of GDP, mostly to multilateral and bilateral creditors) and domestic debt (6.3 percent of GDP, mostly legacy arrears). The implementation of the domestic debt clearance strategy, adopted in May 2023 is underway, including with the imminent repayment of a first wave of small claims totaling US$ 5 million. However, the repayment of larger claims has been postponed to July 2024 due to difficulties in completely identifying some creditors (see MEFP ¶17).

Text Table 2. DRC: Evolution of the Stock of Certified Central Government Domestic Arrears

	2023 (Est.)		2024 (Proj.)	
	(In US$ millions)	(Percent of GDP)	(In US$ millions)	(Percent of GDP)
Banque Centrale du Congo [1/]	**1,499**	**2.5%**	**1,389**	**1.8%**
Treasury securities	988	1.6%	915	1.2%
Advances	512	0.8%	474	0.6%
Legacy arrears [2/]	**2,557**	**4.2%**	**2,531**	**3.2%**
Recent arrears	**824**	**1.4%**	**711**	**0.9%**
VAT (customs)	402	0.7%	272	0.3%
Oil subsidy	423	0.7%	439	0.6%
Total	**4,880**	**8.0%**	**4,631**	**5.9%**

Sources: Congolese authorities and IMF staff calculations.
1/ BCC arrears are denominated in Congolese francs.
2/ Includes the stock of validated and certified arrears under the domestic debt strategy and the stock of certified arrears awaiting validation.

[5] There are large investment needs for the DRC. In the short to medium term, revenues from the SICOMINES deal will be used to finance infrastructure projects especially roads investments.

11. This outlook is subject to elevated downside risks (Annex I). On the domestic side, risks arise from continued fighting in the East and the uncertainties related to the planned gradual withdrawal of MONUSCO, which could further weigh on security spending. On the external side, risks arise from further inflationary pressures stemming from oil and food price volatility, with negative effects on the real disposable income of households and aggregate demand, an abrupt growth slowdown in China and an intensification of regional conflicts, including Russia's war in Ukraine and the conflict in the Middle East, which could weigh on export revenues and foreign direct investment.

Authorities' Views

12. The authorities broadly agreed with staff's assessment on recent economic developments and risks, while noting that a more optimistic growth outlook cannot be ruled out. The authorities noted that in 2024 upside risks to growth could stem from the entry of new mines in the extractive sector, as well as stronger spillovers from the extractive to the non-extractive sector. Over the medium term, they argued that increased investment in electricity and manufacturing sectors could help diversify growth. The authorities noted that they remain committed to advancing the structural reforms agenda and will continue building FX reserves and maintain fiscal discipline.

PROGRAM PERFORMANCE

13. All but one end-December 2023 performance criteria (PCs) were met (MEFP ¶6). The Indicative Target (IT) on government revenue was met with a significant margin, but the PC on the domestic fiscal balance was missed given the higher than programmed level of spending (Table 11). Staff support a request for a waiver of nonobservance based on the authorities' corrective measures (see MEFP ¶12). The PC on reserve accumulation was met, as well as the PC on contracting or guaranteeing of new external debt, with a significant margin. Other PCs and ITs are met except for: (i) the IT on social spending,[6] for which 89 percent of programmed spending has been executed (Text Table 2), (ii) the IT on spending under emergency procedures, mainly because of security spending[7] and (iii) the IT on wage celling, which was marginally missed by 0.02 percent. The DRC also remains compliant with Article VIII obligations and Multiple Currency Practices continuous PCs.

[6] Despite the missed IT, there has been progress throughout the program, and as acknowledged by health partners, the current situation represents a step forward, as it prompted public spending and ownership on programs which were not receiving any government funding before the ECF arrangement.

[7] Excluding exceptional security spending, spending under emergency procedures reached 10.5 percent of domestic spending in Q4 2023, close to the target (set at 10 percent).

Text Table 3. DRC: Social Spending Indicative Targets
(CDF billion)

	Dec-22		Jun-23		Dec-23	
	Proposed	Actual	Proposed	Actual	Proposed	Actual
RMNCAH and primary health care	21.2	15.5	13.3	13.3	26.5	27.0
GAVI co-financing and traditional vaccines 1/	36.5	36.9	20.3	20.3	32.3	32.3
TB/Malaria/HIV/AIDS co-financing	18.7	3.1	8.2	-	16.4	7.5
Total	**76.4**	**55.5**	**41.8**	**33.6**	**75.2**	**66.8**

Sources: Congolese authorities and IMF staff estimates.
1/ The World Bank covered the financing of traditional vaccines in 2021-22.

14. The structural reform agenda is progressing (MEFP ¶17) albeit at a slower pace (Table 12):

- Mining contracts, including an amendment to the SICOMINES contract (see Annex VI), were disclosed within 60 days after being signed.[8]
- The manual for public investment management procedures was adopted by the Council of Ministers, but its climate section falls short of expectations.
- The decree encompassing Treasury and BCC operations, compliant with AML/CFT law was adopted in May.
- The adoption of 2023 financial statements in line with the IFRS by the BCC is delayed to September 2024; however, the financial statements according to the current standards are expected to be published in June.

POLICY DISCUSSIONS

Given DRC's long-standing development challenges amidst significant potential, discussions centered around: (i) creating fiscal space for much needed investment, security and social spending, with enhanced PFM, notably on the spending chain; (ii) strengthening monetary and exchange rate policy effectiveness, as well as improving financial sector development and resilience; and (iii) implementing structural reforms, including for better governance and fight against corruption, to promote diversification and private activity, as well as priorities to adapt to and mitigate the impacts of climate change.

15. Progress on the 2022-Article IV key recommendations—aligned with the ECF objectives—helped maintain macroeconomic stability (Annexes III and IV–Uptake of 2022 Article IV Recommendations and Review of 2021-2024 ECF Arrangement). The authorities are making progress on domestic revenue mobilization, even though revenues remain very sensitive to international commodity prices. The continued refraining from monetary financing—a key anchor

[8] SICOMINES is an abbreviation of "Sino-Congolaise des Mines". It is a copper and cobalt joint venture between a consortium of Chinese companies and the DRC State-owned mining company GECAMINES.

for the program—has been a positive achievement. However, PFM reforms have been slower than anticipated, and efforts are needed to rationalize the earmarking of revenue for special accounts in the budget and to adhere to expenditure chain and cash management procedures. Efforts to build up FX reserves are continuing but progress has been slow in terms of enhancing BCC's safeguards and further measures are warranted to enhance the monetary and exchange rate policy frameworks.

16. Continuing inroads in overcoming structural fragilities will require concerted efforts. Building on relative political stability and progress in the ECF-supported program, discussions focused on key components of a medium-term strategy towards sustained and inclusive growth, that will be reflected in the forthcoming National Strategic Development Plan for 2024-2028.

A. Fiscal Policy: Maintaining Stability and Advancing Structural Reforms

In the near term, higher mining revenue will loosen financing constraints and facilitate the accommodation of higher security spending and investment. Over the medium term, sustained fiscal discipline and a gradual move toward a resource-based fiscal framework, targeted PFM and public investment management reforms will help limit procyclicality of spending, create space for investment and social spending, build resilience to shocks, and strengthen fiscal credibility.

17. The 2024 fiscal deficit is expected to remain broadly similar to the fifth review projections but underpinned by different dynamics (MEFP ¶11). The domestic fiscal deficit is expected to narrow to 0.5 percent of GDP in 2024, as spending pressures from security and domestically financed investment are being largely offset by mining revenue windfalls, without affecting other priority spending (Text Table 3). However, this situation underscores the undesirable pro-cyclicality of mining revenues and the specific design of the Corporate Income Tax (CIT). The favorable development in mining revenue in 2024 could reverse anytime, thereby suggesting that a significant cyclical component should be considered as part of projections in 2025 and beyond.

- *Higher tax revenue*: Tax revenue for 2024 has been revised upwards by 1.2 percentage points of GDP compared to the fifth review. This increase is primarily attributed to a cyclical surge driven by Corporate Income Tax (CIT) returns in the mining sector as the first installment of the year (due date end-April) exceeded expectations despite tax advances collected in 2023[9]. In addition, cyclical factors linked to higher copper prices in 2024 are bolstering non-tax revenue. On a structural basis, non-tax revenues are also expected to increase in 2024 and over the medium term, reflecting revenues from the new SICOMINES deal, on average around 0.4 percent of GDP over the horizon (Annex VI).

- *Surging exceptional security spending*: With the gradual withdrawal of UN forces from the DRC and escalating conflicts in the East, exceptional security spending is expected to be at least 1 percentage point of GDP higher than anticipated for 2024 at the fifth review and to

[9] Installments to be paid in the coming months are based on the same tax base as the payments made in April, giving a high degree of confidence in performance for the rest of 2024.

remain relatively higher over the medium term.[10] As a significant share of this spending is executed under emergency procedures, the authorities agreed to conduct an audit on security spending for 2023 and 2024.[11]

- *Higher investment spending*: This mainly reflects investments related to revenues from the SICOMINES deal.

- *Domestic arrears repayment* (MEFP ¶19)*:* repayments are expected to amount to the fifth review level mainly from the oil subsidy arrears reimbursement (US$135 million paid in the first quarter of 2024) and the domestic arrears' clearance strategy implementation. The implementation roadmap adopted in November 2023 is being implemented albeit with a delay (¶10 above and MEFP ¶19).

- *Slightly lower current spending:* The authorities are committed not to increase current spending in response to the surge in volatile mining revenues. In nominal terms, the wage bill is unchanged, and lower subsidies more than offset a slight increase in goods and services.

Text Table 4. DRC: Fiscal Position 2023-24

(Percent of GDP)

	2023			2024		
	CR No. 23/434	Actual	Difference	CR No. 23/434	Proj.	Difference
Revenue	12.6	13.7	1.1	13.2	14.4	1.2
Domestic Current Expenditure	9.6	9.8	0.2	10.2	9.9	-0.3
Domestic Financed Capital	1.5	1.6	0.1	1.8	2.1	0.4
Exceptional Spending	1.9	3.0	1.2	1.2	2.2	1.1
of which: Security Spending	1.2	2.2	1.0	1.1	2.1	1.1
Arrears Repayment (change)	-0.5	-0.5	0.0	-0.6	-0.6	0.0
Domestic Fiscal Balance	**-0.8**	**-1.3**	**-0.5**	**-0.6**	**-0.5**	**0.0**

Sources: Congolese authorities and IMF staff calculations.

18. The credibility of the fiscal baseline is strengthened by several fiscal measures in the short run and by structural reforms over the medium term:

- In 2024, the following measures are expected to support budget execution:

- To ensure consistency with program objectives, the authorities will revise the 2024 budget law in line with the program. This revision will include the resources from the amended SICOMINES

[10] At the pace observed so far in the first quarter of 2024, exceptional security spending could reach 2.1 percent of GDP (1 percentage point of GDP higher than projected at the fifth review).

[11] The audit for 2023 is expected by end of 2024, while the timing for the audit for the 2024 spending will be decided in future discussions.

deal to ensure their traceability; meanwhile, they have published on May 11th the associated quarterly budgetary commitment plans (corrective action for the sixth review–MEFP ¶6) which ensure that quarterly spending is aligned with the annual budget, and enhances fiscal discipline and cash flow management.

- Progress on the fuel subsidies reform is noticeable (MEFP ¶20). The authorities increased pump fuel prices by 7 percent in April 2024, on top of the increase in October 2023. Current pump prices have curtailed new liabilities to oil distributors. The roadmap adopted in November 2023 is being implemented with the monthly publication of the price structure, mining companies have been excluded from the fuel subsidy and the implementation of the molecular marking program in the south to track various fuel products has been implemented. These measures have helped contain the accumulation of liabilities towards oil companies, which declined from US$545 million in 2022 to US$122 million in 2023, with further reductions expected in 2024. The authorities should continue implementing their roadmap, to ensure a timely phasing out of direct fuel subsidies, to reduce tax expenditure (implicit subsidies), and develop targeted social safety nets for vulnerable population.[12]

- In 2024 and beyond, deeper structural fiscal reforms underpin the baseline:

    - The decentralization of spending authorization, which would help to enforce the spending chain, is delayed but is still progressing following the roadmap agreed upon between the authorities and the World Bank under the Enhancing Collection of Revenue and Expenditures Management (ENCORE) project and the upcoming budget support operation (MEFP ¶23).[13] The pilot cases for decentralization are rescheduled to be implemented by end-2024 (corrective action for the sixth review – MEFP ¶23). The full decentralization of the spending authorization is expected to be gradually effective over the medium term.

    - The mining laboratory, which would help broaden the tax base for minerals, was launched, and released its initial report (corrective action for fifth review). The report discussed chemical tests conducted, limitations in capturing informal mining revenues, and next steps for the tax directorate (DGI) and the customs directorate (DGDA) to be included in controls that are conducted so far by the ministry of mining. However, the report's conclusions do not clearly establish the expected revenue gains from the control conducted so far.

    - The new standardized VAT billing system, which will help reduce tax evasion and will broaden the tax base, is expected to start its pilot phase in June, and its full implementation for large enterprises is delayed to August 2024 (fifth review corrective action). The pilot phase launch was held back by the needed adoption of the requisite regulations, and the

[12] The direct subsidy is expected to be eliminated in the short term. However, eliminating tax expenditure (implicit subsidy) remains a medium-term objective as the gap between the current pump price and the price implied by international prices remains significant, between 2129 FC/liter in South to 2534 FC/liter in the East in March 2024.

[13] Authorities cite operationalization challenges regarding the organizational structure, and effective appointment of public accountants as reasons for the delay.

acquisition, testing and deployment of the standardized invoice platform. After that, training was conducted for staff that will operate it and the sampling of pilot enterprises was finalized.

- The Public Accounting Decree clarifying the eligibility for expenditure under emergency procedures was signed but implementation challenges remain, mostly due to various weaknesses in the expenditure chain procedures. As a result, the recourse to spending under emergency procedures remains high – approximately 23.5 percent of total spending in the first quarter of 2024, compared to 17.4 percent for 2023, with security spending representing a substantial share of these expenditures.[14]

- The work on a new tax code is progressing, with support from the World Bank and FAD technical assistance missions, and includes the tax procedures code, a section on non-tax revenues collected by sectoral ministries, a revised section on excise duties, and the implementation of a plan to rationalize parafiscal fees[15] (MEFP ¶15). Further, the proliferation of special funds is concerning, and more progress is needed to limit such occurrences.

- An annex to the budget law detailing fiscal risks has been produced since 2021. Starting with the 2025 budget, it will be enhanced with more details on risks emanating from the mining sector (MEFP ¶16-17).

19. The recent amendment to the mine-for-infrastructure contract SICOMINES is expected to generate substantial revenue to finance much needed infrastructure projects, though implementation will be challenging (Annex VI). The revised agreement includes i) copper-price-contingent payments to the government estimated at US$5.5 billion until 2040 if current prices prevail, to finance various priority infrastructure projects directly from SICOMINES' profits (a significant shift from the debt financing structure previously in place), ii) royalties amounting to 1.2 percent of annual SICOMINES turnover, iii) an option for DRC to independently sell 32 percent of SICOMINES production in the international market to limit transfer pricing risks. However, transparency and accountability mechanisms related to the use of the funds generated by the new contract need to be strengthened. In addition to reflecting the SICOMINES revenues and expenditures in the budget, the authorities must put in place a financial mechanism to ensure that the associated resources are spent transparently. Staff also recommended that the authorities implement a transparent governance and oversight mechanism to manage the revenues and expenditures associated with the revised SICOMINES deal, including the publication of regular financial and project implementation reports.

20. Over the medium term, continued fiscal discipline will be needed to avoid the procyclicality seen in recent years, to anchor macroeconomic stability and build resilience to

[14] Spending under emergency procedures in the last quarter of 2023 stood at 17.7 percent, and upon excluding security spending it stood at 10.5 percent. In the first quarter of 2024, excluding security spending under emergency procedures, it stood at 10.1 percent.

[15] Parafiscal fees are revenue perceived by administrative bodies such as hospitals, universities, various funds.

shocks. Recent episodes of fiscal expansions have shown that fiscal policy plays an outsized role in driving inflation and exchange rate volatility. Given the limited effectiveness of monetary policy in a highly dollarized environment, a tight fiscal policy will be needed to support monetary policy efforts to reduce inflation and bolster the credibility of the exchange rate—therefore ensuring sustained macroeconomic stability. Fiscal policy will remain anchored on DRC's moderate risk of debt distress. Therefore, without policy reforms, the projected increase in public investment and social spending can only be possible through spending reallocations and revenues expected from the SICOMINES deal. However, that might be difficult to achieve if security spending remains high and unpredictable.

21. Deepening efforts in the fiscal structural reform agenda will be critical to underpin fiscal credibility and create fiscal space for investment and social spending:

- There is significant scope to improve domestic revenue mobilization (SIP-I and MEFP ¶15). Despite the increase in revenue in recent years, domestic revenue remains low compared to peers and to the potential of the country. Efforts need to focus on tax base expansion and payment compliance, improving revenue agencies governance, restoring the VAT functioning, building capacity of revenue agencies, streamlining non-tax and parafiscal charges, strengthening revenue agencies collaboration (DGI, DGDA, DGRAD) on data exchange and exemptions control, rationalizing tax expenditures and increasing excise tax rates where appropriate. Improved control over mineral production and export flows is also critical for a sustainable revenue increase, which will help create fiscal space for necessary investment and social spending.

- The transition to a resource-based fiscal framework in the medium term would help improve the predictability of revenue and reduce spending procyclicality. A recent IMF technical assistance in March 2024 suggests that more work is needed to strengthen mining statistics and to ensure that the FARI model is fully functional (MEFP ¶17). The Medium-Term Fiscal Framework, which includes the fiscal balance excluding resources, is expected to be adopted with the 2025 budget law and the use of the FARI model is being introduced in the revenue forecasting unit (MEFP ¶17).

- The quality and allocation of social spending must improve (see SIP-II). Most social spending goes to education and health, but within these sectors, operational overheads (mostly wages) absorb most of the budget. In addition, actual spending is consistently and significantly lower than planned in social sectors. Going forward, it is essential that budget allocations for social spending be fully implemented instead of being crowded out by other expenditures. In addition, the authorities need to improve the quality of social spending statistics, to allow for better tracking and assessment. Given the fragilities of the DRC (Figure 5), higher levels and better quality of social spending are critical for the macroeconomic and social stability of the country.

- A broad civil service reform (wage bill strategy, census of public agents, reorganization of social protection and retirement reforms) remains crucial to control the wage bill growth. Meanwhile, the clean-up of the civil servants' payroll is underway through biometric identification of public employees.

- More progress on the PFM reform agenda is needed. The operationalization of the General Directorate of the Treasury and Public Accounting (DGTCP) is facing challenges in terms of administrative and financial autonomy but is advancing in terms of the gradual establishment of the network of public accountants and the digitalization of some operations. Regarding the Treasury Single Account, the survey of public accounts in commercial banks domiciled in the city of Kinshasa was completed and the data analyzed, and the authorities are in the process of drafting a procedures document to address the consolidation process. As for the enforcement of expenditure chain procedures, progress has been minimal. Ensuring budget credibility is key, and it contributes to curtailing the proliferation of taxes outside the Treasury Single Account, therefore improving tax policy. The updated budget execution manual, the accompanying decree on public accounting, and the decentralization of spending authorization are expected to help contain the volume of spending under emergency procedures going forward (MEFP ¶25). The government has requested a Public Expenditure and Financial Accountability (PEFA) assessment (which results are expected by October-2024).

- Following the May 2023-decree on Public Investment Management (PIM), PIM Assessment (PIMA) recommendations have been included in a roadmap adopted by the Council of Ministers on November 3rd, 2023, and a procedure manual was approved by the council of Ministers on November 11, 2023. However, staff assess that the climate impact assessment aspect of the manual is inadequate (end-December 2023 SB). Progress is underway towards strengthening the unit in charge of the coordination of externally financed public investments.

Authorities' Views

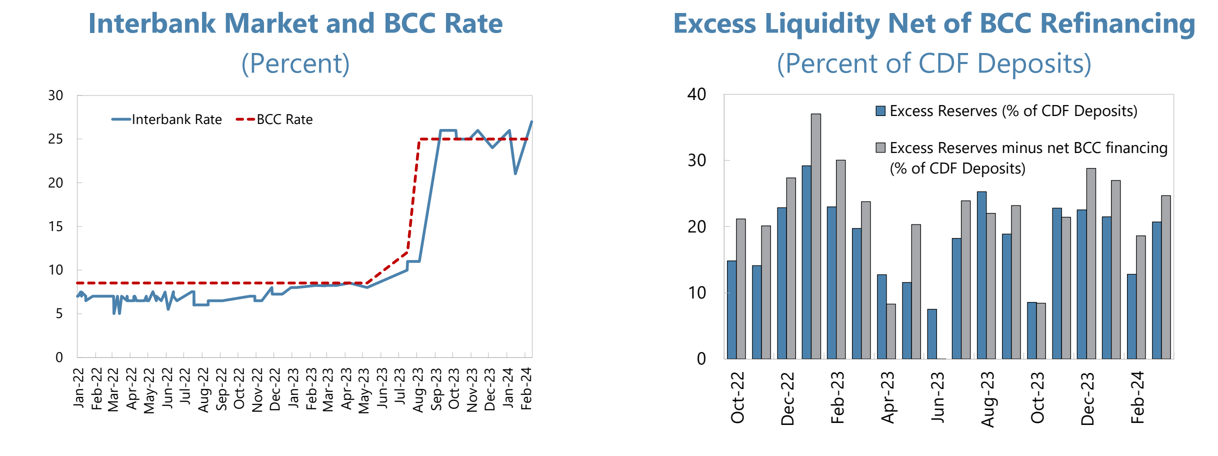
22. The authorities assess the fiscal stance to be appropriate and are committed to continue the implementation of the necessary structural fiscal reforms. They reiterated their commitment to improve revenue mobilization recognizing this is a sustainable way to fund development needs. They recognize the weaknesses in public financial management and the spending chain procedures and are committed to the implementation of the Public Investment Management Assessment (PIMA) recommendations. They viewed the revised SICOMINES deal as an opportunity to ensure the proper use of the associated resources. They committed to include the associated revenue in the budget and to establish robust financial and governance mechanisms for these resources, including the publication of regular implementation reports (MEFP ¶12).

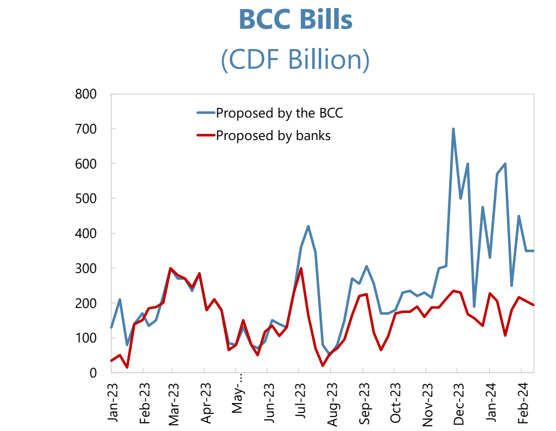
B. Monetary and Financial Sector Policies

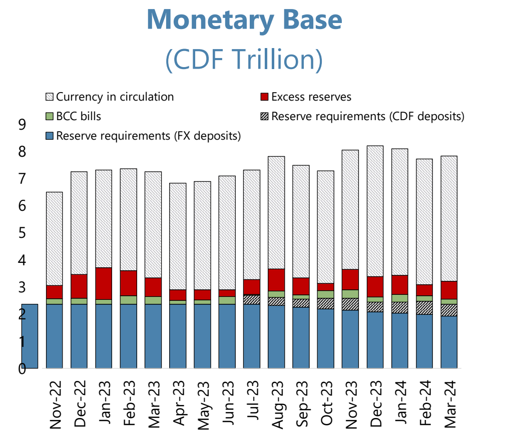
In the near term, monetary policy must maintain a tight stance to help contain inflation. The authorities also need to undertake near and medium-term reforms to improve the transmission of monetary policy and strengthen the soundness of the financial sector.

23. The BCC is expected to maintain a tight monetary policy stance, but liquidity management challenges remain (MEFP ¶28**).** The BCC must maintain its tight monetary policy stance until inflation declines below its target. Real interest rates are positive and are expected to increase as inflation continues to decline and the policy rate remains unchanged. The monetary policy tightening from 2023Q3 has been reflected in the interbank market, where interest rates have risen, and banking liquidity has become more constrained (Text Figure 2). The central bank intends to continue reducing excess liquidity, driven to a large extent by government spending, by expanding the ranges of BCC bills and, if necessary, increasing the reserve requirement coefficient on demand deposits in national currency. However, the ability of the BCC to mop up excess liquidity appears to have hit a limit: the banking sector's appetite for bills issued by the BCC has decreased (the ratio of bids to volumes offered by BCC has declined significantly in recent months) and refinancing operations have surged. Given the need to improve the transmission of monetary policy and reduce excess liquidity, the BCC is considering additional measures to strengthen the implementation framework of monetary policy following the recommendations of the March 2024 IMF TA mission (see ¶26 below).

Text Figure 2. BCC Bills and Monetary Policy Implementation



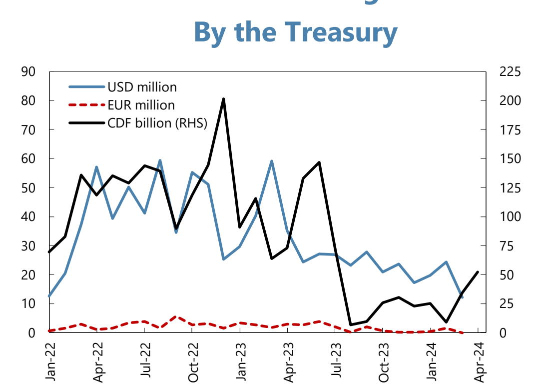


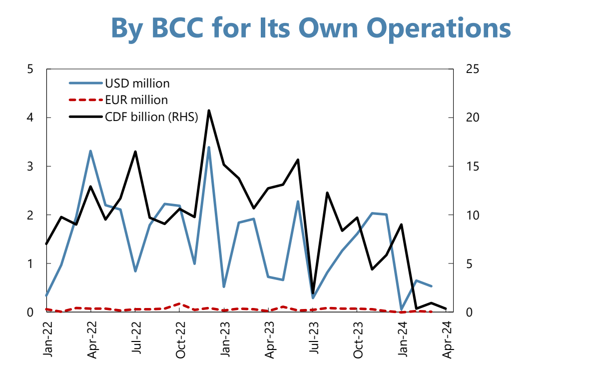


Sources : Banque centrale du Congo and IMF staff calculations.

24. The BCC is committed to strictly limit its cash transactions. Cash payments at BCC counters appear to have settled at lower levels since restrictions on their use were enacted last July (Text Figure 3). The authorities adopted on May 16 a decree limiting spending execution in cash, thereby aligning the framework for the execution of Treasury and BCC operations with the AML/CFT law (SB for end-May 2024). However, they noted that due to low bank penetration in remote areas, cash payments at the BCC cannot be eliminated completely.

Text Figure 3. Cash Withdrawals at the BCC Counter





Source: Congolese authorities and IMF staff calculations.

25. The exchange rate has continued to depreciate, albeit at a slower pace, while FX policy is being strengthened (MEFP ¶28). The spread between the official and parallel exchange rate narrowed further during the first quarter of 2024. The easing of pressures in the FX market is mostly linked to high tax payment from the mining sector, as its associated FX influx to the country. With the exchange rate still depreciating, albeit at a slower rate, social and political pressure remains high on the BCC to fight the depreciation through substantial FX intervention. The BCC is taking measures to improve the functioning of the FX market and to enhance its FX intervention strategy, in line with November 2023 MCM TA, aiming to reduce extreme volatility in an environment of shallow markets. These measures include (i) the elimination of the cap on the margin generated by banks on the resale of U.S. dollars obtained at auction; (ii) the alignment of the method for defining the marginal exchange rate at auction with the regulatory framework and good market practices; and (iii) the enhanced monitoring of the foreign exchange operations system with on-site and off-site supervision.

26. Modernizing the monetary policy implementation framework remains a priority (MEFP ¶28). The banking system is characterized by excess reserves, yet it is also subject to occasional liquidity shocks, which partially justify the substantial liquidity buffer that banks maintain. In this context, banks rely significantly on financing from the central bank and are reluctant to lock their liquidity into BCC bills. At the same time, there is some uncertainty as to the availability of central bank financing in a timely manner, which compounds banks' tendency to keep high liquidity buffers. In response to these challenges and in line with the March 2024 IMF TA mission, the BCC is adopting measures to strengthen the implementation framework of monetary policy to make the refinancing from the BCC accessible on demand, but at a higher cost, to reduce the banks' precautionary liquidity buffer and provide incentives to exchange liquidity in the interbank market. Additional measures by the BCC include a daily analysis of its liquidity projection gaps and the establishment of a database to analyze banks' vulnerability to shocks, including liquidity and exchange rate shocks.

27. The BCC needs to step up the implementation of outstanding recommendations from the 2020 safeguards assessment (MEFP ¶34)**.** In particular, concerted efforts are needed for the BCC to strengthen its accounting procedures and IFRS capacity. The issuance of the FY2023 financial statements in compliance with IFRS is delayed from end-May to end-September 2024 (SB). Relatedly, the MoU signed last November for the transfer of CDF213 billion in share capital will need to be amended to reflect the reassessed BCC recapitalization needs resulting from the ongoing work towards IFRS. Other safeguards-related commitments include: (i) adopting a plan to close FX accounts at domestic commercial banks; (ii) strengthening frameworks and governance arrangements in the areas of foreign reserves management and lending operations; and (iii) operationalizing the newly created function for internal and external compliance.

28. Financial regulation reforms are progressing in some areas. The BCC has initiated on-site missions to assess the reliability of reporting Non-Performing Loans following the lifting of the regulatory easing measures adopted in response to the pandemic. With the support of IMF TA, the BCC is updating its solvency ratio regulation to align it with Basel standards. Before finalizing and implementing this reform, the BCC intends to conduct impact studies with the banking sector. An update of the liquidity ratio regulation is also planned. To support these regulatory updates and ensure effective implementation, the human resources of the BCC directorate in charge of supervision (DSIF) have been strengthened, and ongoing training programs are in place.

Authorities' view

29. **The BCC stands ready to further tighten monetary policy if needed including** by increasing reserve requirement coefficient on demand deposits in national currency. The central bank aims to curb excess liquidity and plans to raise interest rates on open market operations while also making BCC financing available on demand at a higher cost. The monetary policy committee met on May 30 and kept its tight monetary policy stance unchanged, with the policy rate at 25 percent and reserve requirements on local currency deposits at 10 percent. One of the authorities' priorities is to strengthen the financial position of the central bank. In this respect, the BCC is committed to producing its financial statement in line with IFRS standards and the recapitalization needs derived from this exercise will be subject to a MoU signed between the Ministry of Finance and the BCC. The authorities intend to take steps to limit the dollarization of the economy given the significant pass-through effect of exchange rate depreciation on inflation. The BCC reiterated its intention to use FX interventions only to smooth excess volatility. The authorities also acknowledged the need to better coordinate fiscal and monetary policy, in order to strengthen the latter's effectiveness.

C. Structural Reforms to Promote Diversification and Private Activity and Priorities

Structural reforms are key to tackling long-term economic challenges and achieving sustained, inclusive, and diversified growth. The forthcoming National Strategic Development Plan for 2024-2028 will provide a framework to guide these reforms.

30. Fighting corruption, and improving governance and transparency remain of paramount importance. The authorities have taken initiative and are making progress in various areas, including (i) the priority action plan for the National policy on Justice Reform (PNRJ) and the upcoming United Nations Convention Against Corruption (UNCAC) review which will inform efforts to strengthen anti-corruption institutions such as the national Agency for Prevention and Fight against Corruption (APLC); (ii) the adoption of the National Anticorruption Strategy in October 2022, which led to the implementation of a detailed action plan, monitored by various government entities including the Ministry of Justice and the Observatory of Corruption and Professional Ethics, (iii) the substantial increase of funding for vital oversight bodies such as the Cour des comptes. One of the most significant anti-corruption efforts remains the work of the Inspection Generale des Finance (IGF), whose scope is continually expanding to include the ex-ante control of expenditures of public institutions and special funds. However, major weaknesses in governance and transparency remain (Figure 6). Corruption remains pervasive, despite efforts from the anti-corruption and control agencies. Continuous commitment towards the timely publication of mining contracts, including renegotiated ones, within the 60 days of signature, remains critical for transparency (continuous SB).

31. Improving the business climate is critical to support sustained and inclusive growth. The business climate remains affected by a complex tax system, a lack of basic infrastructure and financing, and an unreliable rule of law and limited integrity in the judiciary. The private sector is also concerned about the haphazard implementation of the law on subcontracting and administrative hassles.[16] The authorities adopted on November 2, 2023, an emergency reform plan, focusing on simplifying taxation and better protecting taxpayers against harassment, the publication of all judiciary decisions, the revitalization of the Single Window for Business Creation, and the continuation of reforms on public procurement.

32. Commitment to diversify the economy must be reflected in policy and budget priorities. No tangible progress in the diversification of the economy has been observed. The extractive sector continues to account for 99 percent of total exports. The accession to the East African Community has not resulted in observable macroeconomic shift yet. The lack of infrastructure (roads, electricity) and weaknesses in land management and human capacity continue to impede the emergence of non-mining production sectors. Expected higher revenues from the updated SICOMINES contract and the mining sector in general represent an opportunity to implement transformative infrastructure projects, which will help unlock the DRC's potential in many areas.

33. The DRC is still a FATF- identified jurisdiction under increased monitoring (MEFP ¶39). The 4th progress report submitted to the FATF Secretariat on March 22, 2024, highlights progress but reiterates the need to meet the deadlines for several of the points in the Action Plan. Progress includes: i) the validation of the national AML/CFT strategy in late 2023; ii) dissemination to main stakeholders of the national risk assessment report; iii) the signature of the decree designating supervisory authorities for all non-financial business sectors and professions and the decrees on the financial sanctions regime; (iv) human resources building with hiring magistrates, preparing training plan for all investigators and enhancing capacities of CENAREF analysts and (v) ongoing deployment of a software to secure receipt and processing of suspicious transaction reports. Extensive donors' support led by the European Union Global Facility is provided, and the Fund plays an important role in the dialogue with the authorities on the need to implement reforms.

34. Climate change presents significant challenges as well as opportunities (Annex IV – Climate Change). DRC is one of the least climate-ready and most climate-vulnerable countries. DRC's climate vulnerabilities are interlinked with the country's fragility and elevated conflict risks as climate shocks exacerbate intra and inter regional tensions and can amplify social unrest. Based on the World Bank's Country Climate and Development Report (CCDR), addressing climate change needs to be prioritized across four key areas: (i) enhancing agricultural productivity through climate-smart practices; (ii) leveraging the country's natural wealth via sustainable forest and landscape management, expanding along the mineral value chain and fully harnessing its hydropower potential; (iii) upgrading infrastructure for climate resilience, particularly in transport and urban development; and (iv) strengthening governance for effective climate action. The country would be uniquely positioned to play a leading role in the global green transition as it (i) holds large reserves of green minerals (primarily copper and cobalt); (ii) provides immense carbon sequestration services thanks to its vast forest resources; and (iii) has vast hydropower potential. However, significant

[16] The February 2017 Law on subcontractors requires that the majority of ownership, management, and staff of subcontractors be Congolese nationals. The interpretation and implementation of the Law have been haphazard, including a broadening of the definition of subcontractors to encompass all suppliers.

bottlenecks linked to governance weaknesses and capacity and financing constraints need to be addressed for the country to achieve its potential, particularly given the persisting challenges in key sectors for climate change such as mining, forestry and energy For instance, in the mining sector, improvements in mining governance and in compliance with socially and environmentally responsible mining practices are key prerequisites, while in the forestry and energy sectors, ensuring the periodic publication of deforestation data, strengthening the legal framework on allocation and management of forest and conservation concessions and addressing the chronic underperformance of the national utility company Société Nationale d'Électricité (SNEL) are of pivotal importance Given the significant financing gaps DRC is facing, strengthening financial markets and creating an enabling environment for the private sector will be critical.

Authorities' Views

35. The authorities agree that reforms to diversify the economy and improve the business climate and governance are essential to ensure inclusive growth. They reiterated their commitment to diversify the economy and to improve the business environment. They acknowledged their windfall revenues, including from the updated SICOMINES contract, could help close the infrastructure gap, which in turn will improve productivity. They confirmed their commitment to implement the necessary reforms so the DRC will exit the FATF grey list in a timely manner. Finally, they intend to step up the implementation of their climate policies, including through a future IMF's resilience and sustainability program.

D. Program Modalities

36. Conditionality and completion of the review. The authorities requested a waiver of nonobservance of the PC on the domestic fiscal balance, based on the continued implementation of corrective actions of the fifth review and the following new corrective measures (¶18): (i) preparing by September a Supplementary 2024 budget law aligned with the sixth review macro-framework; (ii) publishing revised quarterly spending plans (already implemented), (iii) launching decentralization of spending authorizations in pilot ministries. The authorities remain committed to implementing the proposed measures and their interest in a successor program will be helpful in this regard. Staff projects an annual post-program financing gap of about US$200 million, financed by reserve accumulation slower than required to reach adequate levels by 2029.

37. Financing assurances. The ECF arrangement is fully financed for the remainder of its duration, though a post-program gap is possible. It has helped catalyze resources, including from the World Bank, with ongoing discussions for budget support operation in the second half of 2024, for at least US$500 million.

38. DRC's capacity to repay the Fund remains adequate but subject to risk (Table 6), with outstanding IMF credit projected to peak at 3 percent of GDP in 2024 and 35.6 percent of GIR in 2023. Annual repayments would not exceed 0.5 percent of GDP, and 1.2 percent of exports. Higher-than-envisaged reserve accumulation, program implementation of envisioned reforms and the low level of public debt will help build resilience against shocks and mitigate risks.

39. The authorities continue to make progress on resolving external arrears. External arrears partly date from pre-HIPC Completion Point, and amount to US$250.79 million at end-2023. Four non-Paris Club creditors hold claims against the DRC for US$60 million and are in negotiation or under a reconciliation process. Meetings with each of these creditors took place in 2023 or are scheduled this year, with enhanced information sharing, to reach an agreement. The remaining external arrears are claims from commercial creditors with whom the authorities are also making good faith efforts, by sharing additional information and communication to facilitate resolution.

DATA ISSUES

40. Data provision has some shortcomings that somewhat hamper surveillance being addressed gradually (Annex VII – Data Issues Annex and MEFP ¶42). With IMF CD support, progress has been made in several areas such as the Table of Financial Operations of the State (TOFE) compiled and converted to the GFSM 2014, and the financial soundness indicators compiled and already disseminated, but further efforts are necessary elsewhere. The authorities are also interested in developing the eGDDS/National Summary Data Page (NSDP), and technical assistance (TA) is needed to create this data page.

STAFF APPRAISAL

41. The DRC has made significant gains during the ECF-supported arrangement, though further progress will be needed to ensure sustainable and equitable development. Key achievements include strengthening external sustainability by improving reserves adequacy and creating more fiscal space through enhanced domestic revenue mobilization while preserving debt sustainability. However, more progress is needed in budget credibility and spending chain reinforcement. Additionally, the country remains vulnerable to significant shocks. More recently, an intensification of the conflict in the East of the country has been straining the government's still limited capacity to execute spending in a transparent and accountable manner—despite the authorities' efforts to improve budget formulation and execution. For the sixth and last review of the ECF, all quantitative PCs were met except for the domestic fiscal balance PC that was missed due to higher-than-expected exceptional spending. Corrective actions are being implemented to address the missed PC. The structural reform agenda is progressing, albeit with a delay.

42. Growth remains robust but downside risks to the economic outlook persist. While real GDP growth remains strong, supported by non-extractive sector activity, the growth of the non-extractive sector was slower than anticipated. Conditions remain favorable to sustain growth in 2024 and the medium term but will hinge on advancing the structural reforms agenda, promoting economic diversification and carefully calibrating of the policy mix to alleviate pressures on the external and fiscal sectors. Inflation accelerated in 2023, fueled by depreciation pressures, but has shown signs of moderation in recent months and is expected to return to BCC's target in the medium term. Improving the monetary policy and exchange rate policy frameworks are of paramount importance for bringing inflation to target and addressing dollarization pressures.

43. Prudent fiscal policy and reforms are needed to keep debt sustainable and to maintain macroeconomic stability. It remains essential that authorities accelerate structural fiscal reforms and practice fiscal discipline, especially in a highly dollarized economy and high inflation. Critical development and social spending needs persist and therefore ensuring fiscal space to conduct quality spending is essential. Among the key priority reforms are following proper public financial management procedure, improving revenue mobilization efforts, ensuring that all revenues are transparently included in the budget, executing expenditures in line with normal spending chain procedures, and improving governance and transparency.

44. Efforts to enhance the transmission mechanisms of monetary policy are critical for strengthening its credibility. The shift to a restrictive monetary policy stance in the third quarter of 2023 is a positive development, reflecting a commitment to curb inflationary pressures. Additionally, the ongoing reform to the BCC's monetary policy implementation framework and its FX intervention strategy are important steps towards enhancing the effectiveness of monetary policy. Going forward, further operationalization and compliance with the BCC law is required. Legal reforms might be considered to further bolster the central bank's independence and credibility. These reforms should include strengthening the autonomy of the BCC and improving its governance. The operationalization of accountability mechanisms and transparency mechanism in policy formulation and execution should be considered. In this context, the finalization of the government strategy to recapitalize the BCC should be prioritized as adequate capitalization is vital for the central bank to fulfill its mandate. By addressing these critical areas, the authorities can ensure that the BCC is well-equipped to navigate the challenges of de-dollarization in the long run.

45. An improved policy mix will help lessen fiscal pressures while strengthening the role of monetary policy. The authorities face policy constraints and tradeoffs that need to be carefully considered. Development and security spending needs are immense, but domestic financing options are limited and expensive, as domestic financial markets remain shallow. Given the contribution of fiscal policy to inflation and exchange rate developments in the highly dollarized DRC economy, fiscal policy needs to be tight to support monetary policy efforts to reduce inflation. In turn, improving the implementation framework of monetary policy will be critical to complement and underpin the fiscal efforts.

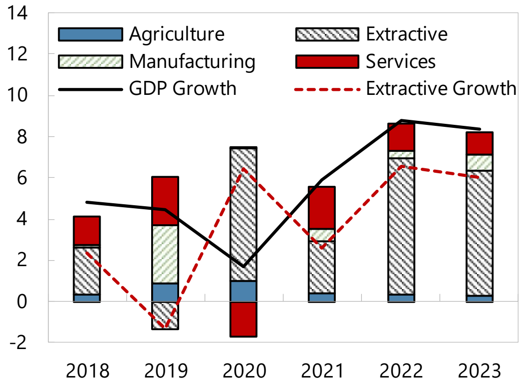
46. Staff supports the authorities' request for a waiver for the missed PC, the completion of the Sixth Review under the ECF arrangement, and the financing assurances review. A strong commitment to revise the 2024 budget and contain current spending, together with policies to limit the fiscal deficit, to contain inflation, together with structural reforms, will help the authorities in meeting program objectives. The authorities' interest in a successor ECF arrangement and a new RSF provides assurances that prudent policies will be implemented going forward.

47. Staff notes the authorities' intention to start discussions on a successor arrangement. In the meantime, it is recommended that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. Real Sector Developments, 2018-24

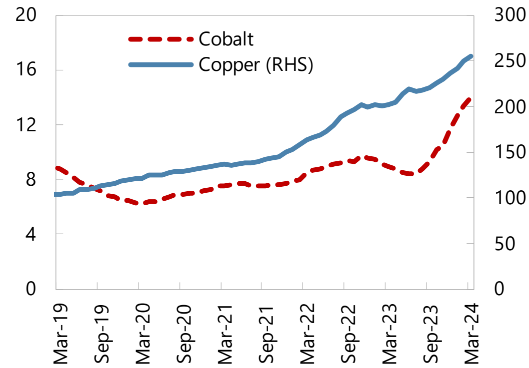
The extractive sector dominates growth dynamics…

Contribution to Real GDP Growth
(Percent)



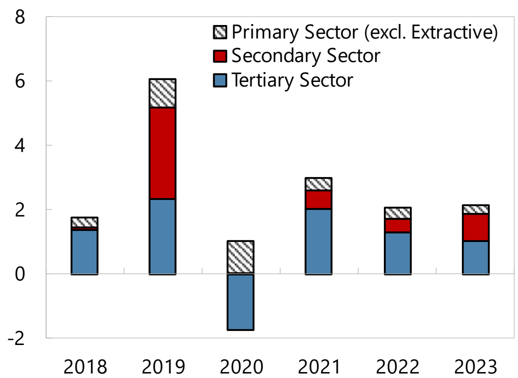
…with growth benefitting from increasing copper and cobalt mining exports despite weaker metal prices.

Cobalt and Copper Exports
(Thousand metric ton, 12-month rolling Avg.)



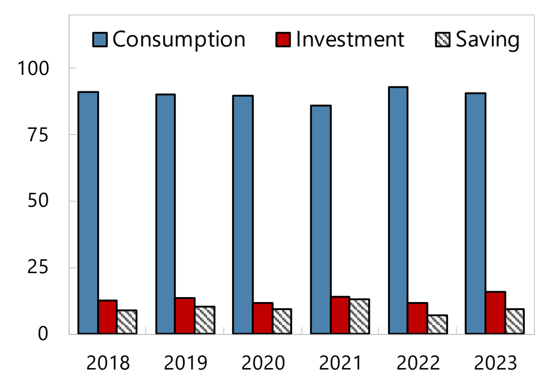
Non-extractive growth was supported by strong construction activity…

Non-Extractive Real GDP Growth
(Percent)



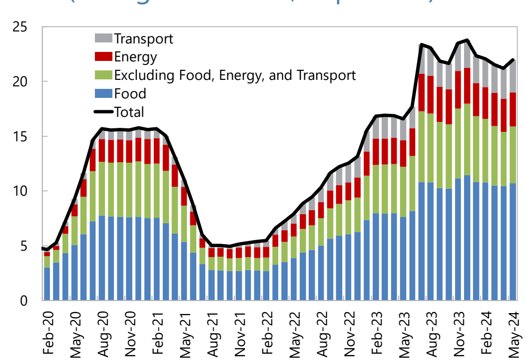
…despite somewhat moderated investment.

Consumption vs Investment
(Percent of GDP)



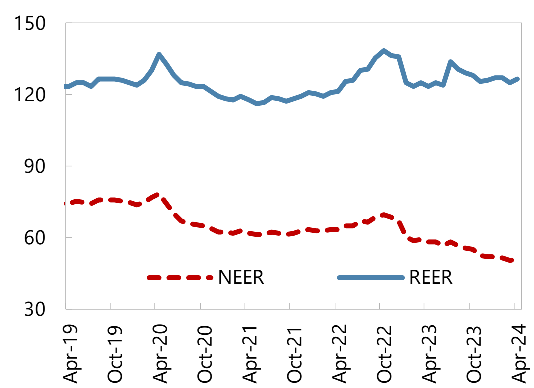
Headline and core inflation have surged recently due to passthrough effect of the exchange rate depreciation…

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



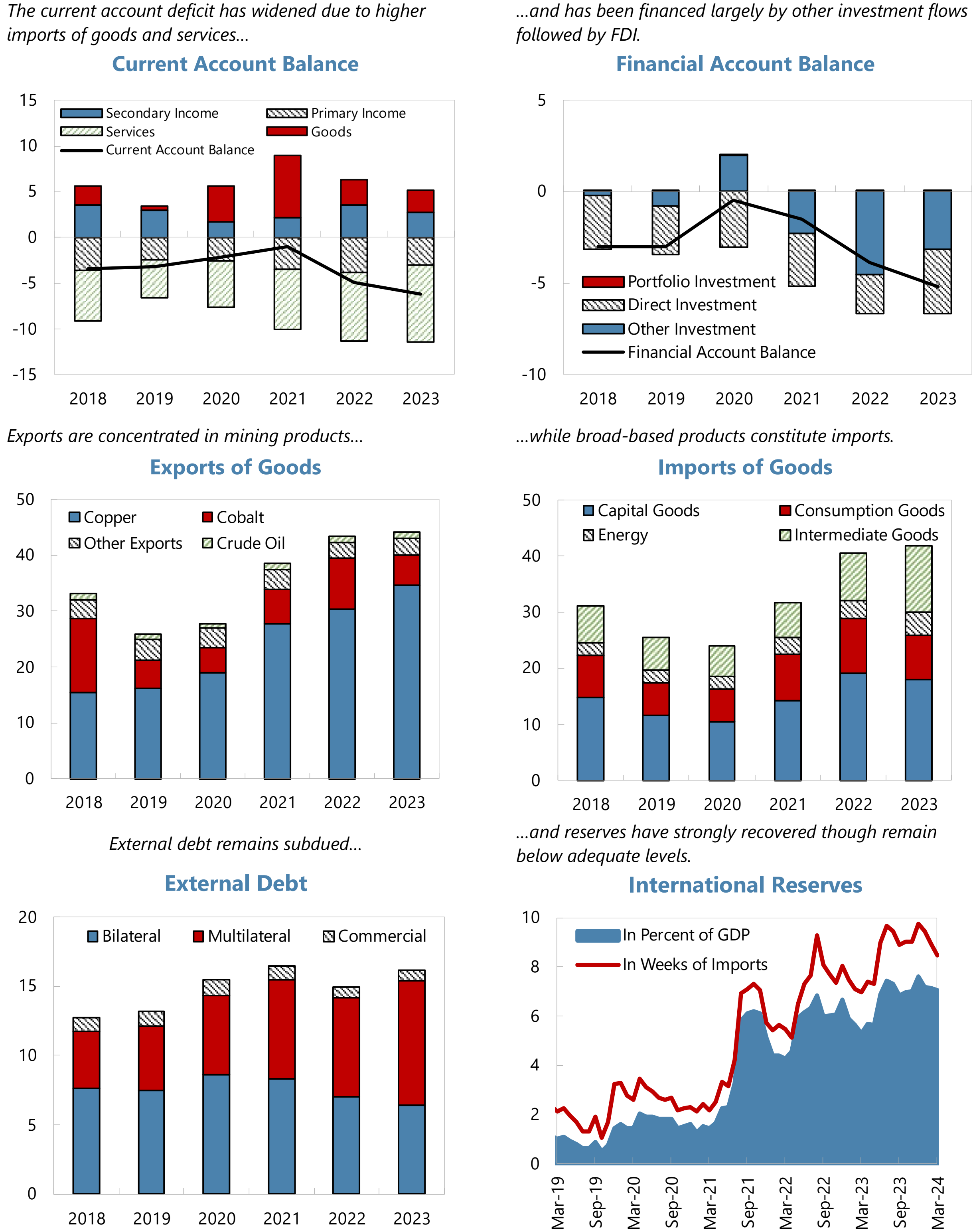
…as the exchange rate has been under depreciation pressures in this highly dollarized economy.

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



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

Figure 2. External Sector Developments, 2018-24
(Percent of GDP unless specified)

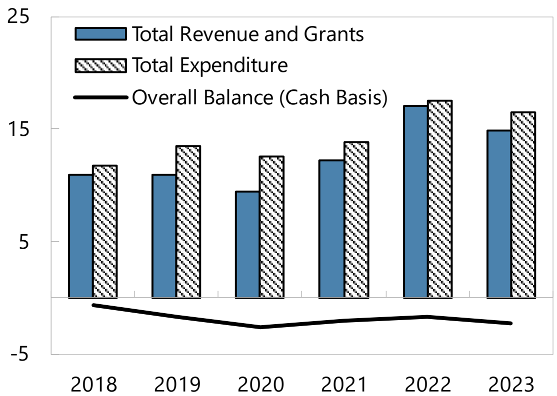


Sources: Congolese authorities; and IMF staff estimates.

Figure 3. Fiscal Sector Developments, 2018-24
(Percent of GDP)

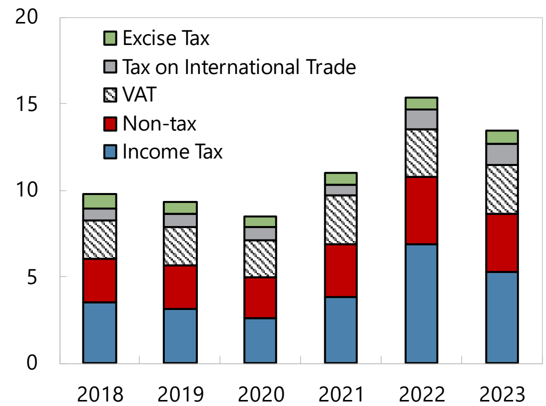
The fiscal deficit has remained broadly contained ...

Fiscal Balance



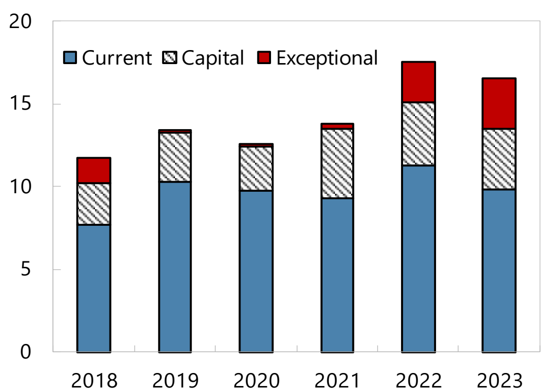
...though stronger revenues have not compensated...

Central Government Revenue



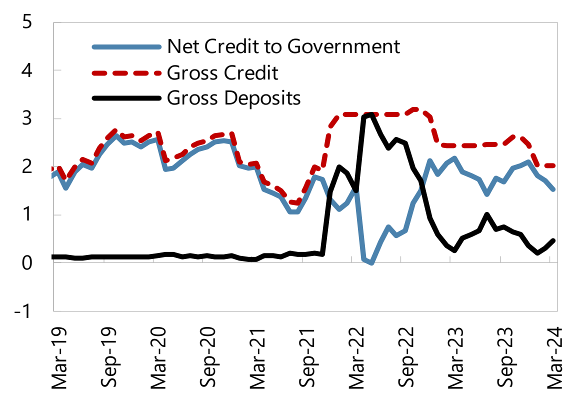
...for the increase in current and exceptional expenditures partly due to security spending with the Eastern conflict.

Expenditure [1/]



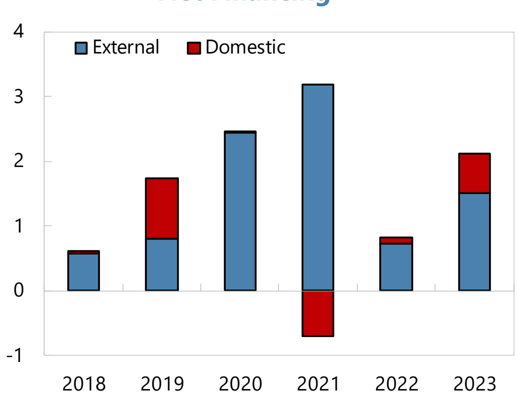
NCG continues to improve following the discontinuation of BCC advances since end-April 2020

BCC Net Credit to the Government [2/]



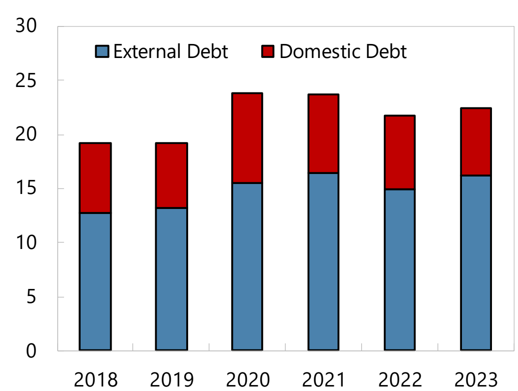
Domestic financing has remained limited despite efforts to issue more government securities ...

Net Financing [3/]



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

Public and Publicly Guaranteed Debt



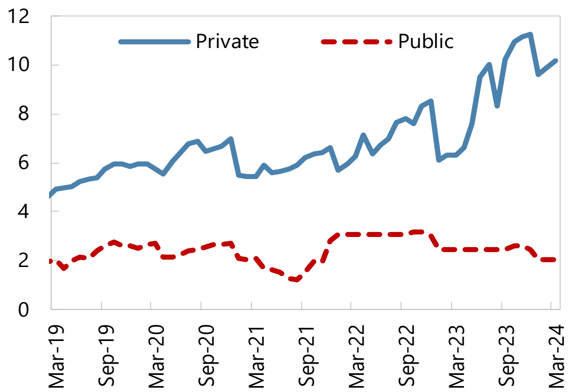
Sources: Congolese authorities; and IMF staff estimates.

1/ Exceptional expenditure includes security, elections, and other exceptional expenditures. 2/ NCG net of SDR allocation. 3/ Net financing does not include arrears accumulation.

Figure 4. Monetary and Financial Sector Developments, 2019-24

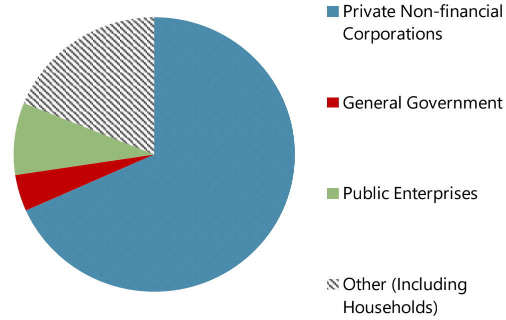
Credit to the economy is increasing, albeit from a low base….

Credit to Private and Public Sector
(Percent of GDP)



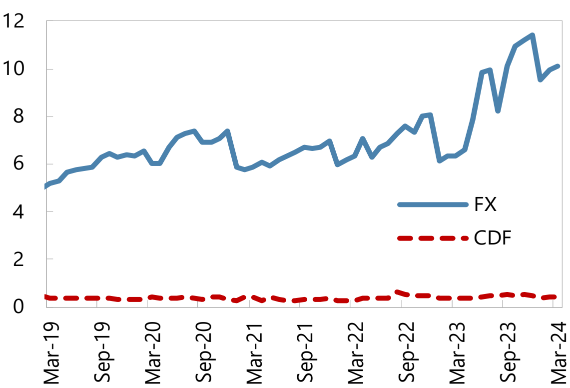
…with most credit allocated to private enterprises.

Bank Credit to the Non-financial Sector
(By sector, in percent of total, as of Mar-24)



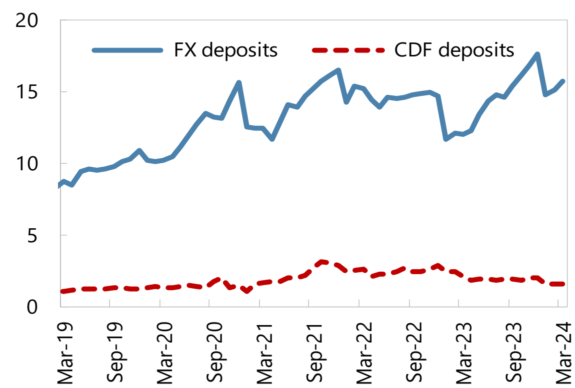
Credit is extended mostly in FX, while credit in Congolese francs remains limited.

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



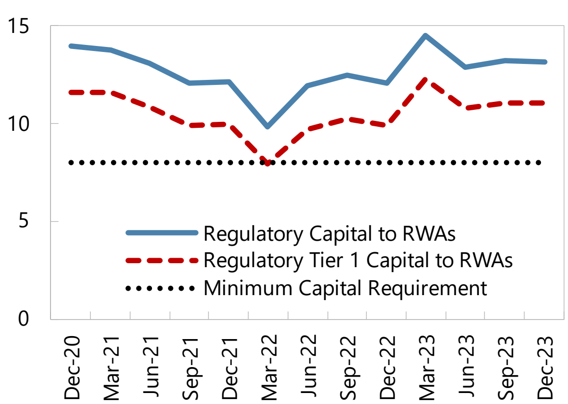
Bank deposits are almost entirely in foreign currency.

Evolution of Private Sector Deposits
(Percent of GDP)



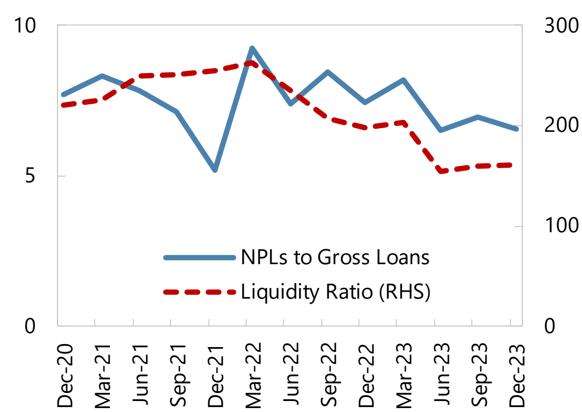
Capital ratios remain above requirements.

Regulatory Capital



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

Liquidity and Asset Quality

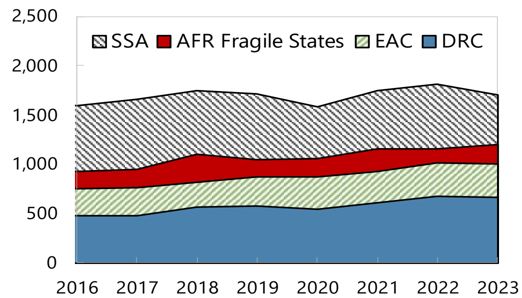


Sources: Congolese authorities; and IMF staff estimates.

Figure 5. Fragility Indicators

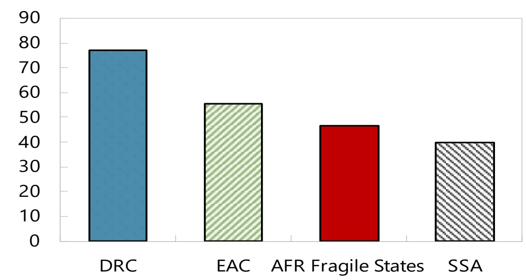
Per-capita GDP is much lower than peers…

GDP per Capita[1]
(US$)



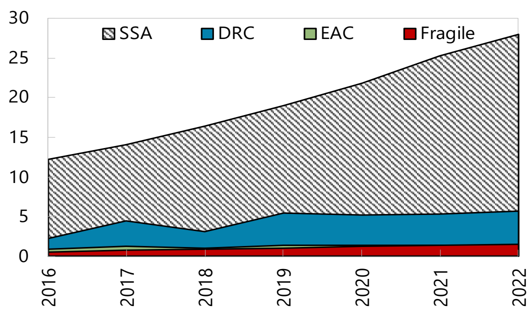
…and poverty rates stand out among African fragile states and SSA peers.

Poverty Rate[2]
(Percent, as of Apr-24)



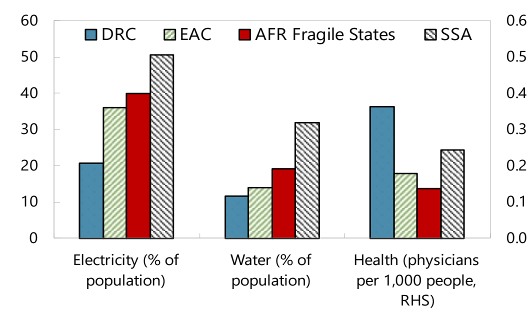
The population suffers from conflict displacement much more than other fragile states.

Internally Displaced Persons[3]
(Million)



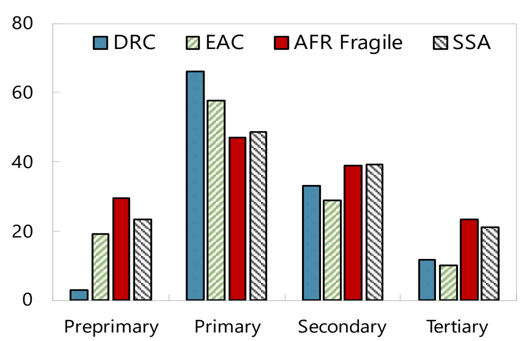
Access to basic utilities remain low, though access to physicians has improved compared to regional peers.

Access to Basic Services[4]
(Latest Available)



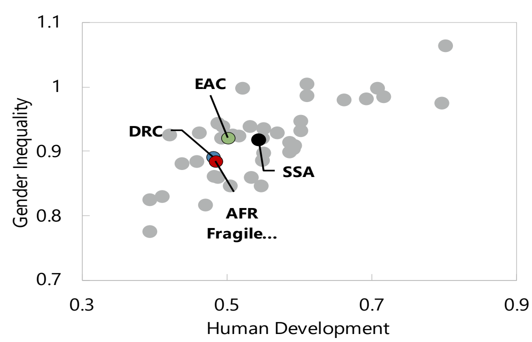
But education enrollment rates are broadly comparable to peers.

Education Enrollment, 2021[5]
(Percent of total relevant school-age pop.)



Gender equality and human capital are subpar for growth, but in line with other fragile states in the region.

Human Development and Gender Inequality, 2022[6]



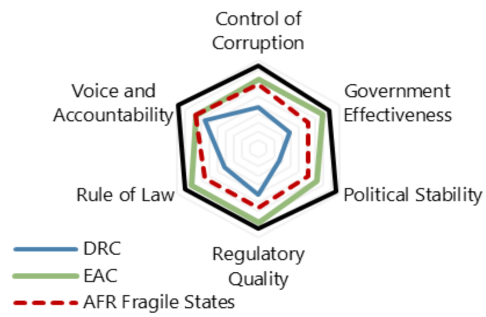
1/ IMF World Economic Outlook Database.
2/ Haver Analytics, Oxford University (Our World in Data).
3/Internal Displacement Monitoring Center (IDMC) and World Development Indicators, World Bank Group.
4/ World Development Indicators, World Bank Group.
5/ Ibrahim Index of African Governance.
6/ UNDP: Human Development Reports.
Note: East African Community (EAC) includes the seven Sub-Saharan African members: Burundi, Democratic Republic of the Congo, Kenya, Rwanda, South Sudan, Tanzania, and Uganda. AFR Fragile States include Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of the Congo, Eritrea, Ethiopia, Guinea-Bissau, Mali, Mozambique, Niger, Nigeria, São Tomé and Príncipe, South Sudan, and Zimbabwe.

Figure 6. Governance Indicators

All governance indicators remain weaker than peers…

Governance Indicators (WGI), 2022[1]

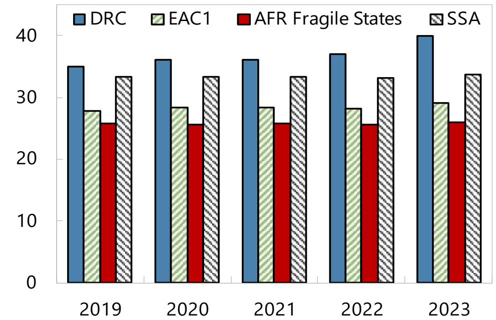
(Re-scaled: 0=Weak, 5=Strong)



…while corruption index has improved in past years…

Corruption Perception Index[2]

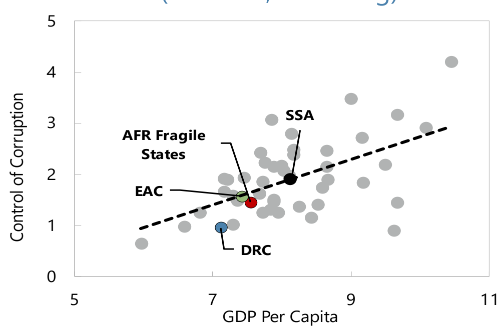
(0=Very Corrupt, 100=Very Clean)



…and corruption control is below countries with similar income levels.

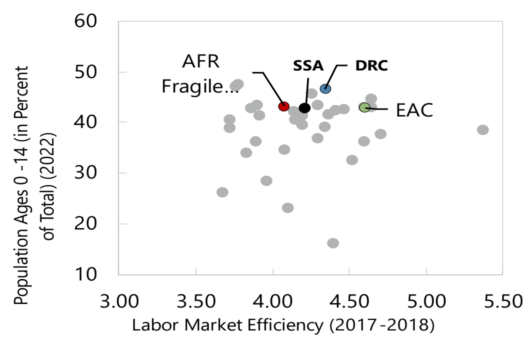
Governance (Control of Corruption) and GDP Per Capita (Ln, PPP), 2023[3]

(0=Weak, 5=Strong)



Labor market efficiency is slightly above peers.

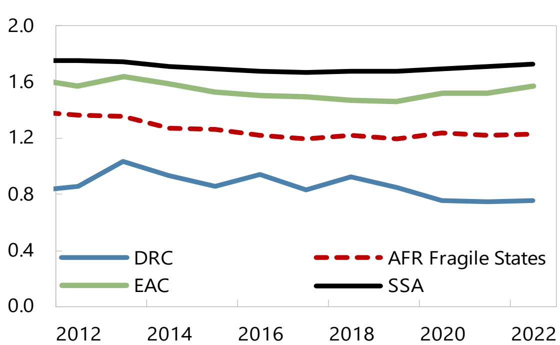
Labor Market Efficiency and Young Population Ratio[4]



Government effectiveness remains low compared to other countries in the region…

Government Effectiveness[1]

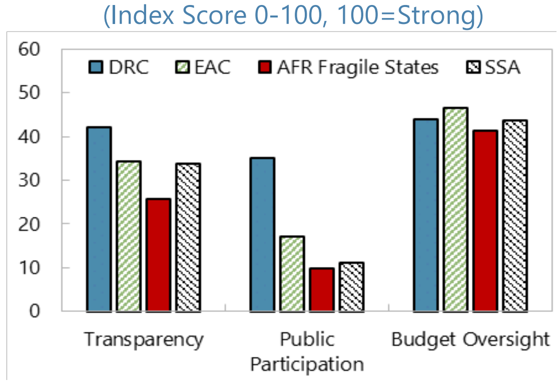
(Re-scaled: 0=Weak, 5=Strong)



…but budget transparency indicators perform well against peers.

Open Budget Survey[5]

(Index Score 0-100, 100=Strong)



1/ World Governance Indicators, World Bank Group.
2/ Transparency International.
3/ IMF World Economic Outlook and World Governance Indicators, World Bank Group.
4/ Prosperity Data, World Bank Group.
5/ Open Budget Survey, IBP. Latest published, 2021.
Note: East African Community (EAC) includes the seven Sub-Saharan African members: Burundi, Democratic Republic of the Congo, Kenya, Rwanda, South Sudan, Tanzania, and Uganda. AFR Fragile States include Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of the Congo, Eritrea, Ethiopia, Guinea-Bissau, Mali, Mozambique, Niger, Nigeria, São Tomé and Príncipe, South Sudan, and Zimbabwe.

Table 1. Democratic Republic of the Congo: Selected Economic and Financial Indicators, 2022-29

	2022	2023		2024		2025		2026	2027	2028	2029
	Act.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	Proj.	Proj.	Proj.	Proj.
				(Annual percentage change, unless otherwise indicated)							
GDP and prices											
Real GDP	8.8	6.2	8.4	4.8	4.7	5.6	5.1	4.5	5.1	4.4	4.3
Extractive GDP	22.3	9.1	18.2	4.4	5.8	6.4	4.8	2.9	4.0	1.2	2.1
Non-Extractive GDP	3.1	4.7	3.5	5.0	4.1	5.3	5.3	5.4	5.8	6.1	5.5
GDP deflator	5.9	16.7	14.4	13.0	16.2	8.1	9.1	6.7	6.4	6.4	6.5
Consumer prices, period average	9.3	19.4	19.9	14.7	17.2	8.5	8.8	7.0	7.0	7.0	7.0
Consumer prices, end of period	13.1	20.8	23.8	11.6	12.0	7.0	7.0	7.0	7.0	7.0	7.0
External sector											
Exports in U.S. dollars, f.o.b. value	28.7	3.1	3.6	1.2	5.1	5.3	5.6	4.0	2.9	1.9	2.7
Imports in U.S. dollars, f.o.b. value	46.3	0.0	4.9	4.1	2.8	5.6	5.8	4.1	2.6	2.4	2.4
Exports volume	26.4	10.6	19.0	3.4	6.3	4.2	3.9	3.6	2.9	1.9	2.5
Import volume	28.6	4.8	6.4	1.1	1.1	4.8	5.1	3.2	1.4	1.1	1.1
Terms of trade	-8.7	-6.7	-12.9	-3.3	-2.2	0.3	0.9	-0.5	-1.1	-1.2	-1.1
				(Annual change in percent of beginning-of-period broad money)							
Money and credit											
Net foreign assets	-7.0	29.8	20.0	10.7	22.0	13.2	11.3	8.9	8.7	9.2	11.0
Net domestic assets	10.4	2.4	20.3	10.0	-0.3	2.8	3.4	2.5	3.2	1.9	0.1
Domestic credit	16.7	28.5	34.1	12.6	7.2	11.0	8.7	7.5	8.1	8.2	8.6
Of which: net credit to government	0.5	1.4	3.9	1.1	-1.6	2.2	0.9	1.3	1.8	2.2	2.6
credit to the private sector	14.9	24.7	27.7	10.4	7.7	8.0	7.0	5.5	5.7	5.3	5.3
Broad money	3.5	32.3	40.3	20.7	21.6	16.0	14.7	11.4	11.9	11.0	11.1
				(Percent of GDP, unless otherwise indicated)							
Central government finance											
Revenue and grants	17.0	14.3	14.8	14.9	15.7	14.7	14.2	14.4	14.6	14.8	14.7
Revenue	15.4	12.6	13.7	13.2	14.4	13.3	13.2	13.5	13.8	14.1	14.1
Grants	1.6	1.7	1.1	1.7	1.4	1.3	1.0	0.9	0.8	0.7	0.6
Expenditures	17.5	15.9	16.5	16.3	17.8	15.8	15.5	15.5	15.7	16.1	16.3
Overall fiscal balance (cash basis)	-1.6	-2.1	-2.3	-2.0	-2.7	-1.7	-1.8	-1.7	-1.6	-1.8	-2.1
Domestic fiscal balance (program target)	-1.2	-0.8	-1.3	-0.6	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Non-natural resource overall fiscal balance	-3.9	-3.9	-4.3	-3.8	-3.6	-4.0	-3.9	-4.1	-4.0	-3.9	-3.9
Public Debt	21.8	22.5	24.1	20.5	22.8	18.7	21.5	20.7	19.7	19.1	18.9
Investment and saving											
Gross national saving	6.9	5.1	9.4	6.8	10.9	9.3	11.7	11.8	12.1	12.6	12.9
Government	-1.4	-1.6	-2.1	-1.8	-1.3	-1.3	0.0	0.2	0.4	0.7	0.6
Non-government	8.3	6.8	11.5	8.6	12.2	10.6	11.7	11.5	11.7	11.8	12.2
Investment	11.8	10.4	15.7	10.8	15.6	12.6	15.3	15.3	15.4	15.9	16.0
Government	3.8	4.4	3.7	4.8	5.6	4.6	5.3	5.3	5.4	5.9	6.0
Non-government	8.0	6.0	12.0	6.0	10.0	8.0	10.0	10.0	10.0	10.0	10.0
Balance of payments											
Exports of goods and services	43.5	42.5	44.3	39.6	43.9	37.2	43.2	42.3	40.9	39.3	38.2
Imports of goods and services	48.2	48.0	50.3	45.2	48.5	42.6	47.8	46.9	45.1	43.6	42.2
Current account balance, incl. transfers	-4.9	-5.3	-6.2	-4.1	-4.6	-3.2	-3.5	-3.5	-3.3	-3.3	-3.1
Current account balance, excl. transfers	-6.5	-6.1	-7.6	-5.4	-5.1	-4.6	-4.4	-4.4	-4.1	-4.1	-3.9
Overall balance	-1.3	-1.5	-1.5	-0.9	-1.1	-0.4	-0.4	-0.3	-0.2	-0.1	0.0
Gross official reserves (millions of U.S. dollars)	4,565	5,346	5,421	6,211	6,341	6,940	6,683	6,999	7,246	7,589	8,198
Gross official reserves (weeks of imports)	7.9	9.6	9.3	10.4	10.0	11.0	10.0	10.2	10.4	10.6	11.2
External debt											
Total stock, including IMF	15.0	17.8	17.8	17.0	18.5	16.0	18.3	18.2	17.8	17.6	17.6
PV of debt (percent of exports of goods and services)	29.1	29.3	28.0	30.8	30.2	30.3	30.0	30.0	29.7	29.9	30.4
Scheduled debt service (millions of U.S. dollars)	693	698	705	718	652	804	782	874	1067	1131	1270
Percent of exports of goods and services	2.4	2.4	2.4	2.5	2.1	2.6	2.4	2.6	3.0	3.1	3.4
Percent of government revenue	6.8	8.3	7.7	7.4	6.4	7.3	7.8	8.0	9.0	8.8	9.3
Exchange rate (CDF per U.S. dollars)											
Period average	2,007.0	2,444	2,444	...	...	...	...	...	...	...	...
End-of-period	2,016.9	2,687	2,687	...	...	...	...	...	...	...	...
Memorandum items:											
DRC copper export price ((US$ per ton)	8,342.4	8,247.8	8,162.5	8,038.4	8,220.1	8,105.0	8,326.4	8,340.9	8,332.6	8,321.0	8,333.4
DRC cobalt export price (US$ per ton)	51,809.9	29,441.9	25,447.1	29,339.7	21,305.4	29,865.6	22,185.0	22,254.6	22,254.6	22,254.6	22,254.6
World crude oil price (US$ per barrel)	96.4	80.5	80.6	79.9	78.6	76.0	73.7	70.6	68.7	67.8	67.5
Nominal GDP (billions of CDF)	132,015	164,001	163,596	194,275	198,980	221,891	228,181	254,240	284,468	315,891	351,007

Sources: Congolese authorities and IMF staff estimates and projections.

Table 2. Democratic Republic of the Congo: Balance of Payments, 2022-29

(Millions of US$, unless otherwise indicated)

	2022	2023		2024		2025		2026	2027	2028	2029
	Act.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	Proj.	Proj.	Proj.	Proj.
Current Account Balance	-3,238	-3,546	-4,183	-2,990	-3,290	-2,669	-2,697	-2,865	-2,833	-3,042	-3,027
Current Account Balance (excl. budget grants) [A]	-3,576	-3,618	-4,237	-3,078	-3,347	-2,669	-2,697	-2,865	-2,833	-3,042	-3,027
Goods balance	1,864	1,873	1,601	1,100	2,322	1,083	2,393	2,455	2,645	2,553	2,725
Exports of goods	28,562	28,562	29,601	28,892	31,106	30,428	32,845	34,169	35,170	35,843	36,824
o/w extractive sector	28,339	28,241	29,427	28,503	30,893	29,938	32,590	33,858	34,788	35,374	36,244
Imports of goods	26,698	26,689	28,000	27,792	28,784	29,345	30,452	31,714	32,524	33,291	34,099
o/w capital goods	12,590	12,518	12,089	12,949	12,975	13,829	13,920	14,388	14,187	13,892	13,600
Services balance	-4,908	-5,603	-5,627	-5,241	-5,584	-5,526	-5,902	-6,143	-6,312	-6,447	-6,613
Primary income	-2,515	-2,531	-2,018	-2,537	-1,724	-2,647	-1,635	-1,723	-1,814	-1,901	-1,995
Secondary income (excl. budget support grants)	1,984	2,644	1,808	3,599	1,639	4,421	2,448	2,547	2,648	2,754	2,857
Budget grants	338	72	54	88	57	0	0	0	0	0	0
Capital Account Balance [B]	538	925	760	1,059	1,020	1,031	912	922	938	1,026	1,041
Net Lending(+)/Borrowing(-) [A+B]	-3,038	-2,693	-3,476	-2,018	-2,326	-1,639	-1,785	-1,943	-1,895	-2,015	-1,986
Financial Account Balance (excl. IMF and budget loans) [C]	-2,022	-1,653	-2,551	-1,387	-1,560	-1,296	-1,490	-1,684	-1,738	-1,921	-1,974
Financial Account Balance	-2,530	-2,621	-3,484	-1,930	-2,270	-1,639	-1,785	-1,943	-1,895	-2,015	-1,986
Portfolio investment	34	36	3	39	4	43	4	4	4	5	5
Direct investment	-1,409	-1,208	-2,375	-1,580	-2,140	-1,860	-1,884	-2,000	-2,133	-2,258	-2,390
Direct investment liabilities	1,409	1,208	2,375	1,580	2,140	1,860	1,884	2,000	2,133	2,258	2,390
Other investment (excl. IMF and budget support loans)	-2,471	-1,263	-1,167	-711	-343	-209	48	-4	143	-10	-198
of which:											
Project loans	615	860	653	1,083	1,521	1,017	1,005	945	945	1,112	1,440
Change in reserves (+: increase)	1,824	783	987	865	920	729	342	317	247	342	609
Net Errors and Omissions [D]	170	0	-61	0	0	0	0	0	0	0	0
Overall Balance [A+B-C+D]	-846	-1,041	-986	-631	-767	-343	-295	-259	-157	-94	-12
Overall Financing Needs	846	1,041	986	631	767	343	295	259	157	94	12
ECF financing	389	379	365	155	154	-157	-155	-191	-293	-356	-438
Disbursements	398	408	406	204	202	0	0	0	0	0	0
Repayments	9	29	41	49	49	157	155	191	293	356	438
SDR allocation	0	0	0	0	0	0	0	0	0	0	0
Other exceptional financing	457	662	621	477	613	500	450	450	450	450	450
Budget support loans	119	590	568	388	557	300	450	450	450	450	450
World Bank	119										
AfDB	0										
Others	0										
Budget grants	338	72	54	88	57	0	0	0	0	0	0
Unidentified exceptional financing	0	0	0	0	0	200	0	0	0	0	0
Memorandum Items:											
Current account balance (in percent of GDP)	-4.9	-5.3	-6.2	-4.1	-4.6	-3.2	-3.5	-3.5	-3.3	-3.3	-3.1
Terms of trade (percent change)	-8.7	-6.7	-12.9	-3.3	-2.2	0.341074	0.9	-0.5	-1.1	-1.2	-1.1
Financial account balance (excl. IMF, SDR allocation, and budget loans, in percent of GDP)	-3.1	-2.5	-3.8	-1.9	-2.2	-1.6	-2.0	-2.1	-2.0	-2.1	-2.0
o/w direct investment liabilities	2.1	1.8	3.5	2.2	3.0	2.3	2.5	3.4	2.5	2.5	2.5
Gross reserves	4,565.1	5,346.0	5,420.7	6,210.7	6,340.9	6,940.1	6,682.7	6,999.3	7,246.5	7,588.5	8,197.9
in weeks of non-aid related imports	7.9	9.6	9.3	10.4	10.0	11.0	10.0	10.2	10.4	10.6	11.2
Nominal GDP (Million US Dollars)	65,777.2	67,328.1	66,932.7	73,389.4	70,946.5	82,255.4	76,157.2	80,875.0	86,242.7	91,276.2	96,623.9

Sources: Congolese authorities and IMF staff estimates and projections.

Table 3a. Democratic Republic of the Congo: Central Government Operations, 2022-29 1/

(Billions of CDF)

	2022	2023		2024		2025		2026	2027	2028	2029
	Act.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	**22,439**	**23,482**	**24,241**	**28,980**	**31,333**	**32,555**	**32,442**	**36,678**	**41,415**	**46,844**	**51,542**
Revenue	**20,308**	**20,617**	**22,393**	**25,602**	**28,575**	**29,614**	**30,120**	**34,403**	**39,217**	**44,544**	**49,466**
Central government revenue (excl. special accounts)	**18,999**	**18,542**	**20,318**	**22,052**	**25,025**	**25,945**	**26,436**	**30,298**	**34,624**	**39,444**	**43,799**
Tax revenue	15,147	15,267	16,415	18,275	19,620	21,565	21,235	23,994	27,255	31,256	34,672
Income tax	9,049	7,716	8,600	9,001	10,472	10,219	10,050	11,174	12,490	13,764	15,243
Individuals	1,740	2,165	2,163	2,663	2,760	3,072	3,197	3,597	4,065	4,560	5,117
Businesses	6,647	5,090	5,888	5,771	6,884	6,520	5,903	6,537	7,278	7,976	8,793
Other unallocable taxes on income, profits, and capital gains	663	461	549	567	828	627	950	1,039	1,146	1,229	1,333
Taxes on goods and services	4,628	5,548	5,751	6,811	6,526	8,532	8,179	9,471	11,017	13,121	14,340
Value-added tax/Turnover tax	3,679	4,372	4,532	5,378	4,996	6,880	6,425	7,516	8,830	10,572	12,334
Excises	949	1,176	1,218	1,433	1,530	1,652	1,754	1,954	2,187	2,550	2,006
Taxes on international trade and transactions	1,469	2,003	2,064	2,463	2,622	2,813	3,007	3,350	3,748	4,370	5,088
Non-tax revenue	5,161	5,271	5,560	7,327	8,754	8,049	8,885	10,408	11,962	13,288	14,794
Revenue from natural resources and telecommunications	2,548	1,550	1,735	1,752	3,412	2,067	3,289	3,890	4,313	4,727	5,221
Mining royalties	1,499	1,009	1,161	1,092	2,688	1,320	2,458	2,872	3,153	3,417	3,737
Oil royalty and rent	417	218	232	268	266	290	287	364	411	449	490
Telecommunications	254	174	159	209	236	239	270	301	337	393	458
Dividends from state-owned enterprises	377	148	184	182	223	219	273	353	412	468	536
Fees from sectoral ministries	560	1,336	1,310	1,643	1,275	1,877	1,319	1,742	2,279	2,582	2,926
Other	745	311	440	382	517	436	592	671	777	880	980
Special accounts and budgets	1,309	2,075	2,075	3,550	3,550	3,669	3,684	4,105	4,593	5,100	5,667
Grants	**2,131**	**2,865**	**1,848**	**3,378**	**2,758**	**2,941**	**2,322**	**2,275**	**2,198**	**2,300**	**2,076**
Project	1,453	2,691	1,717	3,144	2,599	2,941	2,322	2,275	2,198	2,300	2,076
Budget support	678	175	131	234	158	0	0	0	0	0	0
Expenditure	**23,109**	**26,026**	**27,048**	**31,634**	**35,410**	**35,071**	**35,292**	**39,506**	**44,568**	**50,995**	**57,352**
Current expenditure	**14,858**	**15,749**	**16,085**	**19,971**	**19,906**	**23,658**	**21,618**	**24,186**	**27,194**	**30,124**	**33,693**
Wages	6,578	7,130	7,132	8,125	8,125	9,116	8,991	10,105	11,400	12,520	14,033
Interest due	457	509	548	661	714	704	728	869	1,034	1,209	1,429
External	61	85	87	96	109	174	195	284	382	473	610
Domestic	396	424	461	566	606	530	533	586	651	736	820
Goods and services	4,159	4,128	4,197	4,890	5,001	6,937	5,741	6,241	6,972	7,755	8,655
Subsidies and other current transfers	3,664	3,982	4,207	6,295	6,066	6,901	6,158	6,971	7,788	8,640	9,576
Subsidies	2,037	1,638	1,879	2,331	2,115	2,759	2,014	2,322	2,620	2,931	3,247
Transfers to other levels of national government	319	269	254	414	401	473	460	544	575	609	662
Special accounts and budgets	1,309	2,075	2,075	3,550	3,550	3,669	3,684	4,105	4,593	5,100	5,667
Capital expenditure	**5,063**	**7,240**	**5,977**	**9,416**	**11,062**	**11,081**	**12,053**	**13,511**	**15,350**	**18,624**	**21,160**
Foreign-financed	2,686	4,786	3,312	6,012	6,864	5,684	5,332	5,245	5,316	6,148	7,307
Domestically-financed	2,377	2,455	2,665	3,404	4,198	5,397	6,721	8,266	10,034	12,476	13,854
Exceptional expenditure 2/	**3,188**	**3,037**	**4,986**	**2,247**	**4,442**	**332**	**1,621**	**1,809**	**2,024**	**2,247**	**2,498**
of which: elections	798	1,120	1,390	200	200	0	0	0	0	0	0
Overall fiscal balance (commitment basis)	**-670**	**-2,544**	**-2,807**	**-2,654**	**-4,077**	**-2,516**	**-2,850**	**-2,828**	**-3,153**	**-4,150**	**-5,809**
Base domestic fiscal balance	**-54**	**-539**	**-1,256**	**76**	**138**	**401**	**356**	**425**	**347**	**170**	**31**
Change in domestic arrears (repayment = -)	-1,495	-854	-876	-1,164	-1,230	-1,305	-1,305	-1,455	-1,475	-1,496	-1,496
Domestic fiscal balance (cash basis)	**-1,550**	**-1,393**	**-2,132**	**-1,088**	**-1,092**	**-903**	**-949**	**-1,030**	**-1,128**	**-1,326**	**-1,465**
Overall fiscal balance (cash basis)	**-2,166**	**-3,398**	**-3,683**	**-3,818**	**-5,307**	**-3,820**	**-4,155**	**-4,283**	**-4,628**	**-5,646**	**-7,305**
Errors and omissions	**1,082**	**0**	**202**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financing	**1,084**	**3,398**	**3,480**	**3,818**	**5,307**	**3,820**	**4,155**	**4,283**	**4,628**	**5,646**	**7,305**
Domestic financing (banking system)	113	364	997	374	-27	895	387	676	985	1,400	1,826
Foreign financing	971	3,034	2,484	3,443	5,334	2,925	3,768	3,608	3,643	4,246	5,479
Budget loans (disbursements)	239	1,437	1,387	1,028	1,561	794	1,262	1,262	1,262	1,262	1,262
Project loans (disbursements)	1,234	2,095	1,595	2,868	4,265	2,743	3,011	2,970	3,118	3,847	5,231
Amortization of external debt	-501	-498	-499	-452	-491	-612	-505	-624	-737	-863	-1,014
Other external financing 3/	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:											
Gross domestic product (billions of CDF)	132,015	164,001	163,596	194,275	198,980	221,891	228,181	254,240	284,468	315,891	351,007
Mining revenues	8,909	10,265	10,713	12,006	14,785	13,380	16,303	18,064	19,905	23,079	25,104

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

1/ Covers the budgetary central government.

2/ Mainly expenditure related to security and elections.

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

Table 3b. Democratic Republic of the Congo: Central Government Operations, 2022-29 1/
(Percent of GDP)

	2022	2023		2024		2025		2026	2027	2028	2029
	Act.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	**17.0**	**14.3**	**14.8**	**14.9**	**15.7**	**14.7**	**14.2**	**14.4**	**14.6**	**14.8**	**14.7**
Revenue	**15.4**	**12.6**	**13.7**	**13.2**	**14.4**	**13.3**	**13.2**	**13.5**	**13.8**	**14.1**	**14.1**
Central government revenue (excl. special accounts)	**14.4**	**11.3**	**12.4**	**11.4**	**12.6**	**11.7**	**11.6**	**11.9**	**12.2**	**12.5**	**12.5**
Tax revenue	11.5	9.3	10.0	9.4	9.9	9.7	9.3	9.4	9.6	9.9	9.9
Income tax	6.9	4.7	5.3	4.6	5.3	4.6	4.4	4.4	4.4	4.4	4.3
Individuals	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.5
Businesses	5.0	3.1	3.6	3.0	3.5	2.9	2.6	2.6	2.6	2.5	2.5
Other unallocable taxes on income, profits, and capital gains	0.5	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4
Taxes on goods and services	3.5	3.4	3.5	3.5	3.3	3.8	3.6	3.7	3.9	4.2	4.1
Value-added tax/Turnover tax	2.8	2.7	2.8	2.8	2.5	3.1	2.8	3.0	3.1	3.3	3.5
Excises	0.7	0.7	0.7	0.7	0.8	0.7	0.8	0.8	0.8	0.8	0.6
Taxes on international trade and transactions	1.1	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4
Non-tax revenue	3.9	3.2	3.4	3.8	4.4	3.6	3.9	4.1	4.2	4.2	4.2
Revenue from natural resources and telecommunications	1.9	0.9	1.1	0.9	1.7	0.9	1.4	1.5	1.5	1.5	1.5
Mining royalties	1.1	0.6	0.7	0.6	1.4	0.6	1.1	1.1	1.1	1.1	1.1
Oil royalty and rent	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Telecommunications	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Dividends from state-owned enterprises	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Fees from sectoral ministries	0.4	0.8	0.8	0.8	0.6	0.8	0.6	0.7	0.8	0.8	0.8
Other	0.6	0.2	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Special accounts and budgets	1.0	1.3	1.3	1.8	1.8	1.7	1.6	1.6	1.6	1.6	1.6
Grants	**1.6**	**1.7**	**1.1**	**1.7**	**1.4**	**1.3**	**1.0**	**0.9**	**0.8**	**0.7**	**0.6**
Project	1.1	1.6	1.0	1.6	1.3	1.3	1.0	0.9	0.8	0.7	0.6
Budget support	0.5	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	**17.5**	**15.9**	**16.5**	**16.3**	**17.8**	**15.8**	**15.5**	**15.5**	**15.7**	**16.1**	**16.3**
Current expenditure	**11.3**	**9.6**	**9.8**	**10.3**	**10.0**	**10.7**	**9.5**	**9.5**	**9.6**	**9.5**	**9.6**
Wages	5.0	4.3	4.4	4.2	4.1	4.1	3.9	4.0	4.0	4.0	4.0
Interest due	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.4
External	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Domestic	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Goods and services	3.2	2.5	2.6	2.5	2.5	3.1	2.5	2.5	2.5	2.5	2.5
Subsidies and other current transfers	2.8	2.4	2.6	3.2	3.0	3.1	2.7	2.7	2.7	2.7	2.7
Subsidies	1.5	1.0	1.1	1.2	1.1	1.2	0.9	0.9	0.9	0.9	0.9
Transfers to other levels of national government	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Special accounts and budgets	1.0	1.3	1.3	1.8	1.8	1.7	1.6	1.6	1.6	1.6	1.6
Capital expenditure	**3.8**	**4.4**	**3.7**	**4.8**	**5.6**	**5.0**	**5.3**	**5.3**	**5.4**	**5.9**	**6.0**
Foreign-financed	2.0	2.9	2.0	3.1	3.4	2.6	2.3	2.1	1.9	1.9	2.1
Domestically-financed	1.8	1.5	1.6	1.8	2.1	2.4	2.9	3.3	3.5	3.9	3.9
Exceptional expenditure 2/	**2.4**	**1.9**	**3.0**	**1.2**	**2.2**	**0.1**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**
of which: elections	0.6	0.7	0.8	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (commitment basis)	**-0.5**	**-1.6**	**-1.7**	**-1.4**	**-2.0**	**-1.1**	**-1.2**	**-1.1**	**-1.1**	**-1.3**	**-1.7**
Base domestic fiscal balance	**0.0**	**-0.3**	**-0.8**	**0.0**	**0.1**	**0.2**	**0.2**	**0.2**	**0.1**	**0.1**	**0.0**
Change in domestic arrears (repayment = -)	-1.1	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5	-0.4
Domestic fiscal balance (cash basis)	**-1.2**	**-0.8**	**-1.3**	**-0.6**	**-0.5**	**-0.4**	**-0.4**	**-0.4**	**-0.4**	**-0.4**	**-0.4**
Overall fiscal balance (cash basis)	**-1.6**	**-2.1**	**-2.3**	**-2.0**	**-2.7**	**-1.7**	**-1.8**	**-1.7**	**-1.6**	**-1.8**	**-2.1**
Errors and omissions	**0.8**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financing	**0.8**	**2.1**	**2.1**	**2.0**	**2.7**	**1.7**	**1.8**	**1.7**	**1.6**	**1.8**	**2.1**
Domestic financing (banking system)	0.1	0.2	0.6	0.2	0.0	0.4	0.2	0.3	0.3	0.4	0.5
Foreign financing	0.7	1.9	1.5	1.8	2.7	1.3	1.7	1.4	1.3	1.3	1.6
Budget loans (disbursements)	0.2	0.9	0.8	0.5	0.8	0.4	0.6	0.5	0.4	0.4	0.4
Project loans (disbursements)	0.9	1.3	1.0	1.5	2.1	1.2	1.3	1.2	1.1	1.2	1.5
Amortization of external debt	-0.4	-0.3	-0.3	-0.2	-0.2	-0.3	-0.2	-0.2	-0.3	-0.3	-0.3
Other external financing 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Gross domestic product (billions of CDF)	132,015	164,001	163,596	194,275	198,980	221,891	228,181	254,240	284,468	315,891	389,950
Mining revenues	6.7	6.3	6.5	6.2	7.4	6.0	7.1	7.1	7.0	7.3	7.2

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

1/ Covers the budgetary central government.

2/ Mainly expenditure related to security and elections.

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

Table 4. Democratic Republic of the Congo: Depository Corporations Survey, 2022-29
(Billions of CDF, unless otherwise indicated)

	2022	2023		2024		2025		2026	2027	2028	2029
	Act.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	CR No. 23/434	Proj.	Proj.	Proj.	Proj.	Proj.
Depository corporations survey:											
Net foreign assets	**15,737**	**23,446**	**20,891**	**27,097**	**28,843**	**32,518**	**33,828**	**38,335**	**43,245**	**49,017**	**56,690**
Claims on non-residents	22,220	32,784	32,244	38,160	39,932	43,880	45,639	50,747	55,978	61,824	69,247
Liabilities to non-residents	6,483	9,338	11,353	11,063	11,089	11,362	11,811	12,412	12,733	12,808	12,557
Net domestic assets	**10,090**	**10,714**	**15,340**	**14,129**	**15,217**	**15,286**	**16,694**	**17,953**	**19,732**	**20,914**	**21,011**
Domestic credit	13,935	21,285	22,741	25,590	25,332	30,128	29,181	32,951	37,528	42,667	48,676
Net credit to the central government	1,448	1,812	2,444	2,186	1,874	3,081	2,262	2,937	3,922	5,322	7,149
Credit to other sectors	12,484	19,473	20,297	23,404	23,457	27,047	26,919	30,013	33,606	37,345	41,527
Credit to the private sector	11,276	17,652	18,421	21,214	21,197	24,514	24,294	27,058	30,264	33,597	37,321
Other items, net	-3,842	-10,571	-7,402	-11,461	-10,115	-14,842	-12,487	-14,997	-17,796	-21,753	-27,665
Broad Money (M2)	**25,827**	**34,159**	**36,230**	**41,226**	**44,060**	**47,804**	**50,522**	**56,288**	**62,977**	**69,930**	**77,701**
Narrow Money (M1)	**6,470**	**6,720**	**7,036**	**9,847**	**8,502**	**11,875**	**9,750**	**10,863**	**12,154**	**13,497**	**14,997**
Currency in circulation	3,543	4,009	4,528	4,994	5,507	5,872	6,315	7,036	7,873	8,742	9,714
Demand deposits	2,927	2,711	2,508	4,853	2,996	5,937	3,435	3,827	4,282	4,754	5,283
Quasi money	**19,358**	**27,440**	**29,195**	**31,379**	**35,558**	**35,929**	**40,772**	**45,425**	**50,823**	**56,434**	**62,704**
Time deposits in domestic currency	733	730	720	1,307	860	1,599	986	1,098	1,229	1,365	1,516
Foreign currency deposits	18,625	26,710	28,475	30,073	34,698	34,331	39,786	44,327	49,594	55,069	61,188
Banque centrale du Congo:											
Net foreign assets	**4,524**	**7,388**	**6,663**	**9,162**	**9,988**	**11,404**	**11,683**	**13,387**	**15,332**	**18,014**	**22,240**
Claims on non-residents	9,636	14,815	14,651	18,204	18,951	20,463	21,079	23,109	25,054	27,477	31,082
Gross official reserves	9,204	14,722	14,526	16,597	18,381	18,856	20,509	22,538	24,483	26,907	30,511
Liabilities to non-residents	-5,112	-7,427	-7,988	-9,042	-8,964	-9,059	-9,396	-9,721	-9,722	-9,463	-8,841
Net domestic assets	**2,931**	**1,449**	**2,242**	**1,495**	**799**	**1,179**	**389**	**-139**	**-718**	**-1,892**	**-4,272**
Domestic credit	3,703	4,146	4,383	4,399	4,212	4,256	4,169	4,173	4,177	4,181	4,185
Net credit to the central government	2,770	2,893	3,456	3,418	3,456	3,546	3,584	3,584	3,584	3,584	3,584
Claims on other depository corporations	847	1,121	814	846	639	571	465	465	465	465	466
Other items, net	-772	-2,696	-2,141	-2,905	-3,414	-3,077	-3,781	-4,312	-4,895	-6,073	-8,457
Monetary base (broad definition)	**7,455**	**8,838**	**8,904**	**10,657**	**10,786**	**12,583**	**12,072**	**13,249**	**14,614**	**16,122**	**17,969**
Other depository corporations:											
Net foreign assets	**11,213**	**16,057**	**14,228**	**17,935**	**18,856**	**21,114**	**22,144**	**24,947**	**27,913**	**31,003**	**34,450**
Net domestic assets	**10,954**	**13,803**	**17,370**	**18,007**	**19,593**	**20,463**	**21,958**	**24,200**	**27,086**	**30,080**	**33,432**
Claims on the central bank	4,234	4,574	4,952	6,020	5,860	7,003	6,338	6,794	7,322	7,961	8,835
Net credit to the central government	-1,323	-1,082	-1,012	-1,232	-1,582	-465	-1,322	-647	339	1,739	3,565
Credit to local administrations	211	446	254	537	306	621	356	401	453	508	570
Credit to public enterprises	997	1,374	1,621	1,653	1,954	1,912	2,270	2,555	2,889	3,240	3,636
Credit to private sector	11,190	17,521	18,308	21,079	21,079	24,375	24,173	26,934	30,136	33,465	37,185
Other items, net	-4,020	-9,031	-6,753	-10,049	-8,026	-12,982	-9,857	-11,836	-14,052	-16,832	-20,359
(Annual percent change)											
Net foreign assets	-9.9	49.0	32.7	15.6	38.1	20.0	17.3	13.3	12.8	13.3	15.7
Net domestic assets	34.9	6.2	52.0	31.9	-0.8	8.2	9.7	7.5	9.9	6.0	0.5
Domestic credit	53.3	46.6	55.7	19.9	13.3	14.1	13.3	10.1	10.7	10.1	10.2
Net credit to government	8.5	25.1	68.9	20.7	-23.3	40.9	20.7	29.9	33.5	35.7	34.3
Credit to the private sector [1/]	49.1	56.5	63.4	20.2	15.1	15.6	14.6	11.4	11.8	11.0	11.1
Broad Money (M2)	3.5	32.3	40.3	20.7	21.6	16.0	14.7	11.4	11.9	11.0	11.1
Memorandum items:											
Nominal GDP (billions of CDF)	132,015	164,001	163,596	194,275	198,980	221,891	228,181	254,240	284,468	315,891	351,007
Credit to the private sector (percent of GDP)	8.5%	10.8%	11.3%	10.9%	10.7%	11.0%	10.6%	10.6%	10.6%	10.6%	10.6%
Velocity (GDP/broad money)	5.1	4.8	4.5	4.7	4.5	4.6	4.5	4.5	4.5	4.5	4.5
Foreign currency deposits (percent of M2)	72.1	78.2	78.6	72.9	78.8	71.8	78.8	78.7	78.7	78.7	78.7
Foreign currency deposits (percent of total deposits)	83.6	88.6	89.8	83.0	90.0	82.0	90.0	90.0	90.0	90.0	90.0

Sources: Congolese authorities and IMF staff estimates and projections.
1/ Includes reclassification of accounts to comply with reporting standards of IMF.

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

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Capital Adequacy													
Regulatory capital to risk-weighted assets	14.0	13.8	13.1	12.1	12.1	9.9	11.9	12.5	12.1	14.5	12.9	13.2	13.2
Tier 1 capital to risk-weighted assets	11.6	11.6	10.9	9.9	10.0	7.9	9.7	10.2	9.9	12.3	10.8	11.1	11.1
Common Equity Tier 1 capital to risk-weighted assets	11.2	11.1	10.4	9.5	9.5	7.5	9.3	9.8	9.5	11.9	10.5	10.7	10.7
Tier 1 capital to assets	6.1	5.9	5.6	5.1	4.9	4.4	5.1	5.5	5.5	7.0	6.4	6.1	5.9
Asset quality													
NPLs to total gross loans	7.7	8.3	7.8	7.1	5.2	9.2	7.4	8.4	7.4	8.2	6.5	6.9	6.6
NPLs net of provisions to capital	15.5	16.7	16.4	15.1	10.0	24.0	10.9	20.5	18.9	17.6	18.8	19.4	20.3
Provisions to nonperforming loans	61.4	60.6	58.1	60.2	67.7	58.3	74.2	57.9	58.0	55.1	54.0	55.3	52.9
Loan concentration by economic activity	51.4	50.1	52.5	54.3	46.9	49.7	50.6	53.8	49.3	44.3	52.2	56.2	57.3
Earnings and profitability													
Return on assets (net income/total assets)	0.3	1.4	1.4	1.2	1.1	1.4	1.7	1.9	2.2	3.8	3.5	3.5	3.5
Return on equity (net income/equity)	2.1	16.1	17.2	15.3	15.7	18.2	19.5	23.1	24.7	35.3	35.9	38.2	39.0
Interest margin to gross income	32.3	30.4	28.1	30.3	28.9	29.5	30.3	29.8	30.8	36.4	37.4	38.3	37.5
Noninterest expenses to gross income	75.1	67.6	66.2	66.2	66.8	62.0	62.8	59.6	58.1	47.2	49.4	48.7	49.1
Liquidity													
Liquid assets to total assets	14.6	14.7	13.0	15.4	16.7	15.0	18.4	17.5	21.1	22.5	19.1	21.0	19.9
Liquid assets to short-term liabilities	42.8	46.5	40.6	46.1	45.0	42.6	53.2	54.8	64.4	69.1	61.9	65.9	62.1
Customer deposits to total (noninterbank) loans	220.5	224.9	249.7	250.0	254.7	262.5	234.1	207.0	197.9	202.6	154.1	159.8	160.4
Sensitivity to market risk													
Net open position in foreign exchange to capital	25.2	16.0	12.4	10.9	5.4	53.9	-5.4	13.1	16.2	-0.4	2.4	4.4	7.3
Foreign currency-denominated liabilities to total liabilities	89.8	87.8	86.7	85.0	85.0	84.1	85.8	85.1	82.8	83.1	86.5	86.5	88.1
Foreign currency-denominated loans to total loans	90.2	87.7	89.8	88.9	83.6	88.3	87.6	86.6	87.0	86.1	89.0	89.9	90.3

Source: Banque centrale du Congo.

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

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total obligations on existing and prospective credit													
Total obligations (In millions of SDRs)	6.6	30.9	36.5	116.4	143.1	219.3	265.0	325.9	276.4	249.7	188.8	112.6	66.9
Principal	0.0	0.0	0.0	80.0	106.6	182.8	228.4	289.4	239.9	213.2	152.3	76.1	30.4
Charges and interest 1/	6.6	30.9	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5
Total obligations (In millions of U.S. dollars)	8.7	41.2	48.5	155.1	191.1	293.4	355.6	437.8	371.5	335.7	253.8	151.4	90.0
In percent of exports of goods and services	0.0	0.1	0.2	0.5	0.6	0.8	1.0	1.2	1.0	0.8	0.6	0.4	0.2
In percent of GDP	0.0	0.1	0.1	0.2	0.2	0.3	0.4	0.5	0.4	0.3	0.2	0.1	0.1
In percent of quota	0.6	2.9	3.4	10.9	13.4	20.6	24.9	30.6	25.9	23.4	17.7	10.6	6.3
In percent of total external debt service	1.3	5.8	7.4	19.8	21.9	27.5	31.4	34.5	25.9	22.3	16.5	9.9	5.7
In percent of gross international reserves	0.2	0.8	0.8	2.3	2.7	4.0	4.7	5.3	4.2	3.7	2.8	1.6	1.0
Fund credit outstanding (end-period)													
In millions of SDRs	1,142.2	1,446.8	1,599.0	1,519.1	1,412.5	1,229.7	1,001.3	711.9	472.1	258.9	106.6	30.4	0.0
In millions of U.S. dollars	1,517.8	1,929.9	2,125.3	2,026.0	1,887.0	1,647.9	1,344.2	957.1	634.6	348.0	143.3	40.9	0.0
In percent of exports of goods and services	5.3	6.5	6.8	6.2	5.5	4.7	3.7	2.6	1.7	0.9	0.4	0.1	0.0
In percent of GDP	2.3	2.9	3.0	2.7	2.3	1.9	1.5	1.0	0.6	0.3	0.1	0.0	0.0
In percent of quota	107.1	135.7	150.0	142.5	132.5	115.4	93.9	66.8	44.3	24.3	10.0	2.9	0.0
In percent of total external debt	15.4	17.8	16.8	14.9	13.1	11.0	8.6	5.8	3.7	1.9	0.8	0.2	0.0
In percent of gross international reserves	33.2	35.6	33.5	30.3	27.0	22.7	17.7	11.7	7.1	3.9	1.6	0.4	0.0
Memorandum items													
Exports of goods and services (in millions of U.S. dollars)	28,632	29,650	31,170	32,913	34,239	35,242	35,917	36,899	37,466	40,331	40,864	41,511	42,182
Quota (in millions of SDRs)	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066	1,066
GDP (in millions of U.S. dollars)	65,777	66,933	70,946	76,157	80,875	86,243	91,276	96,624	102,265	109,864	116,652	124,165	138,656
Public sector external debt service (in millions of U.S. dollars)	693	705	652	782	874	1,067	1,131	1,270	1,436	1,505	1,538	1,524	1,579
Public sector external debt (end-period, in millions of U.S. dollars)	9,827	10,836	12,678	13,594	14,374	14,963	15,665	16,576	17,259	17,898	18,647	19,558	20,654
Gross international reserves (in millions of U.S. dollars)	4,565	5,421	6,341	6,683	6,999	7,246	7,589	8,198	8,888	8,977	9,085	9,189	9,104

Source: IMF staff estimates and projections.

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

Table 7. Democratic Republic of the Congo: External Financing Requirements and Sources, 2022-29

(Millions of US$, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029
Gross Financing Requirements	**4,102**	**4,748**	**3,771**	**3,222**	**3,465**	**3,609**	**3,872**	**3,977**
Current account deficit excl. grants	3,576	4,237	3,347	2,697	2,865	2,833	3,042	3,027
Public sector loan amortization	526	511	424	526	601	776	830	950
of which: IMF	0	0	0	107	142	245	307	389
Identified Financing Sources	**3,247**	**3,720**	**2,956**	**2,772**	**3,015**	**3,159**	**3,422**	**3,527**
Capital account balance	538	760	1,020	912	922	938	1,026	1,041
Net foreign direct investment	1,409	2,375	2,140	1,884	2,000	2,133	2,258	2,390
Portfolio inflows	-34	-3	-4	-4	-4	-4	-5	-5
Project loan disbursements	615	653	1,521	1,005	945	945	1,112	1,440
Other capital flows (net)	2,373	984	-801	-682	-531	-606	-627	-730
Change in reserves (+ increase)	-1,824	-987	-920	-342	-317	-247	-342	-609
Net Errors and Omission	170	-61	0	0	0	0	0	0
Financing Gap	**854**	**1,027**	**815**	**450**	**450**	**450**	**450**	**450**
Prospective Financing	**854**	**1,027**	**815**	**450**	**450**	**450**	**450**	**450**
ECF disbursements	398	406	202	0	0	0	0	0
World Bank	457	621	613	424	424	424	424	424
African Development Bank (AfDB)	0	0	0	0	0	0	0	0
Other multilateral and bilateral	0	0	0	26.4	26.4	26.4	26.4	26.4
Memorandum items:								
Gross reserves, weeks of non-aid related imports	7.9	9.3	10.0	10.0	10.2	10.4	10.6	11.2
Additional reserve accumulation 1/			213.7	213.7	213.7	213.7	213.7	213.7
Gross reserves, with additional accumulation			10.3	10.7	11.2	11.6	12.1	13.0

Sources: Congolese authorities and IMF staff projections.

1/ Additional reserve accumulation needed to increase the import coverage ratio to 13 weeks in 2029.

Table 8. Democratic Republic of the Congo: External Borrowing Program, 2023-24

PPG external debt	Volume of new debt in 2023		PV of new debt in 2023 (program purposes)		Volume of new debt in 2024		PV of new debt in 2024 (program purposes)	
	US$ million	Percent	US$ million	Percent	US$ million	Percent	US$ million	Percent
By sources of debt financing	**2099.3**	**100**	**654.9**	**100**	**3590.4**	**100**	**2548.9**	**100**
Concessional debt, of which	**1984.4**	**95**	**555.7**	**85**	**1567.0**	**44**	**717.6**	**28**
Multilateral debt	1984.4	95	555.7	85	1467.0	41	685.7	27
Bilateral debt	0.0	0	0.0	0	100.0	3	32.0	1
Other	0.0	0	0.0	0	0.0	0	0.0	0
Non-concessional debt, of which	**114.9**	**5**	**99.2**	**15**	**2023.4**	**56**	**1831.3**	**72**
Semi-concessional	84.9	4	69.2	11	776.7	22	584.5	23
Commercial terms	30.0	1	30.0	5	1246.7	35	1246.7	49
By Creditor Type	**2099.3**	**100**	**654.9**	**100**	**3590.4**	**100**	**2548.9**	**100**
Multilateral	1984.4	95	555.7	85	1681.9	47	851.0	33
Bilateral - Paris Club	84.9	4	69.2	11	241.1	7	153.0	6
Bilateral - Non-Paris Club	0.0	0	0.0	0	750.7	21	628.1	25
Other	30.0	1	30.0	5	916.7	26	916.7	36
Uses of debt financing	**2099.3**	**100**	**654.9**	**100**	**3590.4**	**100**	**2548.9**	**100**
Infrastructure	1599.3	76	521.6	80	2470.5	69	1989.4	78
Social Spending	0.0	0	0.0	0	119.9	3	92.2	4
Budget Financing	500.0	24	133.3	20	1000.0	28	467.4	18
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Congolese authorities and IMF staff estimates.

Table 9. Democratic Republic of the Congo: Reviews and Disbursements Under the Extended Credit Facility Arrangement

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

Source: International Monetary Fund.

Annex I. Risk Assessment Matrix[1]

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
Potential External Risks – Conjunctural shocks			
Abrupt growth slowdown in China. Greater-than-expected economic disruptions from COVID resurgence, rising geopolitical tensions, and/or a sharper-than-expected slowdown in the property sector disrupt economic activity.	Medium	High Lower exports and fiscal revenues would generate BOP and budget financing needs. Lower commodity prices could reduce investment in the extractive sector and dampen DRC's growth prospects. Lower fiscal revenues would put at risk priority spending and exacerbate poverty and inequality, derail government's investment plans and lower growth prospects.	- Maintain prudent macro policies to foster macro stability. - Allow the exchange rate to act as a shock absorber and use external buffers to prevent disorderly depreciation that could negatively impact financial stability. - Step up revenue mobilization efforts, limit nonpriority spending to create space for fiscal policy support. - Mobilize external financing support. - Promote economic diversification in exported goods as well as exports' markets destinations.
Intensification of regional conflict(s). Escalation of geopolitical fragmentation and regional conflicts which could disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	High	High Supply disruptions and sharper-than-anticipated increases in international energy prices raise the costs of energy imports and other imported goods	- Develop a contingency plan that would lower the impact of a delayed economic recovery.

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

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	Medium	High Higher volatility in commodity prices will challenge sustainable macro policies and put pressure on the domestic currency, reserves, and fiscal revenues.	- Accumulate international reserve buffers. - Diversify the structure of the economy and export sources. - Increase participation in regional trade area agreements (EAC and AFCFTA). - Use exchange rate flexibility as a shock absorber but intervene to prevent disorderly currency movements
DRC-Specific Risks			
Escalated armed conflicts in the East. Conflict may further intensify given the ongoing disengagement of MONUSCO in the region and given the eased weapons' embargo from the United Nations Security Council.	High	High Increase fiscal and external risks. Economic activity would be hurt though mostly in areas not well integrated with the rest of the country.	- Make room for a budgetary contingency for national security emergency. - Provide humanitarian assistance to people hit by the conflict. - Prioritize spending to face a surge in security spending.
Extreme climate events. DRC is one of the most climate-vulnerable countries in the world (based on WB CCDR) and prone to extreme climate events. Such events may cause more severe than expected damage to infrastructure and loss of human lives and livelihoods, amplifying supply chain disruptions and causing water and food shortages and reducing growth. Additionally, climatic shocks could exacerbate regional tensions and intensify violence and conflict.	High	Medium Risks related to floods and landslides natural disasters could trigger further public expenditures and alter the planned reduction of public debt.	- Prioritize projects related to climate change - Build infrastructure resilient to natural disaster.

Annex II. External Sector Assessment

Overall Assessment: The external position of the DRC in 2023 was weaker than the level implied by fundamentals and desirable policies. In addition, the level of reserves remained inadequate, reaching 9 weeks of imports at end-2023. Falling cobalt and to a smaller extent copper prices are expected to exert further pressure on the external position. Over the medium term, reserves are expected to grow at a slower pace, reaching 2.6 months of imports only in 2028. The low level of foreign exchange reserves, reflecting protracted balance of payments needs, remains a key challenge for external sustainability.

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

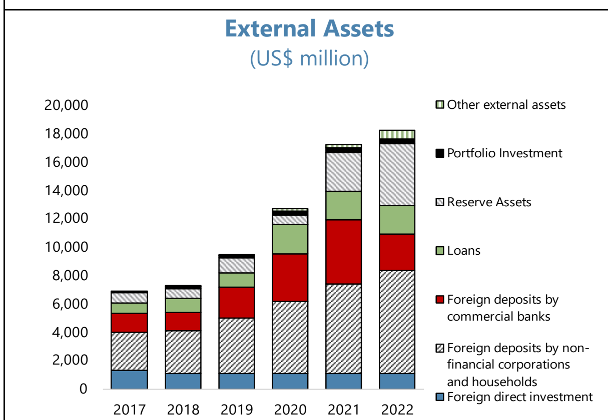
Foreign Assets and Liabilities: Position and Trajectory

Background. The latest data on the net international investment position (NIIP, 2022) shows a broadly stable net debtor position (-45 percent of GDP) with assets and liabilities accounting for 28 and 72 percent of GDP, respectively. The bulk of assets are international reserves (24 percent of foreign assets) and deposits abroad by commercial banks, non-financial corporations, and households (57 percent of foreign assets). Deposits abroad remain elevated due to the slow development of domestic investment opportunities. FDI accounted for 63 percent of external liabilities, while the general government's external debt (entirely long-term) accounted for 12 percent, and private external debt (nearly entirely long-term) for 10 percent.

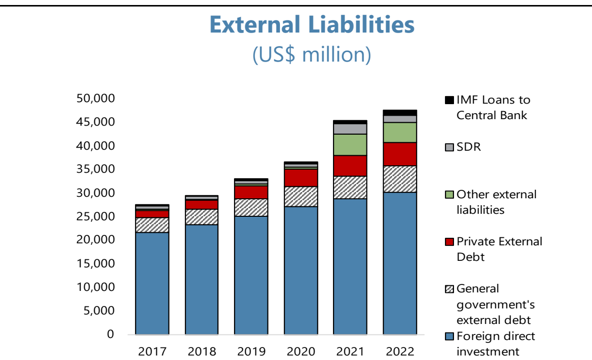
Assessment. The net debtor position of the NIIP does not imply substantial risks to external sustainability. The net debtor position of the NIIP reflects protracted BOP needs and sustained development needs. Moreover, the asset and liability structure is favorable, as external assets are primarily in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

Foreign Assets and Liabilities

Deposits abroad and reserves account for the bulk of external assets.

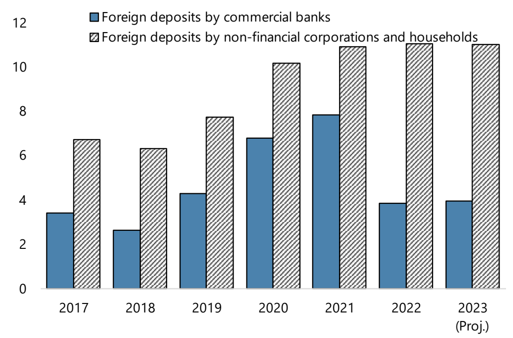


FDI accounts for the bulk of external liabilities.



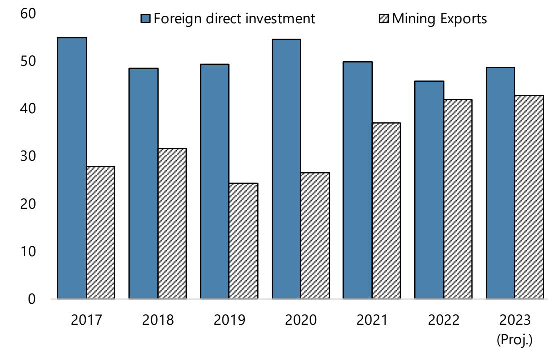
Deposits abroad have been recovering after a sharp decline in 2021.

Foreign Deposits by Ownership
(Percent of GDP)



FDI liabilities remained high as mining exports grew.

FDI and Mining Exports
(Percent of GDP)



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

Sources: Congolese authorities and IMF staff estimates and projections.

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

Current Account

Background. The current account deficit had dipped below its 2017-2021 average (2.6 percent of GDP) in 2021, to 1 percent of GDP thanks to a surge in the prices of copper and cobalt (respectively accounting for 70 and 21 percent of total goods exports). However, the current account has since deteriorated, to a 6.2 percent-of-GDP deficit in 2023, as nominal imports surged, and terms-of-trade deteriorated following the war in Ukraine. The bulk of imports are in capital goods (45 percent of goods imports) – mainly in the mining sector, and consumption goods (24 percent of goods imports) – mainly food products. In 2024, the current account deficit is set to decrease thanks to a slowdown in capital goods imports, as high imports in 2022 and 2023 partly reflected investments from mining companies on the opening of new mines. The current account deficit is expected to stabilize slightly above 3 percent of GDP in the medium term.

Assessment. The current account position is weaker than the level implied by fundamentals and desirable policies (in line with The Revised EBA-Lite Methodology). Given an actual current account balance of -6.2 percent of GDP in 2023, strong growth performance and the effect of the conflict in the East produce a cyclically adjusted current account balance of -7.0 percent of GDP. With desirable policies, that is a lower cyclically adjusted fiscal deficit, higher private credit and a slightly positive real interest rate, the current account norm is -3.6 percent of GDP. The resulting gap is a deficit of 3.5 percent of GDP, which suggests a REER that is overappreciated by 13.7 percent.

Democratic Republic of the Congo: EBA-lite Model Results, 2023
(Percent of GDP)

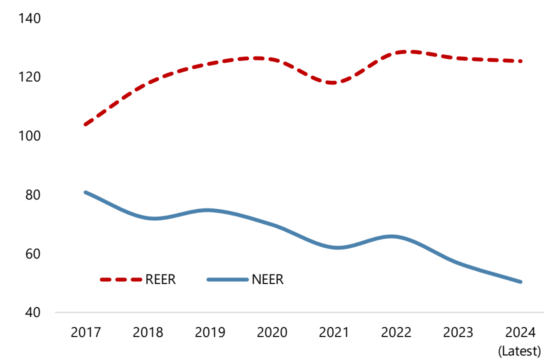
	CA model 1/	**REER model**
	(in percent of GDP)	
CA-Actual	**-6.2**	
Cyclical contributions (from model) (-)	**0.8**	
Additional temporary/statistical factors (-) 2/		
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**-7.0**	
CA Norm (from model) 3/	**-3.6**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-3.6**	
CA Gap	**-3.5**	**-1.9**
o/w Relative policy gap	**1.9**	
Elasticity	-0.3	
REER Gap (in percent)	**13.7**	**7.5**

1/Based on the EBA-lite 3.0 methodology.
2/No additional adjustment.
3/Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The real effective exchange rate depreciated by 1.4 percent in 2023 while the nominal effective exchange rate (NEER) depreciated by 13.7 percent. While the depreciation of the NEER resumes a trend of sustained depreciation that was briefly interrupted in 2022, the REER has broadly stabilized after a historical trend of persistent appreciation, due to higher-than-average inflation in DRC than in trading partners. In 2023, the Congolese Franc depreciated by 15 percent relative to the US dollar (looking at period-average rates), after it had depreciated by 12,7, and 1 percent in 2020, 2021 and 2022, respectively. As of end-April 2024, the Congolese Franc stood 38 percent below its end-2022 level.

REER and NEER
(Index 2010=100)



Source: IMF INS Database.

Assessment. The EBA-lite REER model points to an overvaluation of the real effective exchange rate of 7.5 percent. However, given the relatively short data sample available for the DRC (data coverage for the DRC starts in 2005 while the full sample used for the cross-country regression starts in 1995) the overall assessment of the REER gap is based on the CA model.

Capital and Financial Accounts: Flows and Policy Measures

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

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

FX Intervention and Reserves Level

Background. Reserves increased to 9.3 weeks of imports (US$5.5 billion) at end-2023, up from 2.3 weeks of imports (US$807 million) at end-2020. Advances to the government were key drains on the BCC's international reserves in the past, but such advances have stopped since the RCF disbursement of April 2020, and the start of the ECF arrangement in 2021. Reserves accumulation in 2023 was supported by strong export revenues. Against the background of a decrease in DRC's staple commodities prices, a rapid depreciation of the CDF, and a strong passthrough to inflation due to the dollarized economy, the BCC has intervened in the foreign exchange market, with net sales of US$321 million in 2023, slowing reserve accumulation compared to 2022. Strong mining revenue in 2024 supported reserve accumulation, with net purchases of $366m as of April 2024.

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

Central Bank's Foreign Exchange Interventions

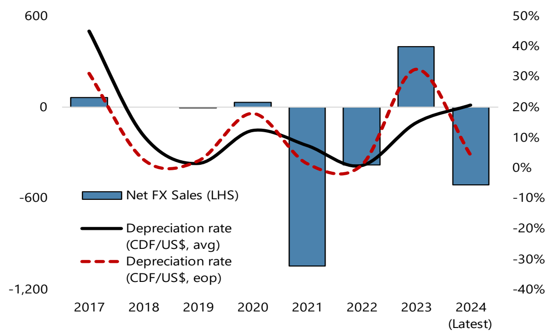
In 2023 net FX sales occurred following two years of FX purchases, as the Congolese franc came under pressure…

Net FX Sales vs. One-Period Lagged Depreciation Rates

… as it depreciated steadily vis-à-vis the US dollar following a period of relative stability.

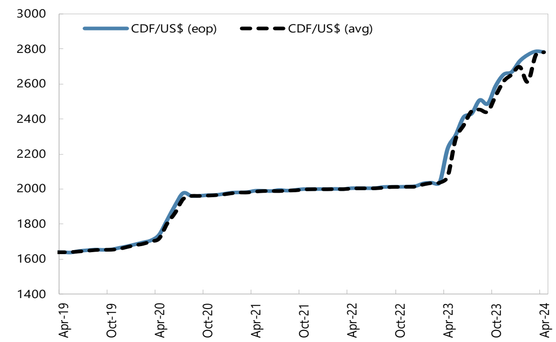
Congolese Franc

(Net FX sales in US$ millions, depreciation in percent)



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

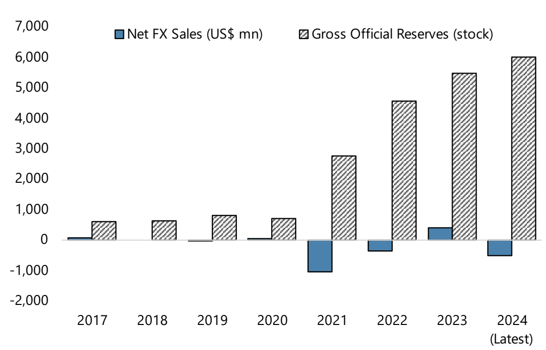
(Specified units)



Net FX purchases in 2022 contributed to a significant build-up of reserves…

Net FX Sales vs. Gross Official Reserves

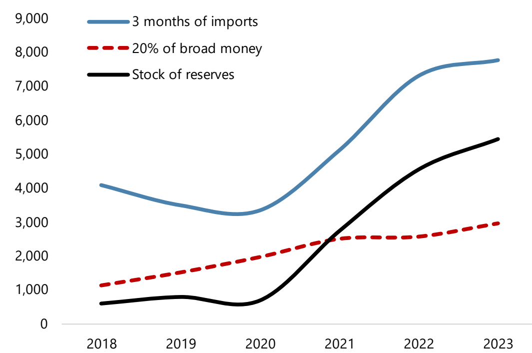
(US$ million)



… though still insufficient to close the gap in reserves coverage.

Reserves Coverage

(US$ million, unless otherwise specified)



Sources: Congolese authorities and IMF staff estimates.

Annex III. Uptake of 2022 Article IV Recommendations

Recommendations	Status of Implementation
Increasing Fiscal Space and Budget Credibility	
Step up revenue mobilization to create much needed fiscal space, simplify the tax system, deploy a VAT restoration plan and implement administrative reforms.	**In progress.** Central government revenue increased from 10.2 percent of GDP in 2021 to 14.4 percent of GDP in 2022 primarily due to favorable terms-of-trade shocks (higher commodity prices) and extraordinary revenues from tax inspections (super-profits). However, revenue dropped to an estimated 12.4 percent of GDP in 2023 as cobalt and copper prices declined. The authorities are implementing controls on the quantity and quality of mining exports which would have implications for revenue mobilization: a new laboratory to check export quality and quantity was launched in November 2023. Some progress has also been made in terms of standardizing the VAT billing system and improving collection: implementing regulations of the standardized VAT decree were signed in October 2023, and the acquisition and deployment of the new VAT billing system is ongoing. Authorities have made progress towards simplifying the tax system, especially on parafiscal charges (the inventory of parafiscal charges, special accounts and annexed budgets was finalized in June 2023). Further progress is required in terms of streamlining exemptions for imports of petroleum products to optimize their taxation. Progress has been made in terms of improving excise tax administration with the implementation of the excise duty traceability system (STDA): following tobacco and telecommunications in 2022, the rollout of the necessary equipment among beverage producers has been expedited in 2023.
Maintain a prudent expenditure policy aligned with realistic revenue projections and targeted to priority spending.	**In progress.** The budget remains anchored on zero central bank financing and is broadly aligned with program objectives. Since 2021, and breaking with past bad practices, budget laws have been based on realistic revenue projections. However, expenditures have exceeded program targets, mostly due to higher ad-hoc arrears repayment in 2022 and exceptional spending on security and elections in 2023. Despite falling short of the program target, the authorities' contribution to certain targeted social spending areas has seen a significant increase.

Recommendations	Status of Implementation
Improve public financial management (PFM), restore the expenditure chain, limit emergency spending procedures, and enhance cash and debt management.	**Very limited progress** has been achieved. While a comprehensive multi-year PFM reform-plan is implemented with the help of coordinated TA from development partners, the expenditure chain continues to suffer from major deficiencies. Against program objectives, the 2024 draft budget projects an increase of funds directed to special accounts (including the creation of an Armed Forces Support and Development Fund and an Environmental Intervention Fund). Commitment and liquidation procedures are often bypassed, and the share of spending under emergency procedures reached 17.7 percent of total spending in 2023 (compared to 14 percent of GDP in 2022). The General Directorate of the Treasury and Public Accounting (DGTCP) remains to be operationalized. The decree defining the perimeter and structure of the Treasury Single Account (TSA) was signed on May 2023, but much remains to be done to set it up, while cash management remains weak.
Tackling domestic arrears accumulation and designing a clearance strategy to enhance government credibility.	**Progress has been encouraging** as reforms under the ECF arrangement have helped stabilize the stock of arrears to oil distributors, which reached 0.7 percent of GDP at end-2023 against 0.9 percent of GDP in 2022. The successive pump price increases in 2023 have helped limit liabilities to oil distributors. Efforts to address other arrears include the definition and the start of implementation of a domestic arrears' clearance strategy, adopted in May 2023. However, the continuing ad-hoc payments of domestic arrears outside of this strategy are concerning as they undermine its credibility.
Formulation of a resource-based fiscal framework which is necessary for addressing challenges arising from high mineral price volatility.	**In progress.** The authorities have adopted in November 2023 a roadmap for the transition to a resource-based fiscal framework in the medium term. This roadmap envisions (i) reinforcement of statistics so that extractive revenue can be more effectively identified; (ii) development of fiscal risk analysis related to the volatility of mineral prices in the annex published each year with the Budget Law; (iii) strengthening of administration's capacities for extractive sector revenue forecasting; and (iv) definition of a budget balance excluding extractive resources following a March 2024 IMF TA mission.
Monetary and Exchange Rate Policies	
Continued reserve accumulation to reduce vulnerabilities to external shocks.	**In progress.** Gross international reserves have steadily increased since the last Article IV consultation, from US$2.9 billion (5.4 weeks of imports) at end-2021 to US$5.4 billion, or 9 weeks of imports at end-2023, reflecting higher FX inflows from mineral exports and multilateral donors financing.
Strengthen the BCC monetary and exchange rate policy framework	**In progress.** The transmission of monetary policy remains weak, as evidenced by persistent inflationary pressures which exceeded 20 percent for eight consecutive months in 2023, despite the tightening of the BCC's stance. The BCC should consider additional measures to strengthen implementation and to address the persistent challenge of excess liquidity. The BCC remains committed to exchange rate flexibility and significant progress has been made in terms of narrowing the spread between the official and the parallel exchange rates. Further progress is required to improve the implementation of FX operations in line with recommendations from the IMF TA on FX market operations.

Recommendations	Status of Implementation
Enhance BCC governance and safeguards in line with the 2020 safeguards assessment	**Progress has been slower than anticipated.** While the BCC has made efforts to improve procurement processes and internal audit functions, important gaps remain in terms of transparency and accountability mechanisms (such as accounting control weaknesses, the use of suspense accounts, lack of formalization of closing procedures, lack of transparency and insufficient disclosures of financial statements). The implementation of International Financial Reporting Standards (IFRS) is in progress and the BCC's 2023 financial statement is expected to be issued in IFRS; central bank recapitalization has been significantly delayed, partly due to a reassessment of needs upon transition to IFRS, and the MoU on recapitalization has been postponed with an alternative phased recapitalization approach adopted instead. The commitment to design a strategy for closing all FX accounts at domestic commercial banks has not been met.
Strengthen the financial policy framework of the BCC and enhance its role in financial regulation and supervision	**In progress.** The authorities are gradually implementing the new banking law and FSSR recommendations. Prudential regulation on payment institutions and on related-parties transactions has been published in May 2023; on-site controls on credit risk assessment resumed in June 2023, and an IT risks unit was created in September 2023. The financial inclusion strategy—including a roadmap through 2027—was finalized in June 2023, with WB TA.
Governance, Corruption, Diversification, and Inclusive Growth	
Enhance governance and transparency, including in the mining sector.	**In progress.** In the mining sector, there has been significant progress on the timely publication of contracts (in line with the 2018 mining code and EITI recommendations). Despite efforts from anti-corruption and control agencies, including the General Inspectorate of Finance and the Cour des Comptes, corruption remains pervasive and further measures are warranted.
Improve climate business and promote economic diversification and private investment	**Limited progress.** An emergency reform plan focusing on tax and control rationalization, the publication of all judiciary decisions, the revitalization of the Single Window for Business Creation, and the continuation of reforms on public procurement was adopted on November 2023. However, tax complexity, infrastructure gaps, shallow financial markets, the lagging operationalization of the Single Window for Business Creation and the unreliability of law and the judiciary continue to pose severe challenges for private sector development. The authorities should continue their efforts to diversify the economy through building essential transport and energy infrastructure, implementing targeted sectoral strategies (particularly in agriculture), improving governance and expanding along the mining value chain.
Strength the AML/CFT framework, a critical step to fighting corruption and exiting the FATF grey list.	**In progress.** The authorities created a FATF steering committee in August 2023 and finalized in October 2023 the AML/CFT national strategy. Additionally, the BCC has revised Instructions 15 and 15bis, which implement the AML/CFT law in the financial sector. However, further efforts are needed to enhance the AML/CFT framework. Further measures should be taken to limit government and BCC's cash transactions at the BCC counters, which remain high.

Annex IV. Review of the 2021-2024 ECF-Supported Arrangement

1. **In the context of decelerated economic activity and decreasing reserves that emerged in the aftermath of the COVID-19 crisis, the authorities requested a three-year ECF program to support their medium-term reform program**. Following active re-engagement with IMF since 2019, with a Staff Monitored Program (SMP) coupled with a Rapid Credit Facility (RCF) disbursement in December 2019 and a second RCF disbursement in April 2020, the Executive Board of the IMF approved on July 15, 2021, a 3-year ECF arrangement for SDR1,066 million (100 percent of quota or about US$1.52 billion). The pillars of the arrangement were: (i) stepping up domestic revenue mobilization to increase fiscal space for infrastructure and social spending; (ii) strengthening governance including natural resource management and transparency; and (iii) reinforcing the monetary policy framework and the financial position, governance, and independence of the central bank (see IMF Country Report No. 21/168).

2. **Program performance has been broadly satisfactory despite being hindered by the ongoing security and humanitarian crisis, fiscal slippages, and persistent inflationary pressures**. In the first review, all QPCs and ITs were met. In the second review, all QPCs were met, and all ITs were met apart from the IT on social spending. In the third and fourth review, all QPCs and ITs were met except for the IT on central bank's guarantees for central government domestic loans and the IT on social spending. In the fifth review, all QPCs were met apart from the PC on domestic fiscal balance which was missed due to central government revenue shortfall and insufficient expenditure adjustments, and the continuous PC on introduction of new multiple currency practices which was also missed, while all ITs were met apart from the one related to the floor on social spending and the one related to the floor on central government revenues. Finally, during the sixth review, the authorities requested a waiver on the domestic fiscal balance QPC which was missed due to higher-than-expected exceptional spending, while three ITs—wage bill, spending under emergency procedures and the floor on social spending—were also missed. Throughout the duration of the program, most structural benchmarks were implemented albeit in several cases with significant delays. Other notable achievements under the program include the progress made in reducing energy subsidies and the development of an arrears' clearance strategy. Additionally, despite falling short of the social spending ITs, the authorities have significantly increased budget contributions to certain targeted social programs. Health partners consider this as important progress given that the ECF program has helped unlock previously unavailable financing for a chronically under-funded sector and has enabled the authorities to become directly involved in the operational implementation of programs that were previously funded entirely by external partners.

3. **The authorities have made progress in restoring macroeconomic stability, but headwinds persist (Figure 1)**. The continued adherence to the no monetary financing rule has been a key achievement of the ECF program. Moreover, real GDP growth, primarily driven by extractive sector developments, has been robust, reaching 8.4 percent year-on-year in 2023, and substantially outperforming initial projections of 6.6 percent at the onset of the program (Figure 1). The program has also helped the build-up of FX reserves, with import coverage ratios reaching 9.3 gross reserves in weeks by end-2023, against initial projections of 5.3 weeks. Despite improved

domestic revenue ratios, the fiscal consolidation path has been disrupted in recent years as the 2023 elections and the ongoing security crisis in the East of the DRC led to increased spending, with the domestic fiscal deficit deteriorating to 1.3 percent of GDP at end-2023, against initial projections of 0.5 percent. Inflation has also been significantly higher than anticipated, with average inflation accelerating to 19.9 percent in 2023, against initial projections of 6.6 percent.

4. The structural reform agenda has somewhat advanced, albeit the pace of reforms was slower than envisaged.

- ***Accelerating domestic resource mobilization is vital to create the much-needed fiscal space for priority spending***. Tax revenue at end-2023 was 13.7 percent of GDP, a significant overperformance relative to the projection of 12.2 percent of GDP by 2023 on the outset of the program (MEFP ¶22 of IMF Country Report No. 21/168). However, this improvement mainly reflects the rapid development of the mining sector and favorable developments in copper and cobalt market conditions during program years. Progress over the ECF's four key revenue-enhancing reforms has been mixed: (i) progress regarding the restoration of the normal functioning of VAT (to reduce accumulation of VAT arrears) has been slow, while the full implementation of the standardized VAT billing system was delayed until the third quarter of 2024; (ii) progress on rationalizing non-tax and parafiscal charges has been broadly satisfactory, with the inventory of parafiscal charges, special accounts and ancillary budgets completed, the work on a new tax code progressing, but the proliferation of special extra-budgetary funds remaining unsolved; (iii) progress on streamlining tax expenditures has been limited; (iv) progress in the modernization of revenue administration has been mixed, with improvements in excise tax administration and the implementation of the excise duty traceability system (STDA), though with several weaknesses persisting in other areas.[1]

- ***Strengthening the expenditure chain and limiting emergency spending procedures***. The program sought to support the authorities' efforts to enhance the expenditure chain, but progress has been limited. Despite the signing of the Public Accounting Decree on October 24, 2023, which clarifies the eligibility for expenditure under emergency procedures, weaknesses in the spending chain have significantly exacerbated: spending under exceptional procedure reached 17.7 percent of spending for 2023. The operationalization of the DGTCP (Direction Générale du Trésor et de la Comptabilité Publique) is unfolding at an extremely slow pace and the decentralization of spending authorization which are expected to help limit emergency spending procedures has been significantly delayed (the pilot phase is now expected to take place later in 2024) but the updated budget execution manual and the accompanying decree on public accounting are welcome reforms.

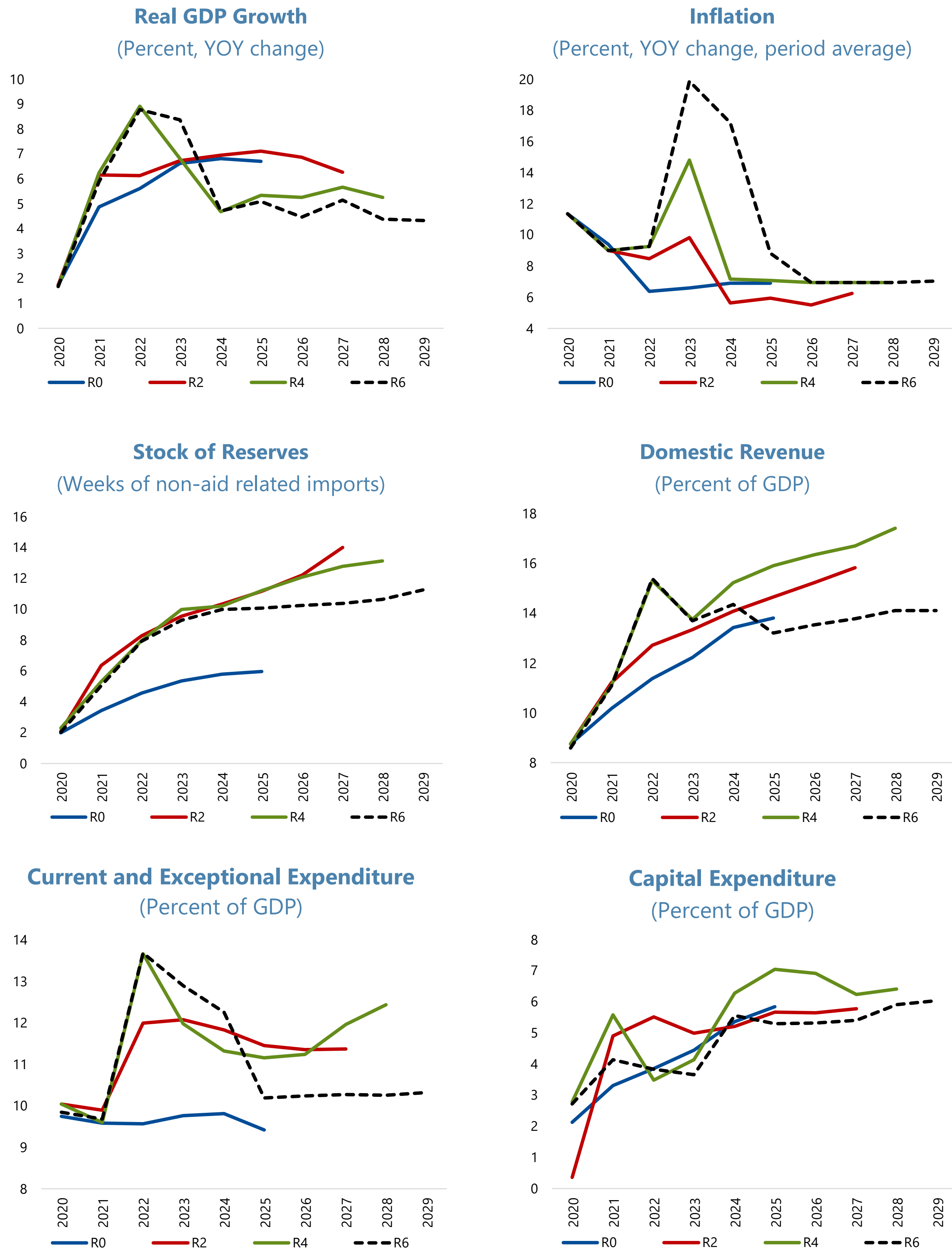
- ***Setting up of a resource-based fiscal framework.*** While the authorities have made significant progress in their fiscal policy formulation since the onset of the ECF program, by adhering to the

[1] Based on the latest TADAT report (2023), revenue administrations in DRC are ranked as weak across a range of activities (with "weak" ratings in 26 of the 32 dimensions). Compared to the 2016 TADAT evaluation, only three dimensions have improved and three have deteriorated further.

no monetary financing rule which was a key anchor of the program, DRC remains heavily exposed to natural resource revenues volatility. Staff have called for transitioning to a resource-based fiscal framework over the medium term which would enhance revenue predictability and limit the procyclicality of fiscal policy and exposure to commodity price shocks, with the authorities adopting in November 2023 a transition roadmap. The medium-term fiscal framework, including budget balance excluding resources, is expected to be adopted with the 2025 budget law and the authorities have commenced the implementation of the FARI model. This is a key priority going forward as it will be a critical step for safeguarding prudent fiscal policy and improving governance in natural resource management.

- ***Revamping BCC's monetary policy and exchange rate policy frameworks and enhancing safeguards***. The program has supported BCC's efforts to regularize the stock of credit resulting from past lending to the government, to assess its recapitalization needs and secure a commitment from the government to recapitalize it, enhance its reserve requirement framework, narrow the gap between parallel and official exchange rates and implement reforms related to internal audit and procurement. However, there are lingering weaknesses in the transmission mechanism of monetary policy, limiting the BCC's ability to address inflationary pressures and dollarization challenges, and there are important gaps in terms of transparency and accountability mechanisms. Going forward, efforts to modernize the BCC's policy instrument and align the implementation of FX operations with best practices will be critical for strengthening monetary policy transmission and exchange rate management. Enhancing safeguards in line with the 2020 Safeguards Assessment, including on the implementation of International Financial Reporting Standards (IFRS), which has been repeatedly delayed, will be important for strengthening BCC's transparency, accountability and credibility.

Figure 1. Program Performance, Selected Economic Indicators



Sources: Congolese authorities; and IMF staff estimates.
Note: R0 = Initial Request; R2 = 2nd Review; R4 = 4th Review; R6 = 6th Review (current).

Annex V. Main Findings from DRC's Country Climate and Development Report[1]

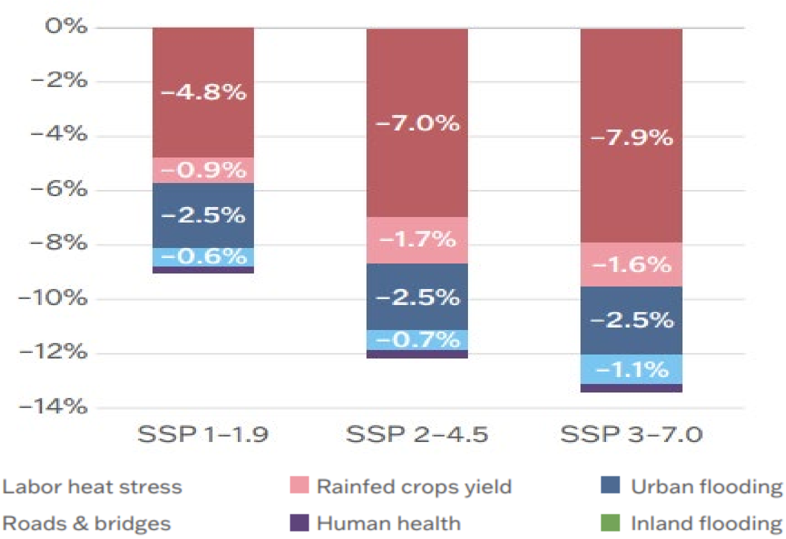
The 2023 CCDR of the World Bank identified key climate vulnerabilities of the DRC, assessed the country's existing climate commitments, policies, and related institutional arrangements, identified low-carbon development opportunities in critical sectors and suggested a roadmap for implementing and financing related policy packages. Climate change presents both a challenge and an opportunity for the country: DRC is one of the least climate-ready and most climate-vulnerable nations. Yet, it would be uniquely positioned to play a leading role in the global green transition as it (i) holds significant mineral wealth, with large reserves of green minerals (primarily copper and cobalt) (ii) provides immense carbon sequestration services thanks to its vast forest resources and (iii) has vast hydropower potential. Reaching its potential will require fully harnessing its natural wealth, enhancing the agricultural sector, developing critical infrastructure, strengthening governance and transparency, and building capacity. Given the significant financing gaps DRC is facing, strengthening financial markets and creating an enabling environment for the private sector will be critical.

A. Climate Vulnerabilities and Current Climate Strategy

1. **The DRC is facing major climate risks which are interlinked with its formidable development challenges.** The DRC, a country characterized by extreme poverty rates[2], fragility and persistent episodes of conflict, ranks among the most vulnerable to adapt to the negative impact of climate change

Text Figure 1. Impacts of Climate Change, GDP Loss by Damage Type

(Percent deviation from Business as Usual Scenario)



Source: *Democratic Republic of Congo Country Climate and Development Report*. World Bank Group, 2023.
Note: SSP refers to climate scenarios (related to temperature deviations) analyzed in the CCDR report.

[1] For the full report please see the CCDR report on DRC, prepared by the World Bank.

[2] DRC is one of the five poorest nations in the world, based on World Bank data, with approximately 64 percent of Congolese (about 60 million people) living on less than US$2.15 a day.

(ranking 169th out of 185).[3] Climate change risks are likely to exacerbate DRC's development challenges, as they disproportionately affect vulnerable populations and could intensify conflict dynamics and deepen poverty and gender inequality.

2. **DRC's climate risks are primarily related to risks of heat stress, high seasonal and subnational rainfall variation and river flooding, soil erosion and wildfires**. The key channel through which climate change is expected to impact DRC is through heat stress and extreme weather events which are expected to have a significant impact on agriculture – intensifying food insecurity – labor productivity, and infrastructure. Flooding and soil erosion are expected to damage transport, energy and communications infrastructure while the increased incidence of malaria and other water-borne diseases will likely lead to degraded human health. Accounting for the channels above, the CCDR estimates that by 2050 climate change could result in GDP losses up to 12.9 percent under a "business as usual" scenario.

3. **Labor heat stress, a key driver of GDP losses due to climate change, could be exacerbated under a development scenario and a shift from mining to non-mining sectors**. Labor heat stress affects both indoor and outdoor workers, with outdoor workers experiencing a more pronounced productivity decline, potentially up to 20 percent compared to 12 percent for indoor workers. Economic development could affect heat-related impacts in two opposing ways: (i) structural transformation which reduces the share of employment in agriculture, a primarily outdoors activity, would mitigate the impact of the shock; (ii) diversification away from mining would increase the labor intensity of the economy, exacerbating the shock. Such linkages between development and climate challenges highlight the need for tailored adaptation policies (such as policies expanding coverage of cooling measures) in parallel with development policies.

4. **Authorities are committed to ambitious climate change actions, but large financing gaps and poor governance pose implementation challenges**. DRC's climate agenda is anchored in the 2022-2026 National Adaptation Plan (NAP) which aims to build resilience in critical sectors and establish DRC as a "climate solutions country". Aligned with this agenda are the country's ambitious Nationally Determined Contributions (NDCs); DRC is committing to cut its GHG emissions by 21 percent by 2030 (with domestic resources financing 2 percent of emission reductions and the remaining 19 percent being conditional on external financing). However, inadequate financing threatens the implementation of the country's climate strategy.[4] The country's governance challenges, institutional fragmentation and lack of integration of climate-related strategies into public financial management (PFM) and public investment management (PIM) further hinder the operationalization of DRC's climate change framework.

[3] Based on the vulnerability sub-index of ND-GAIN, scores of 2021. Lower score reflects higher vulnerability to adapt to the negative impact of climate change.

[4] The CCDR estimates initial public investments needed for building resilient transport infrastructure, creating cooling options and measures to address urban flooding at around US$10.9 billion by 2050. Forest and landscape restoration and conservation is estimated at an additional US$3.19 billion by 2030, while meeting the clean cooking targets of DRC by 2030 will require public investments of US$234 million a year, and private investments of US$21.7 million a year.

B. Priority Action Areas for Resilience and Low-Carbon Development

5. The five priority policy areas for low-carbon development include:

- **Agriculture**: despite its potential, the DRC remains a net food importer. Productivity in the agricultural sector is very low due to limited use of fertilizers and climate-resilient seeds, low irrigation efficiency and poor infrastructure and connectivity. Investment should be targeted toward strengthening climate-smart agricultural value chains via boosting productivity, expanding farmer-led irrigation and building critical transport infrastructure that will promote market access. With land tenure security being another critical factor (most farmed land lacks registration, creating disincentive for longer-term private investment) a coherent strategy that integrates agricultural policy and land planning is warranted.

- **Fully harnessing natural wealth:** which will require forest restoration and conservation, integrated landscape management, climate smart mining and hydropower development.

- **Investing in healthy forests and landscape management**: this is necessary for reducing disaster risks and addressing the immense deforestation pressures. Policies should also focus on sustainable charcoal harvesting via agroforestry investments, support for clean energy solutions (including clean cooking) and improving poor governance in land-use management. DRC should continue its efforts to fully harness its mineral value chain potential, while also leveraging on its hydro resources with proper sequencing.

- **Climate resilient transport, urban and digital infrastructure**: transport infrastructure should be upgraded to meet climate-resilience standards, with a focus on developing a paved-roads network, drainage systems, slope protection measures, waterway transport and enforcing zoning regulations in flood-prone areas. Rapid urbanization combined with poor land-use management exacerbates climate risks in urban centers, particularly for the most vulnerable due to informal urban settlements. Policies should be focused on improving urban infrastructure, including waste management systems, building Disaster Risk Management (DRM) early-warning systems and expanding access to shelter and communication services. DRC's nascent digital sector can contribute to these objectives.

- **Social and human capital development and enhanced governance**: enhancing governance and institutions and building capacity are prerequisites for effective climate action. Despite the country's ambitious and comprehensive climate commitments and strategy (2022-2026 NAP), institutional fragmentation and lack of climate-related technical capacity in line ministries create significant implementation obstacles. Beyond building capacity and institutional coordination, DRC should also put in place the related legal framework (e.g., via designing a Framework Law on Climate Change) and strengthen the financial foundations of climate action via an Integrated National Climate Finance Strategy. Climate monitoring, transparency, and accountability should be integrated in central government's PFM and PIM.

C. DRC's Potential as a "Solution-Country"

6. To achieve its growth and development objectives DRC must fully harness the potential of its mining industry by addressing governance and supply chain transparency bottlenecks and by expanding along the value chain. With one of the world's highest reserves of mineral wealth – DRC is the 5th largest copper producer, and the top cobalt producer globally – DRC can become a pivotal player in the green transition. Achieving this will require expanding along the mining value chain, and particularly the mid-stream sector. However, for DRC to become the supplier of choice significant improvements in mining governance and transparency and in enforcement of regulation that safeguards socially and environmentally responsible mining practices are key prerequisites. Enforcement should cover not only industrial mining but artisanal and small-scale mining (ASM) as well, a sector plagued with human rights violations, child labor and gender-based violence.

7. The hydropower sector could be a key contributor to DRC's low carbon growth but is severely underdeveloped. DRC's vast hydro resources could meet the entire current energy consumption of SSA excluding SA.[5] However, the sector currently operates at no more than 3 percent of its capacity. In the medium-to-long term, the construction of the Grand Inga dam – which would require gigantic private sector support - could be the pathway to reaching DRC's hydropower potential. Given current infrastructure, governance and financing weaknesses which would likely hinder such major construction project, and the need to properly account for environmental and social implications, emphasis in the short term, should be given to the development of small and medium-sized hydroelectric power plants (HPPs), the rehabilitation of existing hydro facilities and the integration of solar solutions to the national power grid. To achieve these objectives DRC will need to address the chronic underperformance and poor governance of the national utility company Société Nationale d'Électricité (SNEL).

8. DRC's forests, among the world's largest carbon sinks, bring very significant domestic and global benefits but deforestation pressures are alarming. DRC's forests generate sizeable services in terms of carbon sequestration, timber, food and fuelwood production, water purification and regulation and erosion prevention (the sector's stock value is estimated at up to US$6.4 trillion).[6] However, deforestation pressures are mounting, driven by poor land-use management, lack of access to clean energy[7] and compounded by the country's rapid population growth. At current deforestation rates, DRC is projected to lose 7 percent of its 2020 carbon storage by 2050; for a sense of magnitude, this loss of carbon storage is equivalent to twice the emissions reported

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[5] Inga Falls could produce one of most-cost effective hydroelectricity globally as their potential is about twice more than the 3 Gorges in China, the world's current biggest power station.

[6] This calculation by the World Bank is based on a $75/ton shadow price of carbon and assumes a 6 percent discount rate. For reference, the total stock value of Brazil's Amazon rainforest (though not directly comparable) is estimated at US$7 trillion.

[7] Limited energy access is the key cause of deforestation (fuelwood and charcoal amount to 94 percent of primary energy supply).

for the entire European Union in 2019.[8] Under the current forest-loss trend, DRC could become a net carbon source rather than a net sink in less than 3 years, even with generous assumptions on the portion of deforestation that goes to timber production. Such an outcome would have detrimental effects on domestic and global economy.[9]

D. Financing Climate Change Action

9. DRC's ambitious climate agenda and NDCs face major financing shortages, requiring a carefully planned financing mix. There is an estimated shortage of at least US$54.8 billion (around 83 percent of 2022 GDP) to finance the government's climate strategy by 2030 and DRC's financial capacity is limited. While grants and highly concessional financing (including a potential Resilience and Sustainability Trust) could play an important role, DRC should also aim to tap international and domestic climate financing. This would require strengthening its capital markets, both in terms of regulation and supervision, to enable trading of climate finance instruments (e.g., green or blue bonds). Mobilizing private investment for climate action, through public-private partnerships (PPPs) and foreign direct investment (FDI), will be critical but will require addressing the country's complex governance issues. In the future, voluntary carbon markets (VCM) could be an additional part of the financing mix but strengthening the regulatory framework for structuring, issuing and exchanging carbon credits is a prerequisite. Disaster risk finance mechanisms and insurance instruments will be critical for addressing post-disaster recovery.

[8] Relative to 2000, the projected deforestation is striking: under current trends the CCDR estimates that DRC will have lost 43.9 percent of its forest cover in 50 years.

[9] The total global cost of the projected DRC's carbon storage loss by 2050 is about US$95.3 billion based on the CCDR.

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Annex VI. A Brief Overview of the SICOMINES Deal

A. The Original Deal

1. In a deal signed in April 2008 and amended four times since then, the DRC (through the SOE Gecamines) and a consortium of Chinese companies created the joint-venture SICOMINES and a cooperation agreement (SCCA) for US$3.2bn of mining projects loans, and US$3bn of guaranteed infrastructure loans. According to the agreement, DRC would own 32 percent of the joint venture through its SOE Gecamines, and loans would be financed by Exim Bank China. Infrastructure spending was capped at US$1 billion until output reached its peak. The agreement also specified that the most urgent infrastructure loans, identified as those projects that started immediately after the signature of the original deal but before its approval by China's State Council, would be repaid first, using 100 percent of mining profits. Mining loans and nonpriority infrastructure loans would be repaid in a second phase, using 85 percent of mining profits, with 15 percent tax-free dividends. Once the loans were repaid, the tax exemption would end. DRC agreed to provide public guarantee to infrastructure loans only, but the guarantee could only be called for after 25 years. Based on earnings projections and an assumed disbursement profile for the remainder of the infrastructure loans, it was expected that the loans would be fully repaid before the guarantees could be called.

2. The project had a very slow start from 2009 to 2014 due to legislative delays, lower-than-expected copper reserves and electricity supply constraints. As of May 2024, the Congolese parliament had yet to pass a law to safeguard the deal's provisions, including the tax exemption and other deviations from the 2002 Mining Code. Exim Bank China attempted to take over Gecamines' share and ultimately halted its financing between 2012 and 2014. Copper reserves were revised down by 35 percent, and peak output from 400k to 250k tons per year. A key bottleneck was also limited electricity supply from DRC's grid, forcing SICOMINES to import expensive electricity from Zambia (at 4.5 times the cost of the feasibility study). The Busanga dam and power plant, inaugurated in October 2023 and owned 75 percent by Chinese partners, is expected to provide enough affordable electricity to reach peak output.

3. As of 2022, only US$888m of infrastructure loans were disbursed but information about the execution is scant. The list of potential infrastructure projects has not been revised since 2008 and their total cost amounts to around twice the budgeted envelope. Staff does not know how projects were selected and whether their execution was in line with projected costs. Based on dated third-party information, these include the refurbishment of the National Assembly, the construction of a hospital, road construction, repairs, and housing in selected cities (Kinshasa, Beni-Luna, Lubumbashi, Kisangani), and contributions of fiber-optic and solar panels projects country-wide. In addition, US$2.5b mining loans (as of 2021) were disbursed, as well as US$646 million for the Busanga power plant.

B. The Renegotiated Deal

4. Amid pressures from civil society and a pick-up in production, the current government has been working to renegotiate the deal. The original deal was highly criticized by NGOs and civil society organizations for its unbalanced ownership structure, its reliance on opaque investment vehicles, and the lackluster infrastructure spending despite high reported profits from the mining operations. In addition, SICOMINES' copper production has exceeded 200k tons per year since 2022 and is expected to reach 300k tons per year after 2028, increasing pressures to renegotiate the agreement's provisions.

5. The authorities and Chinese partners reached an agreement in January 2024, formalized by the signing of an amended contract on March 14, 2024, to reshuffle ownership and increase infrastructure spending, replacing loans with grants. The amended contract leaves the ownership structure of the mining joint-venture unchanged, but it provides for royalties of 1.2 percent of annual turnover as well as a grant of US$324 million per year (around 32 percent of SICOMINES' profits) to finance an infrastructure envelope increased to US$7 billion (including past spending).[1] The revised deal also gives control over the commercialization of 32 percent of the annual production to Gecamines, limiting opportunities to shift profits from DRC to Chinese buyers through transfer pricing. In addition, DRC's ownership of the profitable Busanga plant increased to 40 percent, achieved through a decrease in the Chinese consortium's share (to 60 percent).

6. While some details still need to be formalized, the revised deal also adds new safeguards and increases transparency. While the original agreement was open-ended, the new agreement ends the concession in 2040. The Congolese and Chinese partners also agreed to prepare an annual report, starting in June 2024, on the execution of the agreement, assessing the respect of all its provisions (profits, royalty payments, commercialization). The selection and execution of infrastructure spending remains under the control of the Congolese Agence Nationale des Grands Travaux, a central government agency supervised by ministries, and will be audited by recognized international quality-control firms. However, the process for selecting the projects is still unclear, and the issue of the tax exemption has not been resolved at this stage.

[1] The grant of $324m per year is based on an international price of copper of $8000/ton. The deal specifies that the subvention would be adjusted linearly, downwards to zero if the price falls to $5200/t, and upwards by 30 percent if the price increases to $12000/ton.

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Annex VII Data Issues

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	C	C	C	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	C	C	B	C		
Granularity 3/	C		C	C	C		
			D		B		
Consistency			C	C		C	
Frequency and Timeliness	D	A	A	D	C		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

The data provided to the Fund has some shortcomings that somewhat hamper surveillance.

Rationale for staff assessment.

Real.

- National Accounts (NA): Annual NA are compiled in current prices and volume terms according to the 1993 System of National Accounts (SNA), with 2005 as the reference year. Annual supply and use tables are compiled at the level of 35 industries. The informality is included for agriculture, manufacturing, and nonfinancial services.
- There is a significant delay in the series compiled with direct indicators—the last year available is 2019—. From 2020 onwards, the authorities estimate the total GDP and the mining and non-mining segments with partial indicators. The provisional estimates provided do not report the assumptions taken.
- The INS is not always well informed and engaged in defining the methods and practices followed in the external trade statistics or mining and non-mining estimates that should be incorporated into the annual series.
- The INS has budget problems for data collection and depends on private data sources that can provide information collected without statistical techniques and on irregular dates.
- Quarterly National Accounts are not compiled.

Prices.

- The CPI is calculated at the national level and for Kinshasa by the INS and disseminated regularly, the weights are outdated (2005=100). The CPI includes 481 products, which are classified by origin: imported and local. The basket comprises Kinshasa plus 11 provinces and the quotations are collected for the same coverage.

Fiscal.

- Annual GFS are compiled in accordance with the GFSM 1986 and converted to GFSM 2014 covering only the BCG.
- One of the main problems in developing the Integrated Financial Management Information System (IFMIS) is the number of accounts and the current practice of data collection, which is highly dispersed in several data sources and mainly relying on manual computation.
- COFOG data are not reported, and significant internal statistical discrepancies (stock-flow adjustments and above-below the line inconsistencies) are persistent due to lack of granularity, sector coverage, cash vs accrual accounting, domestic arrears payments (associated with fuel subsidies), and other accounts payables (outstanding obligations).

Debt

- Currently, public debt data only cover central government.

External.

- BoP is compiled quarterly up to 2024Q1. IIP is compiled annually and is available up to 2022.

Monetary and Financial.

- The BCC compiles monthly monetary and financial statistics (MFS) covering the central bank and other depository corporations in SR1 and SR2. The last data submitted to the IMF is August 2022. The Central Bank, Other Depository Corporations and Depositary Corporations surveys and the monetary aggregates and base money are available until 2018.
- The BCC is working to produce financial statements with the IFRS standards for 2021-2023. Once this transition is completed, the SRs should be updated accordingly.
- Clarification in the compilation of the monetary base is needed based on the co-circulation of the Congolese Franc and USD.

Intersectoral consistency

- Inconsistencies have been identified between external trade and the data included in NA as imports per type of good.
- The price of the mining products used in the external trade statistics is not the same incorporated in the national accounts series creating a significant gap in national accounts.
- There are several committees and commissions installed attending the data production, their interaction could be more efficient by delimiting the scope of each of them.

Changes since the last Article IV consultation.

Fiscal. Conversion of the GFS to the to GFSM 2014.

Monetary. Compilation of FSIs.

Corrective actions and capacity development priorities.

Real:

- Improve the consistency, coverage, granularity, and timeliness of the NA series.
- Approve the GDP rebasing project to 2024, strengthen INS's budget by providing resources for data collection, and improve staff conditions to retain skilled staff.
- Establish an agreement to transmit the VAT data from DGI to the INS so this information can be used to measure the formal sector more regularly and with better timelines.
- The INS is working to update the reference year to 2024 and adopt the main recommendations of the 2008 SNA with Technical Assistance (TA) from the IMF AFRITAC Centre; this area is a priority to ensure more consistent and regular data. Likewise, it is highly recommendable to continue producing and speeding up the dissemination of the current series with reference year 2005 for 2020-2023.
- Assess the possibility of including the quarterly national accounts as part of the GDP rebasing to 2024.
- Effective communication among public entities compiling data is needed to improve the consistency of the real and external sector statistics.
- The World Bank is supporting the INS to conduct the 2024 National Survey on Household Living Conditions, which will be used to update the national accounts and price statistics and is expected to be available by the end of 2024. In addition, the WB is assessing the possibility of supporting the GDP rebasing project with an advisor settling on the INS and financial resources for technical tasks and data collection.
- The update of the period of weights of the CPI and the coverage is of high relevance.

Fiscal:

- Relying on the practical operation of the General Directorate of the Treasury and Public Accounting is important to ensure the sustainability of the work on Tableau des Opérations Financières de l'État (TOFE). This instance has already been created but is not working yet.
- There are efforts to create a unique treasury account with three modules: budget management, accounting, and treasury management. The integration of a unique account would benefit the production of statistics.
- There are efforts to collect data from SOEs and provinces; once progress is made, it is planned to move to social security. The roadmap to include the provinces covers three years. A general accounting reform that involves technical and political is planned and it will take from three to five years.

Debt

- With the AFRITAC Centre's support, a plan to expand data and institutional coverage to the General Government (GG) started in July 2022.
  Close data gaps, improve granularity and coverage, and move to accrue basis the government accounting to diminish the statistical discrepancies above-below the line.
- Third-party data is needed to detect fraud, errors, or omissions in taxpayer declarations that help with oversight.

- A roadmap to increase the coverage of the TOFE in collaboration with AFRITAC has been defined, and the ongoing work follows it. The proposal is to increase the coverage of the TOFE and improve the data collection.

External:

- Improve the consistency, timelines, and frequency of the External Sector Statistics. Consistency between the balance of payments and the IIP must be improved. Balance of payments compilers also need to improve the quality of foreign direct investment data by collecting data from larger companies.
- With IMF TA, the compilation of direct investment positions and transactions, the International Transactions Reporting System (ITRS), and the external debt statistics are being improved.
- Produce quarterly BoP and annual IIP.

Monetary:

- With IMF TA, the DRC compiled Financial Soundness Indicators (FSIs) starting in December 2020. The MFS should include non-banking financial institutions and the BCC should report SRs and the corresponding surveys. After the mission, the authorities requested assistance to revamp the data submission and the inclusion of the non-banking financial institutions in the MFS will be addressed in a TA mission planned to be conducted in mid-2024.
- Update of the SRs after the publication of the financial statements with the IFRS standards for 2021-2023 (2023 is already available).

National Summary Data

- The authorities are interested in developing the e-GDDS/National Summary Data Page and have requested further information and TA to start working on this.

Intersectoral consistency

- Effective communication among public entities compiling data is needed to improve the consistency of the real and external sector statistics, and in general the production of statistics.

Use of data and/or estimates different from official statistics in the Article IV consultation.

None.

The financial statements of mining companies (MNE) are used to compare the GDP growth rates for the latest years that are estimated by the authorities.

Other data gaps.

Enhance the data provision for labor, gender, and climate change.

Date Standards Initiatives

Democratic Republic of the Congo participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in April 2004.

Table of Common Indicators Required for Surveillance (As of May 28, 2024)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through t National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Democratic Republic of the Congo[8]	Expected Timeliness[6,7]	Democra Republic the Cong
Exchange Rates	1st week May	May-24	D	W	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	1st week May	May-24	D	W	M	M	1M	2M
Reserve/Base Money	Apr-24	Apr-24	M	M	M	M	2M	1M
Broad Money	Apr-24	Apr-24	M	M	M	M	1Q	1M
Central Bank Balance Sheet	Apr-24	Apr-24	M	M	M	M	2M	1M
Consolidated Balance Sheet of the Banking System	Apr-24	Apr-24	M	M	M	M	1Q	1M
Interest Rates[2]	Feb-24	Apr-24	M	M	M	W/M	...	1D
Consumer Price Index	1st week May	May-24	W	W	M	M/W	2M	3D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	----	----			A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Dec-23	Mar-24	M	M	Q	M	1Q	20D
Stocks of Central Government and Central Government-Guaranteed Debt[5]	----	----			Q	M/Q	2Q	6M
External Current Account Balance	Dec-23	Apr-24	Q	A	Q	A	1Q	9M
Exports and Imports of Goods and Services	Mar-24	Apr-24	M	15D	M	A/Q	12W	6M
GDP/GNP	Dec-23	Apr-24	A	Q	Q	A	1Q	6M
Gross External Debt	----	----			Q	SA	2Q	6M
International Investment Position	Dec-22	Apr-24	A	A	A	...	3Q	...

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no mo than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than;.
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDI SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Boa (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex VIII. Summary of Updated Country Engagement Strategy (CES)

Despite vast resources—including strategically critical minerals— and immense potential, the Democratic Republic of Congo (DRC) faces multiple fragilities, which have impacted economic growth, perpetuated institutional weaknesses and deep-rooted governance challenges, dramatically weakening the delivery of public services.

Building on the 2021 Country Engagement Strategy,[1] this updated strategy is structured as follows: i) a description of the drivers of fragility in DRC, ii) policies and constraints to reforms and lessons from recent Fund engagement, iii) capacity development priorities, iv) engagements with stakeholders, and v) risks to Fund engagement.

This strategy benefitted from exchanges with development partners, and its main findings and recommendations were discussed during a dedicated meeting of the Technical and financial partners coordination group ("Groupe de coordination des Partenaires techniques et financiers", GCP) on April 2nd, 2024, and with the authorities during the Article IV consultation mission.

A. Drivers of Fragilities in the Democratic Republic of the Congo

5. Stakeholders share a broadly similar view of the key DRC's drivers of fragilities, which are well identified and widely documented. The World Bank 2021 Risk and Resilience Assessment (RRA) identified six drivers of fragility,[2] along three themes:

- ***Governance*** - driver 1: a governance system under the control of a small group of political elites undermines the potential for a social contract between the state and its citizens; driver 2: a non-diversified economy tied to mineral wealth is kept in place.
- ***People*** - driver 3: an increasingly young population trapped in poverty, exclusion, and trauma are excluded from economic opportunity and social mobility; driver 4: a legacy of trauma from armed conflict has resulted in a normalization and commodification of the use of violence, including sexual and gender-based violence (SGBV), that has eroded social cohesion.
- ***Conflict*** - driver 5: DRC deals with numerous local conflicts, and the fragmentation is exacerbated by dysfunctional security and justice systems; driver 6: regional dimensions of the conflicts in the East. Historically, other countries have exploited Congolese territory, including through competition for access to land, minerals, and other natural resources.

[1] A pilot CES for the DRC was elaborated in 2021 and its summary published in the July 2021 Staff Report for the Request for a 3 year-Extended Credit Facility Arrangement.

[2] While the RRA is not a public document, its main findings are summarized in the World Bank Country Partnership Framework for the DRC for the FY22-26 period.

6. Based on this assessment and other analyses, including the 2020 OECD Resilience Systems Analysis Report for the DRC,[3] fragilities can be described as follows:

- ***Weak institutions and corruption: The DRC has been struggling for decades with weak*** governance (favored by weak institutions, including the central bank, and control agencies) and widespread corruption. Deep-seated weak governance hinders sustainable peace and development, with the continuation of predatory and kleptocratic practices, hindering economic growth, undermining public trust, and diverting significant resources away from essential services and toward international tax havens.

- **Poverty, social and human development:** According to the World Bank, the DRC is one of the five poorest nations in the world, with around 62 percent of the country's population —more than 60 million people— living on less than US$2.15 a day in 2022. The country ranks 164th out of 174 countries on the Human Capital Index, continues to face one of the world's biggest food crises, with over 25 million people in acute food insecurity, according to the World Food Program. Social indicators are among the worst in the world in the context of a high population growth rate. Inadequate access to healthcare and education, gender inequality, and limited social services contribute to the fragility of the country. DRC is subject to repeated outbreaks of deadly diseases such as Ebola, measles, or cholera.

- **Political instability:** Despite few changes at the highest level of the State between 1965 and 2018[4], the country is marked by political instability, characterized by frequent regime changes (with close to 30 different Prime Ministers over the same period), civil unrests, and armed conflicts. It took until 2019 for the first peaceful transfer of power, when President Tshisekedi took over from President Kabila after the election held in December 2018.

- **Security challenges:** Since the onset of the First Congo War in 1996, the DRC has faced almost uninterrupted armed conflicts, including armed rebel groups, ethnic conflicts, and the presence of foreign armed forces. These armed conflicts involve more than 120 different groups. Conflicts are also fostered by economic underdevelopment, youth unemployment, as well as the State's incapacity to ensure its critical functions. These security threats have resulted in large displacements of populations, human rights abuses, and a general sense of insecurity (Box 1).

- **Economic vulnerabilities:** The DRC's economy is heavily dependent on natural resources, particularly minerals such as copper and cobalt, making the economy vulnerable to fluctuations in global commodity prices. Additionally, physical, and social infrastructure is insufficient, with few roads and airports leaving large parts of the immense country inaccessible. Limited access to financial services, and a weak business environment also contribute to economic challenges.

[3] This report assesses DRC's fragility as "severe" in 3 of 5 dimensions (political, societal and environmental fragility) of the OECD fragility framework, and "high" in the two remaining dimensions (security and economic fragility).

[4] Between 1965 and 2018, the DRC had three presidents (Mobutu Sese Seko, Laurent-Désiré Kabila and Joseph Kabila Kabange.

Box 1. DRC: Impacts of Armed Conflicts

- Loss of Human Lives: The conflicts have resulted in the loss of at least 6 million people since 1994.
- Displacement and Refugees: The conflicts have led to massive displacement of populations within the DRC and forced many people to seek refuge in neighboring countries. Displaced individuals often face precarious living conditions, lack of access to basic services, and limited opportunities for livelihoods. According to UNHCR data as of January 2024, over 6.3 million people are internally displaced across the DRC, the highest of any ongoing conflict. The country also hosts over 522,000 refugees and asylum-seekers.
- Humanitarian Crisis: The conflicts have created a humanitarian crisis, with millions of people in need of emergency assistance. Access to food, clean water, healthcare, and education is severely limited in conflict-affected areas, exacerbating poverty. The Humanitarian Response Plan 2024 has been estimated at US$2.6 billion; in 2023, only 40 percent of the US$2.3 billion sought has been funded.
- Human Rights Abuses: The conflicts have been marked by widespread human rights abuses, including sexual violence, forced labor, recruitment of child soldiers, and arbitrary killings. These abuses have had a devastating impact on individuals and communities, leaving lasting traumas.
- Economic Consequences: The conflicts have disrupted economic activities, hampered development, and exacerbated poverty. They have led to the destruction of infrastructure, displacement of skilled workers, and disruption of agricultural production and trade, contributing to worsening food insecurity. Conflicts have also put pressures on public finances through loss of revenue and increased security spending. In 2023, exceptional security spending approached US$1.4 billion, equivalent to about 2.2 percent of GDP.
- Regional Instability: The conflicts in the DRC have had spillover effects, contributing to regional instability. They have been fueled by regional dynamics, involving neighboring countries and armed groups operating across borders. This has further complicated efforts to achieve lasting peace in the region.

Source: February 2024 Humanitarian Response Plan, and other UN agencies reports.

- **Exposure to natural disasters and climate shocks:**[5] Climate change is exacerbating fragility, conflict, and violence by intensifying competition over scarce resources, reducing economic opportunities and social cohesion, and straining public institutions and trust in the State. DRC is one of the most vulnerable countries to natural disasters and one of the least prepared to respond when they do occur. Climate-related shocks, including floods, droughts, and diseases, are expected to increase in frequency and intensity, with the poor more exposed and vulnerable. The Congolese forests, described as the "second lung" of the planet, serve an important public good, but almost half a million hectares are lost each year. Vulnerabilities are compounded by limited access to healthcare and sanitation facilities, amplifying the health risks associated with climate-related diseases. More frequent and intense climate impacts pose a systemic threat to agriculture and resource-based sectors. The lack of diversified economic activities and reliance on agriculture and natural resources exacerbate the economic challenges faced by communities when climate shocks disrupt these vital sectors. Infrastructure investments in the critical energy, transportation and water sectors are especially exposed.

[5] See World Bank November 2023 DRC Country Climate and Development Report

B. Escaping Fragility - Macroeconomic and Financial Sector Policies, Constraints to Reforms and Lessons from Recent Fund Engagement

Macroeconomic and Financial Sector Policies and Constraints to Reforms

7. Macroeconomic stability is essential for sustained and inclusive economic growth. Fiscal discipline, sound monetary policy framework, improved management of natural resource wealth, better business environment and governance are necessary to promote private sector development, generate jobs for a young and rapidly growing population, and raise living standards.

8. Addressing public financial management weaknesses is crucial to strengthen the current fiscal framework and improve the quality of government spending. Improving the budget process by having binding expenditure ceilings, tightening expenditure controls, and enhancing fiscal reporting and transparency is critical.

9. Monetary and financial sector reforms need to strengthen the central bank's capacity to effectively carry out monetary policy and the resilience of the banking sector. This requires strengthening safeguards and improving central bank operations including liquidity and foreign reserve management, fiscal agent operations, and payment systems.

10. Governance reforms should continue to focus on improving transparency in the extractive sector and reducing corruption. Transparency has improved in the extractive sector in recent years, including the publication of contracts. However, improving accountability and oversight of SOEs remains critical to ensure funds are channeled through the Treasury, increasing traceability, and reducing corruption opportunities.

11. Constraints linked to the political context are gradually evolving. On December 20, 2023, and Félix Tshisekedi was reelected president for a second five-year term; official results showed a clear victory with 73 percent of the vote President Tshisekedi and his allies also scored a major victory in legislative elections. In this context, the President could have political capital and space to undertake bold reforms.

12. Constraints linked to weak governance and corruption remain prevalent (see ¶2)**.** Constraints include difficulties in implementing change given the complex politico administrative environment, poor governance, and lack of transparency, leading to low mobilization of public support for reforms.

13. The business climate remains poor. Beyond political instability risks, security risks in parts of the country, and corruption, the business climate suffers from inadequate infrastructure (roads, electricity, and telecommunications, hindering business operations and increases logistics costs), from weak rule of law (an inconsistent enforcement of laws and regulations is undermining business confidence and creates risks for investors), from excessive red tape and administrative burdens which make it difficult for businesses to operate efficiently and navigate regulatory processes, from a complex and ambiguous regulatory framework, and from limited access to financing.

Lessons from Recent Fund Engagement

14. Looking at the experience of the 2021-24 ECF arrangement, the traction of IMF policy advice has been significant albeit slow in some areas (See Annex IV).

15. The 2021-24 ECF arrangement has had significant catalytical impact on budget and project support from external partners, including World Bank first budget support operations in more than 15 years (US$250 million in July 2022 and US$500 million in July 2023).

16. Future IMF engagement should build on progress made under the 2021-24 ECF arrangement, while promoting crucial additional reforms, including the following priorities:[6]

- Setting up of a resource-based fiscal framework.
- Further domestic revenue mobilization.
- Strong PFM measures, with a focus on the spending chain.
- The acceleration of the reforms undertaken by the BCC.
- Measures to strengthen governance, fight against corruption, and improve transparency as a cross-cutting objective.
- More focus on climate adaptation considerations, especially with the authorities' request for financing under the RSF.

17. Program priorities and sequencing associated to these main priorities should be gradually built up, considering key fragilities. Given that challenges and fragilities are both numerous and deeply rooted, it would be unrealistic to presume that all the needed economic and structural reforms could be implemented over the course of a program. Nevertheless, a successor arrangement would need to be ambitious to achieve and maintain macro-stability and address structural challenges. An approach based on gradual but concrete progress, limiting the risk of backtracking is therefore warranted. The structural reform agenda underpinning program design and conditionality will need to be adapted to the DRC's limited capacity. The use of conditionality needs to be parsimonious but should not compromise the strength of UCT-standard of reforms.

[6] These priorities are given as elements for reflection and discussion part of this CES, but do not prejudge the objectives and conditionality of a potential future engagement, which will be discussed and reviewed in due course.

C. Capacity Development Priorities

18. DRC has become a high-intensity user of Fund capacity development. In the context of Fund reengagement since 2019 and of the 2021-2024 ECF arrangement, the authorities' commitment to build capacity has increased. They communicate regularly on their CD priorities, including in dedicated meetings during the spring and annual meetings, allowing to adapt to urgent requests (e.g., a TA mission to reform the gasoline price subsidy system in June 2023). The authorities value in-depth diagnostics, including the governance assessment,[7] the Financial Sector Supervision and Regulation (FSSR) assessment[8], the Public Investment Management assessment (PIMA),[9] or the 2023 Tax Administration Diagnostic Assessment Tool (TADAT). They appreciate the programmatic approach of CD activities, with recurring CD support, including on tax administration and PFM reforms, or to implement Forecasting and Policy Analysis Systems (FPAS).

19. The overall CD strategy aims to strengthening institutions and training a core base of skilled personnel, while reinforcing institutional memory and collaboration. In the fiscal area, the main challenges to be tackled include insufficient revenue mobilization, weak expenditure prioritization and control, and limited coverage of debt obligations. In the areas of monetary policy and financial stability, the authorities seek to strengthen the monetary policy framework and optimize the management of forex operations and reserves and step up the supervision of financial institutions to reduce risks to the financial system. The FSSR undertaken in early 2022 is helping to design a multi-year CD strategy with the authorities. A capacity development program is also being implemented to assist the BCC in strengthening its financial reporting practices and sustaining transparency and accountability. Ongoing series of TA missions led by STXs assist the BCC with improving its operational framework and risk management for: (i) monetary policy implementation; (ii) foreign reserves management; and (iii) the central bank's pension fund. In statistics, the compilation and quality of data of macroeconomic, fiscal and debt statistics need strengthening. Staff are encouraging the implementation of the e-GDDS, including dissemination of key macroeconomic and financial data through the National Summary Data Page, with support from STA.

20. Engagement with the authorities is strong. The buy-in at the political level has largely improved in the context of the ECF arrangement. Several high-level senior managers with long tenure have benefited from Fund CD activities and training in the past. They are eager to see their junior colleagues benefit from similar training and for work processes to be improved. These managers are present in all key institutions including the central bank, PM office, ministries of finance, budget, and planning and in several other public institutions. The coordination with the

[7] https://www.imf.org/en/Publications/CR/Issues/2021/05/25/Democratic-Republic-of-the-Congo-Technical-Assistance-Report-Governance-and-Anti-Corruption-50191

[8] https://www.imf.org/en/Publications/CR/Issues/2022/09/01/Democratic-Republic-of-the-Congo-Technical-Assistance-Report-Financial-Sector-Stability-522775

[9] https://www.imf.org/en/Publications/CR/Issues/2023/01/30/Democratic-Republic-of-the-Congo-Technical-Assistance-Report-Public-Investment-Management-528748

authorities is organized with the CTR (*Comité Technique de suivi et évaluation des Réformes*, Technical Committee for Monitoring and Evaluation of Reforms), with the COREF (*Comité d'Orientation de la Reforme des Finances Publiques*, Public Finance Reform Steering Committee), and with the Central Bank. It would be important to improve cooperation between the ministry of Finance and line ministries, including for mining, non-tax revenue and parafiscal charges, where reforms require closer cooperation.

21. CD implementation is coordinated within the Fund. Coordination with functional departments and AFRITAC Center has worked well. LTXs are aware of fellow advisors' work programs and coordinate and sequence their mission schedule to avoid duplication. With increased CD support, enhancing coordination, particularly with HQ counterparts has been needed to support a smooth delivery of CD activities. The placement of long-term resident advisors in key areas (since 2019, an LTX is assigned to the DRC along with Chad and CAR to provide support to revenue administrations; since November 2022, a fiscal advisor based in Burundi is working one-third of her time in the DRC; since October 2023, a long term advisor on financial stability and macroprudential policy is placed at the Central Bank) is instrumental in enhancing capacity.

22. Engagement and coordination with outside partners are also instrumental for CD definition and delivery. The donor community in DRC is generally eager to cooperate closely with the Fund, whose CD missions give rise to a debrief involving all key financial and technical partners:

The World Bank is implementing a multi-year and multi-sectoral CD program. There is also significant cooperation between FAD and the WB on the preparation of a tax code.

The recruitment in 2022 and 2023 by the Belgium cooperation of two long-term resident fiscal and tax experts has been coordinated with the IMF.

On governance and mining transparency, the cooperation with the national EITI secretariat plays a catalytical role, bringing together donors, authorities, and the private sector, is excellent.

The action plan agreed with the FATF is implemented with donors' support led by the European Union Global Facility on AML/CFT. The Fund is not providing technical assistance to the DRC in this area but has an important role in urging the authorities to implement the needed reforms.

A dedicated Inter-Donor Group on Public Finance is an effective forum to exchange on CD plans, seek views on relevance, and avoid duplication. This group meets twice a year with the Minister of Finance and the Minister of Budget, enabling strong and coordinated messages to be sent out. In addition, the EU and other donors are financing a Public Expenditure and Financial Accountability (PEFA) assessment, whose results are expected by September 2024.

D. Engagement with Stakeholders

23. The IMF team is working in close collaboration with main development partners, including regular exchanges with World Bank staff, the IMF Resident Representative participation to regular Ambassadors and Heads of missions' meetings as well as through development partners coordination mechanisms, notably on Public Finance or the Environment and Climate issues. Briefings to donors are made during in-country missions, in addition to other regular briefings made by the Resident representative, as well as outreach events.

24. Contacts with non-traditional partners are also important. HQ based staff and the Resident Representative office are increasingly engaged with a wide range of partners, including MONUSCO, UNHCR, WFP, UNICEF, WFO, UN women, and health partners, which recognize IMF traction and ask us to help convey their concerns and priorities to the authorities, including to improve education, health, or humanitarian spending.

25. Engagement with CSOs. Close and regular contacts are maintained with CSOs in the areas of PFM, mining sector transparency, and the fight against corruption, including meetings during review and Article IV missions.

26. Engagement with private sector. The private sector appreciates the macroeconomic stabilization promoted by the program, but some private operators are concerned that the mobilization of revenue is done to the detriment of the business climate, stressing an unjustified and increasing harassment from the tax authorities and the corruption of the commercial justice.

Box 2. DRC: Impact of the planned withdrawal of MONUSCO

The disengagement plan will be implemented in three phases, with a quarterly evaluation mechanism to minimize any sudden disruptions that could lead to a security vacuum.

The direct impact of MONUSCO's withdrawal could vary across the country. The Mission is currently present in six provinces, in addition to its headquarters in Kinshasa, with strong presence in the three provinces most affected by active conflict, namely North Kivu, South Kivu and Ituri.

- In the capital Kinshasa, MONUSCO's withdrawal could have a limited direct impact, primarily affecting the rental property market, contractors, and service providers for expatriate staff.
- Outside Kinshasa, in isolated areas such as Kasaï, the impact could be limited, as most products are imported and there is little interaction with the local economy.
- In eastern provinces, particularly in Goma, the withdrawal is expected to have a very significant impact. In provinces where MONUSCO has an important presence, there has been a significant increase in rental property and prices for expatriate-related services such as restaurants, schooling, sanitation, local commerce provided to the mission. With the ongoing transition, a fall in rental prices is already observed in Bukavu. The recruitment of several national staffs, leading to salaries and medical insurances payments, and direct contracts with local societies by the mission have also supported economic growth. This economic dependence on the mission needs to be carefully considered when planning the drawdown.

Indirect impact of the MONUSCO's withdrawal also needs to be considered. Indeed, security improvement provided by the presence of MONUSCO has been crucial to favor economic growth, including by securing movement of people and goods, preventing the illicit economy from expanding, and improving and maintaining crucial infrastructures in difficult-to-access areas. MONUSCO's withdrawal could therefore impact humanitarian operations.

Finally, the sustainability and tempo of MONUSCO's transition is dependent on the Government's capacity to assume security responsibilities and strengthen its institutional presence across the country. This can have significant fiscal implications, difficult to precisely assess.

Sources: MONUSCO, and OECD. March 2020 report on Mission drawdowns – Financing a sustainable peace: sustaining gains and supporting economic stability post UN Mission withdrawal.

Appendix I. Letter of Intent

Kinshasa, DRC
June 18, 2024

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

Dear Madam Managing Director:

1. **Under the three-year Extended Credit Facility (ECF) arrangement approved in July 2021, the authorities continue to implement the agreed economic policies and reforms.** These policies and reforms are designed to maintain macroeconomic stability, to increase fiscal space, and promote sustainable growth while fostering better governance.

2. **The election deadlines for the end of 2023 were observed.** Despite major logistical challenges and security conditions that prevented voting in certain areas, the December 2023 general elections were conducted peacefully. During the recent pre- and post-electoral period, we were reminded of the importance of respecting commitments made within the framework of the economic program supported by the International Monetary Fund, including at the highest level, by the President of the Republic, who was re-elected for a second term.

3. **The security situation has deteriorated further,** particularly in connection with the conflict in the East and its major economic and humanitarian repercussions. In particular, we should take into account the substantial increase in exceptional security expenditure.

4. **Despite this environment, growth remains resilient.** According to the latest estimates, after 8.8 percent in 2022 growth reached 8.4 percent in 2023. Mining production has remained dynamic, and, despite the impact of the security crisis in the East and of inflation on private sector consumption, non-mining production has benefited from new impetus stemming from the construction sector.

5. **Our fiscal and monetary policies aim to maintain macroeconomic stability and meet our commitments under the program.** To preserve the achievements of macroeconomic stabilization during recent years, we continue to abstain from any direct monetary financing and have undertaken expenditure within the strict limits of the existing budgetary room for maneuver. Substantial efforts have been made to maximize revenue in the second half of 2023, partially compensating for the underperformance of the first half of the year, but in light of the essential security effort, we have been forced to revise the composition of our expenditure, while preserving capital expenditure as much as possible. We have also strengthened measures to ensure better control of these expenditures, better regularize them and enhance their governance. We have also observed that inflation is beginning to slow as a result of coordinated fiscal and monetary policies, with a tightened monetary policy, and as a result of reduced cash payments in local currency at the

Central Bank's window. We also maintain our commitment to accumulate adequate levels of reserves and to maintain exchange rate flexibility.

6. We have endeavored to respect the conditionalities under the program. Despite the election period and major security constraints, we met all the performance criteria (PC) for the end of December 2023 except the one on the domestic budget deficit. We have requested a waiver for nonobservance of this performance criterion based on the corrective measures detailed in the attached Memorandum of Economic and Financial Policies (MEFP). We have also advanced our reform program, although certain structural benchmarks (SB) have not been fully met or had to be postponed for a few months.

7. We will present a Supplementary Budget Law for 2024 during the September parliamentary session, reflecting the security effort and preserving fiscal sustainability. The 2024 Budget Law promulgated in December 2023 is based on a credible revenue and expenditure envelope in line with the program objectives. However, we are working on a Supplementary Budget Law based on an updated macroeconomic framework reflecting the increase in security expenditure, the fiscal impact of the amendment to the contract with the mining company SICOMINES, and the priorities of the President of the Republic that will be implemented by the new government. This Supplementary Budget Law will preserve the principles of a sustainable, credibly financed budget deficit.

8. We request the completion of the sixth and final review under the arrangement supported by the ECF, that will enable the disbursement of the last tranche of SDR 152.2 million for balance of payments support.

9. In addition to the completion of the arrangement supported by the ECF, we would like to continue our engagement with the IMF. The commitment of recent years has positively impacted macroeconomic stabilization (including FX reserves rebuilding) and the implementation of reforms for robust, sustainable growth. We welcome the technical assistance and capacity development from which we have benefited, and the positive effects on financing from partners and the private sector. Beyond the conclusion of the last review of the program supported by the ECF (the first Fund-supported program to be completed in the DRC), we reiterate our willingness to continue our commitment with the IMF, including through a new arrangement (based on the 2024-2029 National Strategic Development Plan that is currently being completed), and our request to benefit from financing under the Resilience and Sustainability Facility. We agree to the publication of this Letter of Intent (LI), the MEFP, and the TMU, as well as the IMF staff report on the sixth review of the ECF-supported arrangement (along with the Article IV Consultations), and all related documents (including the Debt Sustainability Analysis), subject to the approval of the IMF Executive Board.

Sincerely yours,

/s/
Judith SUMINWA TULUKA
Prime Minister

/s/	/s/	/s/
Doudou Roussel Fwamba Likunde LI-BOTAYI Minister of Finance	MALANGU KABEDI MBUYI Governor of the BCC	Aimé BOJI SANGARA Minister of State Minister of the Budget

Attachments:

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

Attachment I. Memorandum of Economic and Financial Policies

This Memorandum supplements the MEFP attached to the fifth review of the program supported by the ECF arrangement approved by the IMF Executive Board on December 15, 2023.

A. Background and Recent Economic Developments

1. The 2023 elections were held despite a difficult security context. The armed conflict in the East continues, and has even intensified. Despite this situation and substantial logistical challenges, the general elections were held as scheduled, at the end of 2023. However, exceptional expenditure related to organizing the elections and addressing urgent security and humanitarian needs weighed on public spending during the second half of 2023, and security pressures persisted into early 2024.

2. Despite this difficult context, growth remained robust. Growth for 2023 was revised upwards, and is currently estimated at 8.4 percent, after 8.8 percent in 2022. It was largely supported by the extractive sector (revised up to 18.2 percent). Non-mining production benefited from the dynamic performance of the construction sector, but also suffered from the impact of insecurity in the East and the effects of inflation on consumption, standing at 3.5 percent.

3. In 2023, inflation was driven primarily by pressures on the foreign exchange market. Inflation reached 23.8 percent year-on-year in December 2023, fueled by the depreciation of the Congolese franc against the U.S. dollar. The BCC maintained a tight monetary policy characterized by a substantial increase in the policy rate to 25 percent in August 2023, which has remained at this level to date. Since the beginning of 2024, the depreciation of the franc has slowed, and inflation began to decline reaching 21.2 percent in April.

4. The accumulation of international reserves continued in 2023 despite the widening of the current account deficit. The current account deficit is estimated at 6.2 percent of GDP in 2023, linked to the increase in capital goods imports and less favorable international prices for copper and cobalt. Despite this context and the necessary FX interventions of the BCC gross international reserves increased from US$4.6 billion at the end of 2022 to US$5.4 billion at end-2023, notably supported in July 2023 by the disbursement of US$500 million in budget support from the World Bank.

5. The banking sector remains profitable and credit to the private sector is on the rise. Banks substantially improved their profitability in 2023 and total credit grew by 29.2 percent during the same period. However, the gap between deposits in U.S. dollars (+ 11.6 percent in one year) and those in Congolese francs (-36 percent) has further accentuated.

B. Performance of the ECF Program

6. The end-December 2023 performance criteria were met, with the exception of the criterion relating to the public deficit (Table 1):

- End-December 2023 indicative target (IT) for central government revenue was met with a substantial margin, reaching CDF 20,318 billion, against an indicative target of CDF 18,542 billion. This performance reflects the efforts of the tax administrations, resolution of disputes relating to windfall profits in the mining sector in 2021, advances on tax payments for 2024 from large mining companies, and the transfer to the treasury of some of the resources from several public entities and funds.

- Despite this achievement, the performance criterion on the domestic fiscal balance at end-December 2023 was not met. Exceptional security spending, that exceeded projections by more than 1 percent of GDP, had a significant impact on this result. We are therefore requesting a waiver for nonobservance of this performance criterion, based on the continued implementation of the corrective actions decided during the fifth review, including implementation of the standardized value-added tax (VAT) invoice for all large enterprises, as well as the following new corrective actions: (i) the commitment to prepare an Amending Budget Law for 2024 in line with the objectives and the macroeconomic framework of the sixth review; (ii) publication of revised budget commitment plans in line with this framework; and (iii) acceleration of the process for the decentralization of payment authorizations to the pilot ministries (see paragraph 25).

- We have respected the wage bill envelope, although the indicative target for end-2023 was marginally missed (CDF 7,132 billion CDF, compared to CDF 7,130 billion). The floor on spending on three health programs (IT) was also missed, with disbursements at end-2023 amounting to CDF 33.6 billion, against a target of CDF 41.8 billion (80 percent of the target). However, in addition to the GAVI-supported immunization program, spending on the Reproductive, Maternal, Neonatal, Child, and Adolescent Health Program (SRMNEA) and Mother and Child Healthcare program also reached the programmed amount. Although it is regrettable to have missed the targets throughout the program, the current situation represents substantial progress, recognized by partners in the health sector, compared to the situation prevailing at the launch of the ECF, where government financial or operational involvement was limited.

- The IT on the ceiling of domestically financed expenditure executed under emergency procedures was not met, with 17.7 percent of expenditure during the fourth quarter of 2023 executed under these procedures. However, if we exclude exceptional security expenditure, this ratio declines to 10.5 percent, which is close to the target set at 10 percent.

- The other performance criteria and indicative targets at end-2023 were met, in particular, the performance criterion relating to the accumulation of net international reserves, which reached US$269 million, above the adjusted floor set at US$229 million.

7. Regarding the structural benchmarks of the last program review:

- We have complied with the continuous structural benchmark (SB) on the publication of mining contracts within 60 days of their signature, including the amendment to the SICOMINES contract published on May 1, 2024.

- The public investment management procedures manual was adopted by the Council of Ministers on November 11, 2023 (end-December 2023 SB). However, the climate impact section was not included.

- The decree establishing the framework for the execution of the Treasury and BCC operations in accordance with the Anti-Money Laundering and Financing of Terrorism (AML/FT) Law was adopted by the Council of Ministers on May 16th (end-May 2024 SB),

- Lastly, the adoption of the BCC's 2023 financial statements produced in accordance with the International Financial Reporting Standards (IFRS) (end-May 2024 SB) was postponed to September 2024 (see paragraph 34).

C. Economic Outlook and Risks

8. The outlook remains favorable. We project growth of 4.7 percent in 2024 and an average of approximately 4.7 percent per year between 2024 and 2029, driven increasingly by economic diversification which contributes to growth in the non-extractive sector. We project a gradual improvement in the current account with a deficit between 3 and 3.5 percent of GDP. Inflation is also expected to slow gradually to an average of 17.2 percent in 2024 and to 12 percent year-on-year at the end of the year, before gradually returning to the BCC's target of 7 percent. The domestic budget deficit (cash basis) is expected to be limited to 0.5 percent of GDP in 2024 and to 0.4 percent of GDP on average during the subsequent years.

9. We are mindful that this outlook is subject to significant short-term risks, including the international situation (war in Ukraine and crisis in the Middle East) and other uncertainties (global and Chinese growth, and the international financial system) that could adversely affect the prices of mining products and the terms of trade. Domestically, if the conflict in the East does not de-escalate, macroeconomic stability could be weakened, including via additional fiscal pressures and the impact of the withdrawal of the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). We therefore remain ready to adjust our economic policies as required.

D. Macroeconomic and Structural Policies

Fiscal Policy

Budget Execution in Early 2024

10. With pressures from security expenditure, we are continuing our efforts to mobilize revenue and to adopt a prudent approach on other expenditure:

- Revenue mobilization efforts continued. In the first quarter of 2024, tax and non-tax revenue amounted to CDF 4,714 billion, north of 40 percent relative to the same period of 2023, and significantly above the programmed target. This favorable trend continued in April (an important corporate income tax deadline), with an increase of more than 70 percent compared to April 2023.

- Exceptional security expenditure remains high, and well above the programmed level. At CDF 1,287 billion in the first quarter of 2024, this expenditure declined compared to the fourth quarter of 2023 (CDF 2,075 billion), although it doubled compared to the first quarter of 2023 and already reached more than 60 percent of the programmed amount for whole of the year 2024 in the 2024 Budget Law.

- In accordance with the Stability Pact, expenditure is committed strictly according to the available resources (excluding any advances from the BCC). Expenditure is therefore constrained, and cash flow pressures have been observed, leading to slippages in the payment of some wages for February and March 2024, although the situation was regularized at the end of April.

- Despite these constraints, in February 2024, we reimbursed some of the arrears on the oil subsidy with the payment of US$123 million through a syndicated bank loan.

- Overall, we limited the domestic budget deficit to CDF 170 billion in the first quarter of 2024 (compared to a deficit of CDF 588 billion for the same period of 2023).

Fiscal Forecasts for the Remainder of 2024

11. Compared to the fifth review, the 2024 fiscal projections of our ECF-supported program need to be reviewed:

- On the revenue side, the impact of tax advances received at the end of 2023 must be considered. The revenue expected from the implementation of the recent amendment to the SICOMINES contract (US$324 million expected in 2024) is included in the new projections, as well as the remainder of the original agreement (US$300 million expected in 2024) in the form of government-guaranteed debt of SICOMINES. In total, also based on the performance during the first few months of the year, we project central government revenue (excluding special accounts) to be approximately CDF 25,032 billion in 2024, compared to CDF 22,052 billion at the time of the fifth review.

- On the expenditure side, the main change concerns exceptional expenditure, particularly for security. While this category of spending is inherently difficult to anticipate, based on expenditure already executed during in the first few months of 2024, the amount programmed for 2024 must be revised from CDF 2,247 billion to CDF 4,442 billion, an increase equivalent to more than 1 percent of GDP. In addition, in light of the importance of exceptional security expenditure, we undertake to have this expenditure for 2023 and 2024 audited by a competent national body and to limit the use of emergency procedures in its execution.

- Our wage bill forecast remains unchanged at CDF 8,125 billion. This does not reflect coverage of new local elected officials. The projected current expenditure is broadly unchanged. If capital expenditure or exceptional security expenditure is not fully executed, or in the event of revenue overperformance, we will not increase current expenditure.

- Domestically funded investment will increase to CDF 4,202 billion, reflecting the inclusion of investments financed with revenue from the Sicomines deal. Excluding the Sicomines deal, domestically funded investment will amount to CDF 3,703 billion.

- In total, we now envisage a domestic deficit on cash basis in 2024 of approximately CDF 1,089 billion (0.5 percent of GDP), broadly similar to the objective set under the fifth review. This projected deficit remains fully financed with credible assumptions (primarily treasury bills and bonds, as well as budget loans), and is consistent with our objective of preserving fiscal sustainability in the medium term.

12. These revisions and the priorities of the new government, will be covered in a supplementary Budget Law:

- The adjusted revenue and expenditure forecasts for 2024, in particular for exceptional security expenditure, will have to be formally included in a Supplementary Budget Law proposed to parliament by the new government.

- Without waiting for the Supplementary Budget Law to be submitted to parliament, on May 10, 2024, we published revised quarterly fiscal commitment plans consistent with the objectives of the program.

- In accordance with good practices and transparency in terms of public financial management, the Supplementary Budget Law will incorporate the resources expected from the amendment to the SICOMINES deal and their planned use for infrastructure expenditure. We also plan to set up a financial and governance mechanism for these resources, including the publication of regular reports on financial flows and the execution of the selected projects.

- The Supplementary Budget Law will also provide an opportunity to reaffirm the priorities of the second term in office of the President of the Republic to be implemented by the new government, in accordance with the government's general policy statement.

13. Our fiscal policies remain guided by two principles: (i) the absence of any direct monetary financing of deficits, in accordance with the Organic Law of the BCC, reviewed in the Stability Pact of August 2020; and (ii) the preservation of a moderate risk of over-indebtedness, so that we can maintain our access, as much as possible, to concessional external financing for our priority projects. Accordingly, the present value of new loans to be arranged by the public sector is estimated at US$ 2.5 billion for 2024.

Structural Fiscal Reforms

E. Revenue Mobilization

14. Efforts to mobilize revenue remain the cornerstone of our strategy. Central government revenue (excluding special accounts) increased from 7.6 percent of GDP in 2020 to 12.2 percent of GDP in 2023. Our ambition is to converge towards the average registered by our peers in sub-Saharan Africa of approximately 17 percent of GDP.

15. The progress towards measures described in the previous MEFPs must continue. The objective is to strengthen the performance of the three tax administration agencies, the Directorate General of Taxes (DGI), the Directorate General of Customs and Excise (DGDA), and the Directorate General of Administrative, Government, Judicial, and Investment Revenue (DGRAD), with priorities that also take into account the analysis of the Tax Administration Diagnostic Assessment Tool (TADAT) (February 2024). The priorities include:

- *Dematerialization and digitization*. We will continue the digitization efforts supported by several partners (notably the European Union and the French Development Agency), through whichthe tax administration agencies will provide the financial resources to sustain the results beyond the lifetime of these programs. The deployment of the LOGIRAD software system is continuing within the various government services (Mines, Hydrocarbons, Telecommunications, and Directorate General of Migration, Land Affairs, and Mining Registry). Dematerialization also involves the integration of the tax management software (ERP) in the DGI, and management of customs procedures in the DGDA.

- *Broadening the tax base and improving tax compliance.* This serves to distribute revenue mobilization efforts across a broader range of taxpayers. The priorities include (i) calling into question certain exemptions, based on the tax expenditure rationalization plan adopted in October 2022; (ii) the biometric registration of taxpayers; and (iii) securing of the taxpayer register by limiting access to public procurement only to taxpayers identified by the DGI.

- *Improving VAT functioning*. In addition to the VAT accounting system for mining companies, which avoids the accumulation of new VAT arrears on imports, the stock of arrears must be settled. Besides the mining sector, we are focusing our efforts on standardized invoicing and the implementation of electronic tax systems that will enable the tax administration to authenticate each commercial transaction, to use the data on these transactions for control purposes, and to assess the turnover of each economic operator. On progress pertaining to standardized invoices, we have completed the acquisition of technological resources at the end of 2023, the training of DGI staff during the first quarter of 2024, and have commenced a pilot phase with a sample of a variety of enterprises comprised primarily of large ones in June 2024. We intend to make the system operational for large enterprises beginning in August 2024, with a positive impact on revenue beginning this year.

- *Increased excise tax revenue*, that accounts for only 0.6 percent of GDP, against an average of 1.6 percent in Africa. We are already observing results from the implementation of the Excise Duty Traceability System (STDA) on tobacco, telecommunications, and, more recently, on beverages. We will focus our efforts on conventional excise taxes (that have proven to be effective in other countries) and will explore the possibility of increasing excise taxes on cigarettes or alcohol, while eliminating others. The reforms in progress to reduce fuel price subsidies should also make it possible, in the long term, to restore excise duties on fuel.

- *More effective exploitation of the revenue potential of the extractive sector*. Control of material flows of mineral exports must be strengthened in the DGDA level, while the laboratory established by the DGI to verify the technical parameters (moisture content, grades, and quantities of the ores) must lead to improved calculation of the tax bases and taxes owed by the mining companies. The first report on this laboratory, produced at the end of 2023, establishes the procedures that will be implemented after the update of the traceability manual.

- *Improvement of controls and dispute management*, including through improved risk assessment (e.g., for the values of declared imports, or exemptions), more effective coordination within and between the authorities, a better framework for control to ensure that the law is applied uniformly, and the development of a system for monitoring the quality and effectiveness of the controls.

- *Improvement of governance and the fight against corruption in tax administrations.* The revenue mobilization effort must not undermine relations with taxpayers and their perception of the integrity of the tax administrations. In addition to the obligations provided for by the civil service status applying to the staff of the tax administrations, codes of ethics and professional conduct will be developed, internal and external inspections will be strengthened, and penalties will be applied, if required. The rules governing dispute management (including on incentives of the tax administration agencies) should not encourage initiatives that are at odds with the law and the objective of maximizing revenue. This objective is supported by the work of the Observatory for Corruption and Professional Ethics (OSCEP) and the ongoing anti-corruption reforms that specify the penalties to be applied in the event of any violations of this objective.

- *The finalization of the new tax code,* with the support of the World Bank, including the code of tax procedures, a section on non-tax revenue collected by sectoral ministries, a revised section on excise duties, and the implementation of a plan to rationalize parafiscal charges (collected by agencies other than the ministries). For the latter objective, the inventory of parafiscal charges, special accounts, and ancillary budgets was completed in June 2023. The intention is also to limit the creation of new special funds, as the establishment of a parafiscal system to finance such funds is at odds with the goal of rationalization and undermines the objective of increasing the central government's revenue, including by discouraging businesses from joining the formal sector.

F. Control of fiscal risks, and the rationalization and improvement of expenditure quality

16. We continue to develop our capacity to assess and manage fiscal risks. With technical assistance from the IMF, we have developed an annex to the Budget Law containing information on (i) macroeconomic risks; (ii) public debt risks; (iii) risks related to public entities other than the central government; (iv) financial sector risks; (v) institutional risks; and (vi) long-term risks, including those related to climate change. We continue to improve this document every year, particularly in terms of quantitative assessment of these fiscal risks, and the fiscal costs required to mitigate them.

17. We are going to establish a fiscal framework anchored on a fiscal balance excluding extractive resources, to avoid procyclical policies. In March 2024, a mission from the IMF Fiscal Affairs Department reviewed the priorities of our roadmap adopted at the end of 2023. In the short term, we plan to: (i) strengthen mining revenue statistics and the definition of the fiscal balance excluding mining resources alongside its publication in the fiscal documents by the end of the current year; (ii) develop the analysis of fiscal risks in relation to the volatility of mineral prices within the framework of the annex mentioned in paragraph 16; (iii) strengthen capacities to analyze and forecast mining revenue using the Extractive Industries Tax Analysis Model (FARI), which we will accomplish with the support of the IMF and other partners, including GIZ, (the German Corporation for International Cooperation). In the medium term, the implementation of all tools, including the budget rules required to reduce the procyclicality of expenditure and to achieve our fiscal objectives, will make it possible to establish this fiscal framework based on a fiscal balance excluding extractive resources.

18. Regarding public debt risks we remain committed to avoiding (i) the accumulation of arrears on public external debt service; (ii) the accumulation of government wage arrears; and (iii) the use of central bank loans to the central government. We also remain committed to not use central bank deposits as collateral or guarantee for central government borrowing, while reimbursing any existing loans of this type according to the established schedule.

19. We have clarified the timetable for the implementation of the strategy to clear domestic arrears with technical assistance from the IMF:

- Following completion of an independent audit of the stock of certified domestic arrears in December 2022, the strategy was presented to the Council of Ministers on May 19, 2023. This strategy provides for the payment, without any discounts, of claims less than or equal to US$300,000. Other claims will be converted into treasury bonds, part of which the government may reimburse each year, in advance, through repurchase operations (Dutch auctions). For that purpose, an order will be issued to establish the terms and conditions for the securitization of certified domestic arrears and the organization of the repurchase of domestic public debt instruments was signed on October 24, 2023.

- To ensure that the reimbursement process is transparent and fair, on September 1, 2023, we issued a press release inviting creditors to contact the Directorate General of Public Debt (DGDP) to make their case.

- The roadmap finalized on November 13, 2023, is being implemented, with the payment of claims less than or equal to US$300,000 that began with the payment of US$5 million in June 2024. However, the securitization of the largest claims, scheduled for March 2024, was postponed until July 2024, and there has been a slight delay in the complete identification of the creditors (including their bank details and the opening of a securities account to place the bonds that will be issued). An initial early repurchase of these securities will take place in August 2024.

- We will refrain from any payments outside the framework of this clearance strategy.

20. We are continuing the reforms to rationalize the oil subsidy with the aim to control its fiscal cost. Prices at the pump increased by more than 7 percent on April 25, 2024, bringing the increase since 2021 to between 74 and 130 percent depending on the region and the products. In addition to these increases, we are continuing to implement the roadmap validated in November 2023, that builds on the May 2023 price structure audit and the IMF technical assistance mission in July 2023, with the following priorities:

- The refining of the price structure by optimizing certain items (the Average Border Price) and improving the calculation and certification of the oil industry's shortfalls. A decree specifying the eligibility criteria and calculation methods was published in February 2024. Shortfalls for a given quarter will now be certified within a maximum period of two months. The transparency effort is ongoing, with the monthly publication on the website of the Ministry of National Economy, since June 2023, of the price structure and estimated subsidies.

- The implementation since October 2023 of the decision made by the Interministerial Order of March 13, 2023, to exclude mining companies from the diesel subsidy for the southern supply area, as a result of the progress on accounting for the volumes of diesel sold by oil companies to mining companies and to the molecular marking program. We also intend to rationalize import exemptions to optimize parafiscal oil charges and control consumption volumes. Pending the establishment of a rigorous evaluation mechanism, the exemptions have been suspended.

- Regarding liabilities towards oil companies ("shortfalls"), the rise in prices at the pump and the reforms undertaken have made it possible to significantly reduce their rate of accumulation to US$125 million in 2023, compared to US$545 million in 2022. We have also reimbursed US$135 million during the first four months of 2024, including US$123.5 million in February through bank financing, the payment of which is guaranteed with some of the parafiscal charges included in the fuel price structure. We will continue to use this approach to reimburse the liabilities, estimated at US$402 million at the end of March 2024.

- Since February 2023, we have established a standing committee to monitor implementation of the reforms on the regulation of the prices of strategic products (CRP).

21. An ambitious reform of the civil service is required. The wage bill increased by only 8.4 percent in 2023, and a decree specifying that any wage increase must be approved jointly by the Ministers of Budget, Finance, and Civil Service was signed at the end of July 2023. The 2024 budget provides a moderate increase in the wage bill (around 14 percent), bringing it down to 4.1 percent of GDP, against 5 percent in 2022. In addition to these efforts to control the wage bill, we have begun to clean up the civil service register based on the biometric identification of all civil servants, to reorganize the social security coverage of civil servants, and to launch a retirement program. A more comprehensive reform of the civil service is required, with a global wage policy strategy. This reform and the timetable for its implementation will have to be specified by the new government.

22. Enhancing the level and effectiveness of social spending remains essential. The three health programs related to the indicative target under the ECF were selected with the health partners in light of their importance, and the need for direct involvement, including financially, of the government. We stand ready to continue this commitment and to extend it to other programs. In addition to these health programs, our social priorities will be reiterated by the new government, and include free access to education, the reduction of regional inequalities, and the acceleration of food security projects. While more than 30 percent of the budget is allocated to the social ministries, we need to improve the efficiency and quality of expenditure by controlling operating expenses and increasing program expenditure.

23. We will improve the efficiency of public investment management based on the recommendations of the Public Investment Management Assessment (PIMA) Report published in January 2023:

- The PIMA Report highlighted structural weaknesses in the public investment cycle. Its main recommendations were included in a roadmap adopted by the Council on November 3, 2023, and were accompanied by a priority action plan.

- In addition, (i) the Decree on public investment management covering all phases of the project cycle was signed on May 31, 2023; (ii) the work to assign a unique digital identifier to each project funded by the government or its development partners was completed on March 15, 2024 (it is now a matter of issuing a ministerial decree to make the application of the new codification effective and mandatory and to update the information technology applications to incorporate the new codification); (iii) a manual of procedures to standardize public investment management practices was produced and adopted by the government on November 11, 2023 (**end-December 2023 SB**), although without the climate impact assessment framework, that is now being prepared, and that will be finalized during the third quarter of

2024 for inclusion in this manual; (iv) for the first time, a multiyear public investment program (2024-2026) has been annexed to the 2024 Budget Law.

- We are continuing to strengthen the monitoring of externally funded projects through: (i) the restructuring and strengthening of the Project and Program Monitoring Unit (CSPP); (ii) the expansion of the areas of responsibility of the CSPP, which, in addition to projects of the World Bank and African Development Bank, now monitors those of the International Fund for Agricultural Development, the French Development Agency, the Arab Development Bank, the German Agency for International Cooperation, and the Japanese International Cooperation Agency; (iii) the development of management indicators for real-time monitoring of projects and programs and the improvement of the monitoring of processing of cases to reduce administrative delays; and (iv) the evaluation of performance contracts signed between the government and the coordinators of the project management units.

- The strengthening of the CSPP is also part of the process of creating a single office for the coordination and monitoring of externally financed projects, with a view to merge the CSPP with the Central Coordination Office (BCeCo), the Financial Unit for Fragile States (CFEF), and the Support Unit for the Authorizing Officer of the European Fund for Development (COFED). The merger process is in progress, supported by a consultant who is assisting the Ministry of Finance, aiming for the end of 2024.

- In addition to investment funded via external resources, we are determined to strengthen the implementation and governance of investment from own resources. This is particularly true for investments in infrastructures using budget resources from the amendment to the Sicomines agreement. This is also the case for the 145 Territories Local Development Program (PDL-145T), that is partially financed by the August 2021 general SDR allocation (in the amount of US$511 million in 2022 and 2023), that continues to be closely monitored, and for which the accountability is ensured through the production of quarterly reports by the implementing agencies and the publication of annual reports.

G. Strengthening Public Financial Management (PFM)

24. We continue to implement our multiyear plan for public financial management reform plan adopted by the Council of Ministers on August 19, 2022. This plan is structured across five areas: (i) fiscal reform and credibility; (ii) tax policies and strengthening of the tax administrations; (iii) public expenditure reform; (iv) cash management and public accounting; and (v) digitization of the public financial management system. These reforms, coordinated by the Steering and Orientation Committee for Public Finance Reform (COREF), follow a regularly updated action plan, with the technical and financial support of partners within a dedicated inter-donor group.

25. The ongoing priorities for the PFM reforms includes:

- **Strengthening fiscal credibility**, in particular by improving coordination between services for the formulation of the budget framework, and through increased transparency, for example, with the quarterly publication of Cash Flow Plan execution.

- **Improving public accounting and cash management,** with (i) the gradual placement into operation of the *Directorate General of Treasury and Public Accounting (DGTCP);* (ii) the improvement of coordination for detailed, informed steering of cash management, through weekly meetings of the Cash Flow Plan Commission, that includes experts from the Ministry of Finance, the DGTCP, the Ministry of Budget, and the BCC; and (iii) the establishment of the Treasury Single Account (TSA), based on the Decree of May 31, 2023, prepared with technical assistance from the IMF, outlining the scope and structure of the TSA and establishing the mechanisms for its operation. Following the mission to inventory the banking accounts of public administrations, a total of 3,625 accounts have been identified, including 607 accounts of ministries, 121 accounts of institutions and similar organizations, 2,608 supplementary budget accounts, and 289 special accounts. In addition, a draft central government single account agreement has been developed with technical assistance from the IMF.

- **Strengthening the expenditure chain and limiting expenditure that does not comply with the normal procedures**. We remain committed to capping expenditure under emergency procedures to 8 percent of domestically financed expenditure in 2024, and we will continue to publish quarterly reports providing detailed information on the nature and amount of such expenditure. This spendings must also be regularized through the Committee for Regularization of Expenditure through the Emergency Procedure (that includes the services of the Ministries of Finance (including the DGTCP), and Budget). This objective is consistent with fiscal management by program objectives and the decentralization of authorizations. The signing of orders establishing nine accounting positions by the Minister of Finance, the configuration of the software for the computerized public expenditure chain in the pilot sector ministries, and the signing in September 2023 of the manual of procedures and the expenditure circuit reflecting the decentralization of authorization will make it possible for the latter to be tested within selected sector ministries. In addition, with the aim of providing public accountants with the tools to facilitate the practice of the accounting function, the government signed a decree on October 24, 2023, establishing the procedures for the payment and accounting of public expenditure. These different stages also correspond to the commitments made with the World Bank as part of the implementation of the project to improve revenue collection and public expenditure management in the DRC (ENCORE). In accordance with the framework of the results of this project and in accordance with the agreed roadmap, the decentralization of authorization will be implemented in at least six ministries by the end of December 2024.

- **Improving transparency and efficiency in public procurement**, in line with the Decree on Public Procurement Procedures of March 7, 2023, that includes the legal provisions required to strengthen the identification and disclosure of beneficial ownership information, as recommended by the IMF technical assistance. The objective remains to make the Integrated

Public Procurement Management System (SIGMAP), that is currently being tested in the pilot units, fully operational.

- **Strengthening public debt management**, in accordance with the Interministerial Order of December 5, 2020, specifying that the Directorate General of Public Debt (DGDP) will evaluate and monitor all new debt agreements. The Decree-Law on Public Debt, harmonizing the legal framework for public debt management, was signed on September 11, 2023, ratified by parliament, and promulgated.

- **Strengthening the supervision of public enterprises.** The financial statements for the key public enterprises (Générale des carrières et des mines—Gécamines [mining], Société minière de Bakwanga—MIBA [mining], Régie de distribution d'eau—REGIDESO [water], Société nationale d'électricité—SNEL [electricity], Régie des voies aériennes—RVA [air transportation], Société nationale des chemins de fer du Congo—SNCC [railroads], and Société commerciale des transports et des ports—SCTP [ports and transportation]) are published at the website of the Superior Portfolio Council. A report on the consolidated financial position of public enterprises was published as an annex to the 2024 Budget Law.

26. Digitization will be a main anchor in the public financial management reform. In addition to the digitization of revenue collection, the government intends to establish an integrated mechanism to connect the various existing information systems and to develop the accounting and fiscal management modules. A comprehensive policy plan for the digitization of the PFM system was adopted by the Council of Ministers on October 27, 2023. The institutional framework for the coordination and orientation of the digital public financial management system will be established with the creation of the Directorate General of Financial Information Systems, that will be responsible for the development of public financial information systems, assisting project owners in public financial management projects and ensuring the security, integrity, reliability, and technical regulation of information systems.

27. A Public Financial Management Assessment (PEFA) is in progress. Officially requested on September 7, 2023 by the Minister of Finance and benefiting from technical and financial support from a number of donors, these results, expected by October 2024, will make it possible to take stock of the reforms undertaken in recent years and to update our action plan for the coming years, that could serve as the basis for our commitments under a new program supported by the IMF.

Monetary, Financial, and Exchange Rate Policies

Monetary Policy

28. Monetary policy remains tight, and we are prepared to use the tools at our disposal to address inflationary pressures:

- After an increase from 11 percent to 25 percent on August 8, 2023, the Monetary Policy Committee (CPM) kept the policy rate unchanged, although inflation has begun to subside. The reserve requirement ratio on deposits in domestic currency also has also remained unchanged, at 10 percent since June 2023. The outstanding balance of BCC bonds, amounting CDF 40 billion at end-July 2023, increased significantly thereafter, reaching an average of CDF 204 billion during the second half of 2023, and an average of CDF 221 billion during the first quarter of 2024.

- The BCC is prepared to take additional measures to strengthen the monetary policy framework, to improve monetary policy transmission, and to fight dollarization based on the recommendations from the March 2024 IMF Technical Assistance Mission. The central bank plans to continue to mop up excess liquidity by widening the bidding ranges of the BCC bonds and by increasing the reserve ratio on demand deposits in domestic currency, as required. In the short term, the BCC is committed to (i) making financing accessible on demand (the permanent facility window is open every day, with a higher rate), to reduce banks' precautionary liquidity buffer and to encourage them to trade liquidities on the interbank market (by mid-June 2024); (ii) consulting with banks (by June 2024) to explore the possibility of remunerating reserve requirements in domestic currency; (iii) analyzing liquidity forecast differentials on a daily basis (from June 2024); (iv) establishing a comprehensive single database on banks so that their vulnerability to various shocks, including liquidity in CDF and in U.S. dollars, and exchange rate depreciation (beginning in November 2024) can be analyzed.

Foreign Exchange Policy

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

- At close to US$6 billion at the end of April 2024, gross international reserves have risen sharply relative to their preprogram level (just under US$803 million, equivalent to two weeks of imports at the end of 2020), and are significantly higher than the level projected at the launch of the program. However, at approximately two months of imports, they are still at an inadequate level. Our target is still coverage of more than three months of imports.

- Despite a less favorable environment than in 2022, with the decline in mining revenue in U.S. dollars and interventions on the foreign exchange market made necessary by excess exchange rate volatility, we accumulated US$275 million in net reserves in 2023, which exceeds the adjusted performance criterion of the program of US$216 million.

30. We are committed to maintaining exchange rate flexibility. The exchange rate remains the first buffer for external shocks, and our foreign exchange policy will remain guided by the objectives of adequate reserves and price stability. The BCC's intervention policy is guided by the requirement to accumulate reserves, as well as to mitigate episodes of extreme exchange rate volatility that run the risk of undermining macroeconomic stability. We undertake to strengthen the framework for foreign exchange market interventions based on the findings from the IMF technical assistance. Some of these measures have already been implemented, including the following: (i) the BCC has eliminated the cap on the margin generated by banks on the resale of U.S. dollars obtained at auction; (ii) the BCC has brought the method for defining the marginal exchange rate at auction into line with the regulatory framework and good market practices; (iii) the BCC has excluded foreign exchange bureaus from participating in auctions; and (iv) the surveillance and follow-up system for foreign exchange operations has been enhanced with on-site and off-site supervision activities. We will continue to ensure that the indicative exchange rate for the Congolese franc reflects market forces, as evidenced by the small differential with the parallel exchange rate.

31. We will continue to meet our commitments to: (i) not to impose or intensify restrictions on the making of payments and transfers for current international transactions; (ii) not to introduce or modify multiple currency practices; (iii) not conclude bilateral payment agreements that are inconsistent with Article VIII; and (iv) not to impose or intensify import restrictions for balance of payments reasons.

Structural Reforms

32. Modernization of the monetary policy framework will continue:

- The prudent monetary policy stance is based on the absence of any advances from the BCC to finance the public fiscal deficit, pursuant to the Organic Law of the BCC, the Public Finance Law, and the Stability Pact executed between the government and the BCC. For that purpose, we have observed the ceilings on changes in net credit to government and net domestic assets of the BCC established under the program. The BCC will also refrain from issuing new guarantees for central government loans, in accordance with the Organic Law. In addition, collateral deposits for existing loans reaching maturity will be gradually transferred to international reserves.

- Since January 2022, the reserve requirement on foreign exchange deposits has been established in foreign exchange for deposits in excess of their end-2021 level. The portion of this reserve established in domestic currency, a frozen stock of CDF 2,375.6 billion deriving from the old system was reduced by CDF 118.7 billion (5 percent) in 2023 and was converted into banks' foreign currency reserve requirements in the dedicated account with the Bank for International Settlements (BIS). We will continue the unfreezing process.

- In the framework of a multiyear IMF technical assistance program, we will finish establishing the policy forecasting and analysis system (FPAS) by 2024, and will then make it operational, including through the implementation of an organizational framework, with a view to strengthening the monetary policy decision making process. We will take any additional accompanying measures that may be required to improve the BCC's economic forecasting and analysis capacities, as well as its communications.

- Regular Monetary Policy Committee meetings are held on a pre-established schedule. We remain committed to reporting extensively on the Committee's decisions, in particular by having the BCC issue a press release and hold a press conference following these meetings. Measures to enhance communication will also focus on the policies and reforms implemented by the BCC in an effort to increase their visibility.

33. The government and the BCC are committed to strictly limiting cash transactions at the BCC windows. The Instruction issued in July 2023 by the President of the Republic resulted in a substantial decrease in cash payments in domestic currency. Against this backdrop, and ultimately to assist in the DRC's removal from the Financial Action Task Force (FATF) Grey List, the BCC reviewed Instructions 15 and 15*bis* to align them with the FATF norms. We are also committed to reducing cash foreign currency payments at the BCC's counters. These efforts also meet the requirements of the Anti-Money Laundering and Financing of Terrorism Law of December 27, 2022. In this context, and based on the results obtained in 2023, we are establishing a framework for the execution of treasury and BCC operations in accordance with the provisions of the AML/FT Law, particularly with regard to Articles 23 and 24 of that Law. In this context, a decree was adopted by the Council of Ministers on May 16, 2024, providing that no payments in cash or with bearer instruments can be made on behalf of the central government or its agencies, to the BCC or commercial banks, in CDF or in foreign exchange, above the amounts established in the Law **(Structural benchmark at end-May 2024**).

Safeguards

34. We will continue to strengthen the BCC's governance arrangements as well as accountability and transparency mechanisms by implementing the outstanding recommendations from the 2020 safeguards assessment:

- The BCC's accounting framework under the IFRS has received the favorable opinion of the Ministry of Finance. Work is progressing with IMF technical assistance to issue the BCC's financial statements in accordance with the IFRS. However, the BCC was unable to meet its commitment to publish the 2023 certified financial statements in accordance with the IFRS (**Structural benchmark at end-May 2024**), as a result of the workload of the external auditor. Although the IFRS financial statements for 2021, 2022, and 2023 have been prepared, in light of the validation process by the external auditor, we expect them to be adopted by the Board and published in September 2024. In the interim, the 2023 financial statements in accordance with the New Chart of Accounts (NPC) standards will be adopted by the Board in June 2024.

- This transition to the IFRS will increase the amount of capital required to reach the level of 10 percent of performing assets, in accordance with the Organic Law of the BCC, in comparison with the amount presented in the analysis of recapitalization requirements validated by the BCC Board on November 7, 2022. However, the recapitalization corresponding to the capital stock (CDF 213 billion determined by the Organic Law of the BCC) began in 2024 with an automated debit from the general account of the treasury according to the schedule agreed between the BCC and the Ministry of Finance in the Memorandum of Understanding approved by the Board of the BCC and signed on November 20, 2023. The mechanisms and timing of the balance of the recapitalization will be set out in a memorandum of understanding to be signed by end-2024, following the publication of the first IFRS-compliant statements.

- As we had undertaken, the Board of the BCC adopted a decision on December 12, 2023, establishing the procurement rules defined with technical assistance from the World Bank. The new rules have been published and are now in force.

- The BCC continues to strengthen the management of foreign exchange reserves by capping foreign exchange deposits with local correspondent banks, with the ongoing objective of closing all of these accounts, with the important prerequisite of the opening of a foreign correspondent bank account, for which the work is in progress.

- The BCC will establish a compliance function based on the following pillars: AML/FT, ethics, and fighting internal and external fraud. A mapping exercise for internal AML/FT risks is in progress and will be validated by the BCC Board.

- The BCC will continue to strengthen the independence and capacity of its internal audit function. In this context, the Board of the BCC adopted an internal audit charter in June 2023, and training activities were carried out to strengthen the capacity of the auditors and members of the Audit Committee of the BCC Board.

- The external audit report for 2022 was finalized on August 29, 2023, and published in full in the BCC's 2022 Annual Report.

- The BCC will strengthen the operational frameworks and governance of its international reserve management.

- The BCC will establish an emergency liquidity support framework for solvent financial institutions facing temporary illiquidity problems, with technical assistance from the IMF.

Financial Sector

35. Implementation of the recommendations deriving from the Financial Sector Stability Review (FSSR) is essential to strengthen the surveillance and regulation of the financial sector. Based on the technical assistance program supported by the IMF for the period 2023-2026, our strategy is to implement the following recommendations:

- *Regulation of the financial sector*: the promulgation of the new Banking Law in December 2022 was an essential milestone in the progress of the reforms. To bring its regulations into line with the new Banking Law and international standards, the BCC has already introduced or revised 18 instructions, including Instructions 17, 18, 21, and 22 for credit institutions and financial companies other than microfinance institutions; Instruction 19 for credit institutions and financial companies; as well as Instructions 7, 8, and 41 for microfinance institutions. It also issued six new Instructions (51 to 56), relating, *inter alia*, to licensing requirements and corporate governance of financial enterprises in general, market discipline, and operating and control costs. In addition, it revised the administrative instructions respectively on the regulation of the activity of financial messaging systems and foreign exchange bureaus. The BCC plans to publish in 2024 the instruction on the interoperability of electronic payment systems and the instruction on payment institutions. The BCC is also continuing its efforts to adjust its regulatory framework in connection with the ongoing work on the revision of Instruction 14, with a view to implementing rules on solvency and the leverage ratio according to the Basel III standard approach and international liquidity standards.

- *Financial sector supervision and banking crisis simulations (stress tests)*: Following the conclusion of a pilot mission with IMF technical assistance, on-site inspections involving credit risk assessments resumed during the second half of 2023 and will continue in 2024. We have established a committee responsible for stress tests to identify the major risks and exposures of the financial system and to formulate questions addressing these risks. The operational implementation of risk-based supervision is in progress with the launch of the second general bank rating exercise. Pending the creation of an *ad hoc* service, information technology risks are already being covered by the Financial Intermediaries Supervision Directorate (DSIF).

- *Crisis management and financial safety net*: by the end of September 2024, the BCC will adopt an instruction specifying the information to be included in banks' prevention and recovery plans, including scenarios of liquidity crisis and the loss of one or more correspondent bank relationships; commercial banks will be required to submit these plans to the BCC by December 2024. The BCC will align with the international best practices the framework for providing emergency liquidity to solvent financial institutions facing temporary illiquidity problems; and will review cross-border cooperation agreements with all countries of origin of parent companies of banks established in the DRC, with a view to integrating recovery and resolution planning.

- *Financial stability mandate and macroprudential policies*: to support the work of the Financial Stability Committee, we have created a Financial Stability Function with the appropriate level of resources; we are continuing to strengthen surveillance of nonbank financial institutions; and we are developing monitoring and early warning tools to analyze sector interdependencies and interconnections.

36. We are implementing the national financial inclusion strategy adopted by the Government in July 2023. We have established a Committee to implement this strategy, comprised primarily of experts from the Ministry of Finance, the Ministry responsible for primary and secondary education, the Central Bank of the Congo, the Insurance Regulation and Control Authority, the National Statistics Office, and representatives from the Congolese Banking Association and professional associations in the microfinance sector. The objective is to achieve a financial inclusion rate of more than 50 percent beginning in 2025.

Structural Reforms: Improving Governance and the Business Environment

37. Enhanced governance and efforts to fight corruption are still the centerpiece of the government's strategy:

- We are strengthening the institutions responsible for fighting corruption, including the Agency to Prevent and Fight Corruption (APLC), in accordance with the United Nations Convention against Corruption (UNCAC) and international best practices. The cycle of reviews under this Convention is in progress, and we look forward to the country visit from the examiners from Libya and Zambia.

- After the validation of the National Policy on Justice Reform (PNRJ) and the adoption in October 2022 of the National Anticorruption Strategy, a priority action plan was established and is regularly monitored by the Ministry of Justice, the APLC, the Observatory for Corruption and Professional Ethics, and other institutions and partners.

- In August 2023, a database on corruption activity was established for 10 provinces, and the data from offices and jurisdictions are since being compiled with the assistance of the National Statistics Office. Work covering the remaining 15 provinces will continue throughout 2024.

- Providing anticorruption institutions with adequate resources is one of our priorities. After the senior staff of the Court of Auditors and its new magistrates took the oath of office on August 31, 2022, we have continued to strengthen the resources of the Court of Auditors. Its budget allocation, that has increased from CDF 22 billion in 2022 to CDF 87 billion in 2023, is projected at CDF 96 billion in the 2024 Budget Law. The General Finance Inspectorate is also continuing its control missions, including on the *ex-ante* control of the expenditure of public institutions and special funds.

38. We are continuing our efforts in the areas of mining sector governance and transparency:

- The government will continue to support the work of the Extractive Industries Transparency Initiative (EITI), including by providing the budget allocations required for its operation. While the validation of the DRC finalized on October 13, 2022, registered a high overall score in connection with the EITI requirements, it also highlighted the progress required in terms of strengthening transparency and publication of the ultimate beneficiaries of mining agreements.

- We will continue to publish the new agreements (ongoing structural benchmark) in accordance with the relevant provisions of the Mining Code and the requirements of the EITI standards, including renegotiated agreements.[1] In addition, the 2023 financial statements of Gécamines, including the auditors' comments, will be published, as was the case with the 2020, 2021, and 2022 accounts.

[1] In accordance with Law 18/001 amending and supplementing Law 007/2002 on the Mining Code, all mining agreements must be published within 60 days after the agreement enters into force.

39. In the context of Anti-money laundering and Countering the financing of terrorism (AML/CFT), we are implementing the action plan agreed with the FATF to be removed from the list of jurisdictions under increased monitoring:

- The promulgation of the new AML/CFT Law (No. 22/068) in December 2022 was a key factor in our commitment. This Law introduced innovations such as: (i) the extension of the application of AML/CFT measures to the financial sector (in addition to banks); (ii) the prohibition of anonymous bank accounts; (iii) the strengthening of electronic transfer verification measures for politically exposed persons (PEPs); (iv) the establishment of basic requirements for customer due diligence by correspondent banks; and (v) the strengthening of procedures for declaring the assets of PEPs.

- The implementation of the action plan benefits from the technical and financial assistance from many partners, particularly the AML/FT Global Facility of the European Union, coordinated within a Technical Assistance Committee, that has a technical secretariat.

- The Fourth Progress Report submitted to the FATF Secretariat on March 22, 2024 underscores the need to meet the deadlines for a number of the points of the Action Plan, while highlighting substantial progress, including: (i) the national AML/FT strategy prepared by the Anti-Money Laundering and Countering the Financing of Terrorism Consultative Committee (COLUB) was validated at the end of 2023; (ii) the report on the National Risk Assessment (ENR), prepared with technical assistance from the World Bank, has been widely disseminated, including to microfinance institutions; (iii) the Decree designating the supervision authorities for all sectors of enterprises and nonfinancial professions has been signed; (iv) AML/CFT investigation and prosecution capacities have been strengthened with the recruitment of magistrates as well as the development of a training plan for all investigators; (v) the two decrees on the regime of financial penalties were signed on March 21, 2024; (vi) capacity development for analysts of the National Financial Intelligence Unit (CENAREF) and the ongoing rollout of a technological solution for the secure receiving and processing of suspicious transaction reports.

- Following the visit of experts during April 22-26, 2024, the DRC is in the process of finalizing the process of joining the Egmont Group, that will be discussed at the June 2024 plenary meeting in Paris.

40. We intend to accelerate the reforms to stimulate private investment. The June 2023 National Business Climate Barometer, designed to assess the degree to which economic transactors are satisfied with the business environment, highlighted concerns regarding taxation and parafiscal taxes legal security, the political environment, public procurement management, and the quality of administration and infrastructure. In response, the government adopted an Emergency Plan in the Council of Ministers on July 28, 2023, and, on November 2, 2023, adopted a roadmap with nearly 70 reforms for (i) the facilitation of enterprises creation (introduction of a business visa, and the establishment of a one-stop shop for the issue of specific authorizations, permits, and licenses); (ii) the facilitation of access to electricity; (iii) the facilitation of ownership transfers; and (iv) the facilitation of international trade (promotion of logistics platforms and establishment of the dispute settlement commission).

H. Capacity development and improved statistics

41. We will continue to strengthen the capacities of our institutions, with the support of our partners. The provision of technical assistance has contributed to essential diagnostics, including a comprehensive governance diagnostic, the FSSR, PIMA, TADAT, and the Country Climate Development Reports of the World Bank. An expert from the IMF Fiscal Affairs Department (financed by the Government of Japan) is in place, along with two budget and fiscal experts financed by the Belgian cooperation authorities (Enabel) based in Kinshasa and working in close collaboration with the IMF technical assistance. An expert has also been seconded to the BCC since October 2023 by the IMF Monetary and Capital Markets Department.

42. We remain committed to improving our statistics and their dissemination, to improve their quality for program monitoring and follow up.

- After publishing the new revised GDP series up to 2019 according to the 1993 System of National Accounts (SNA) and with 2005 as the base year, the national accounts have been updated to 2022 (provisional version) and will be published in June 2024 with technical assistance from The IMF Technical Assistance Center for Central Africa (AFRITAC Central). The new base year of the GDP 2024 will incorporate the main recommendations of the 2008 SNA and will be launched with the economic activity and product nomenclatures as well as the initialization of the ERETES database (national accounts compilation tool) during 2026.

- In March 2023, the BCC began to report its financial soundness indicators to the IMF on a quarterly basis, for publication. In addition, the BCC is committed to producing improved and updated monetary data through better coordination among the staff concerned with IMF technical assistance, that is expected to take place during 2024.

- We will continue to support the National Statistics Office and the other government institutions responsible for producing official statistics in the performance of their functions, and to improve institutional coordination, and we are counting on the continued technical and financial assistance of our partners. Our priorities include debt data, particularly from public enterprises and the provinces; the improvement of the quality and frequency of data transmission by the BCC; and improving the accuracy of economic indicators.

- After strengthening our fiscal statistics with the preparation and regular publication of the Table of Government Financial Operations (TOFE) in GFSM format by the DGTCP, based on the 1986 GFSM TOFE for publication in the IMF's statistics yearbook, we intend to make the new restricted accounting system operational with a view to using the Treasury General Balance of Accounts (BGCT) as the main source for the TOFE in the GFSM 2014 format.

- We will continue to improve the quality and dissemination of public debt statistics, by continuing to expand the scope of debt coverage to public enterprises and by improving the transmission of statistics to the quarterly public sector debt database (QPSD) managed by the World Bank and the International Monetary Fund.

- We are interested in participating in the initiative of the Enhanced General Data Dissemination System (e-GDDS)/National Summary Data Page (NSDP) for the dissemination of statistical information and metadata, mindful that this approach involves appointing a national coordinator (focal point) and preparing metadata that describes the current practices in production and dissemination of official statistics, and the short and long-term plans for the improvement of these practices. Assistance from the IMF Statistics Department will be helpful to us in achieving this goal.

43. The macroeconomic framework and the measures of the program under the ECF will continue to guide the implementation of our economic policies for 2024. Definitions of key indicators and concepts, as well as the data reporting requirements are outlined in the attached Technical Memorandum of Understanding. Under the direction of the Minister of Finance, the Minister of Budget, and the Governor of the BCC, a technical troika chaired by the Ministry of Finance and comprising the Ministry of Budget and the BCC will be responsible for monitoring implementation of the program. The Technical Committee for Monitoring and Assessment of the Reforms (CTR) will be responsible for coordination, technical secretariat services, and liaising with the IMF on the reporting of information to be shared with Fund staff in accordance with the TMU.

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

	2023				2024			
	End-Dec.				End-March			
	QPC				IT			
	CR No. 23/434	Adjusted	Outturn	Status	CR No. 23/434	Adjusted	Prel. Outturn	Status
Quantitative Performance Criteria								
Floors on changes in net international reserves of the BCC (US$ millions)	250	216	275	Met	80	50	-120	Not met
Ceilings on changes in net BCC credit to central government (CDF billions) 1/	405	472	343	Met	0	58	-138	Met
Ceilings on changes in net domestic assets of the BCC (CDF billions)	300	367	295	Met	0	83	-257	Met
Ceilings on the accumulation of external payment arrears (US$ millions) 2/	0		0	Met	0		0	Met
Floors on the domestic fiscal balance (cash basis, CDF billions)	-1,400	-395	-2,132	Not met	-462	681	-262	Not met
Ceilings on contracting or guaranteeing of new external debt by the public sector (present value, US$ millions)	2,500		655	Met	1,000		92	Met
Ceilings on the levels of foreign currency assets of the BCC held with domestic correspondents (US$ millions)	150		113	Met	150		181	Not met
Indicative Targets								
Ceilings on the changes in deposits of the BCC used as collateral/guarantee for central government loans (US$ millions) 3/	-61		-61	Met	-6		-6.5	Met
Floors on revenues of the central government (CDF billions)	18,542		20,318	Met	3,545		4,714	Met
Floors on social spending (CDF billions)	75		67	Not met	21			No data
Ceilings on the accumulation of wage arrears of the central government (US$ millions)	0		0	Met	0		0	Met
Ceilings on the wage bill (CDF billions)	7,130		7,132	Not met	2,031		1,620	Met
Ceilings on central government expenditures executed under emergency procedures (in percent of total domestically financed expenditures)	10		17.4	Not met	10		23.5	Not met
Memorandum items:								
Adjustors								
Balance of payments support (US$ millions)	662		621		56		0	
Privatization proceeds (US$ millions)	0		0		0		0	
External debt service payments (US$ millions)	239		253		48		50	
Domestic arrears payments (CDF billions)	854		876		0		464	
Domestically-financed investment (CDF billions)	2,455		2,665		864		192	
Central government revenues (CDF billions)	19,035		20,318		3,545		4,714	

Sources: Congolese authorities and IMF staff estimates.

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

2/ Continuous.

3/ This will be populated after receiving the external auditors report at end April.

Table 2. Democratic Republic of the Congo: Structural Conditionality Under the ECF Arrangement			
Actions	**Rationale**	**Date**	**Status**
Request for an ECF Arrangement			
BCC Board fully constituted in accordance with the requirements of the 2018 Central Bank Law	Improve governance of the central bank according to the safeguards assessment recommendations	Prior action	Met
Adopt the EITI roadmap on mining transparency (validated by the Council of Ministers	Improve transparency in the mining sector	Prior action	Met
First Review			
Publish the full 2020 financial statements of Gécamines, including auditor's comments	Improve transparency in the mining sector	End-August 2021	Met
Consolidate all legal documents on non-tax revenues in a single document	Rationalize non-tax revenues	End-September 2021	Met
Submit to Parliament the draft of the new Commercial Banking Law that integrates IMF's staff comments	Enhance financial stability and banking supervision	End-November 2021	Not met
Publish all new mining contracts	Improve transparency in the mining sector	Continuous	Met
Second Review			
Adopt the new reserve requirement regulation of the BCC on new FX deposits	Enhance financial stability and banking supervision	End-December 2021	Met
Sign an MoU between the BCC and the ministry of Finance to regularize the outstanding credit of the BCC to the government	Provide the BCC with space for monetary policy implementation	End-December 2021	Met
Fully implement ASYCUDA World in the electronic single-window at 10 additional customs offices	Improve customs administration	End-December 2021	Met
Recruit an independent auditor to perform an external audit of BCECO for the years 2017-21	Improving public investment efficiency	End-March 2022	Met
Publish all new mining contracts	Improve transparency in the mining sector	Continuous	Not met

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

Actions	Rationale	Date	Status
Third Review			
Publish the renegotiated contract allowing the return of mining assets in favor of the State	Improve transparency in the mining sector	Prior action	Met
Revision of instruction decree to make the VAT a self-liquidating system for miners consistent with existing legislation and international best practices, so it applies to mining companies, not to specific products	Improve VAT administration	End-June 2022	Met
Publish the 2022 government spending plans aligned with program targets	Improve fiscal transparency	End-July 2022	Met
Adopt a plan to rationalize non-tax charges	Rationalize the tax system	End-September 2022	Not met [1/]
Implementation of the first phase of the excise duty traceability system (STDA)	Improve excise tax administration	End-September 2022	Not met
Adopt a decree on budget governance in line with CD recommendations	Improve public finance management	End-October 2022	Met
Validate the analysis of the BCC's recapitalization needs by the BCC Board	Reinforce the solvency of the BCC	End-November 2022	Met
Publish all new mining agreements in accordance with the relevant provisions of the Mining Code and the requirements of the EITI standards, including renegotiated agreements	Improve transparency in the mining sector	Continuous	Met
Fourth Review			
Complete the audit certifying domestic arrears (¶19)	Improve public finance management	End-December 2022	Met
Adopt a decree on public investment management covering the life cycle of projects, consistent with recommendations in the PIMA report (¶23)	Improve public investment management	End-May 2023	Met

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

Actions	Rationale	Date	Status
Adopt a regulatory framework defining the perimeter and the structure of the Single Treasury Account (¶24)	Improve public finance management	End-May 2023	Met
Publish all new mining agreements in accordance with the relevant provisions of the Mining Code and the requirements of the EITI standards, including renegotiated agreements (¶36) 2/	Improve transparency in the mining sector	Continuous	Not Met
Fifth Review			
Make an inventory of parafiscal charges in special accounts and supplemental budgets (¶16)	Rationalize the tax system	End-June 2023	Met
Sign all the decrees implementing the law on public-private partnerships (¶39)	Improve public investment management	End-June 2023	Met
Update the Budget Execution Manual to include the provisions of the PFM Organic Law and sign the Public Accounting Decree clarifying eligibility for expenditures under emergency procedures (¶24)	Improve public finance management	End-July 2023	Not Met
Sign a decree specifying that any salary increases must be agreed jointly by the Ministers of Budget, Finance, and Public Service (¶21)	Improve public finance management	End-July 2023	Met
Complete the second phase of the non-tax revenue rationalization plan in line with the IMF recommendations (¶16)	Rationalize non-tax revenues	End-September 2023	Met
Sign a memorandum of understanding on the implementation of the BCC's recapitalization (¶31)	Improve the independence of the BCC	End-September 2023	Not Met
Adopt a related parties regulation in line with the Basel Core Principle 20 (¶33)	Strengthen banking regulation and prudential norms	End-November 2023	Met
Revise and expand BCC regulations to comply with the new banking law as described in MEFP¶33	Enhance financial stability and banking supervision	End-November 2023	Met

Table 2. Democratic Republic of the Congo: Structural Conditionality Under the ECF Arrangement (concluded)			
Actions	**Rationale**	**Date**	**Status**
Publish all new mining agreements in accordance with the relevant provisions of the Mining Code and the requirements of the EITI standards, including renegotiated agreements (¶36)	Improve transparency in the mining sector	Continuous	Met
Sixth Review			
Adopt a public investment management procedures manual (¶23)	Improve public investment management	End-December 2023	Not met
Establish a framework for the execution of Treasury and BCC operations in accordance with the AML/CFT law (MEFP ¶33).	Strengthen the AML/CFT framework	End-May 2024	Met
Adopt BCC's FY2023 financial statements in compliance with IFRS (¶33)	Strengthen central bank safeguards	End-May 2024	Not met
Publish all new mining agreements in accordance with the relevant provisions of the Mining Code and the requirements of the EITI standards, including renegotiated agreements (¶36)	Improve transparency in the mining sector	Continuous	Met
Article VIII			
Not to impose or intensify restrictions on the making of payments and transfers for current international transactions		Continuous	
Not to introduce or modify multiple currency practices		Continuous	
Not to conclude bilateral payments agreements that are inconsistent with Article VIII		Continuous	
Not to impose or intensify import restrictions for balance of payments reasons		Continuous	

Sources: Congolese authorities and IMF staff.
1/ The plan was adopted on October 7, 2022.
2/ Staff has recently become aware of certain contracts signed in March 2022 that were not published. The authorities have now published all the relevant contracts. However, had this information been available to staff at the time of the third review, it would have affected the assessment of this structural benchmark. According to Law No. 18/001 amending and supplementing Law No. 007/2002 on the Mining Code, all mining agreements must be published within sixty days following the date of the contract's entry into force.

Attachment II. Technical Memorandum of Understanding

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

A. Definitions

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

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

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

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

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

6. In addition to the specific QPCs listed in paragraph 5, as for any Fund arrangement, **continuous PCs** also include the non-introduction of exchange restrictions and multiple currency practices. Specifically, continuous conditionality covers (i) non-imposition or intensification of restrictions on the making of payments and transfers for current international transactions; (ii) non-introduction or modification of multiple currency practices; (iii) non-conclusion of bilateral payments agreements that are inconsistent with Article VIII; and (iv) non-imposition or intensification of import restrictions for balance of payments reasons. These continuous PCs, given their non-quantitative nature, are not listed in the QPC table annexed to the MEFP.

B. Quantitative Performance Criteria and Adjustors

Floors on Changes in Net International Reserves of the BCC

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

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

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

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

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

11. Definition: **BPS** is defined as all disbursed foreign grants and loans to the central government, excluding those tied to projects.

12. Definition: **External debt service payments** for the central government are defined as interest and principal due to foreign creditors (excluding the IMF).

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

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

Ceilings on Changes in Net Domestic Assets of the BCC

14. Definition: The **net domestic assets** (NDA) of the BCC are defined as narrow base money (¶15) minus NIR (¶7) minus external assets excluded from NIR, minus **Treasury securities issued for the benefit of the BCC** (¶17) minus, beginning in December 2022, reserve requirements fulfilled by deposit-taking institutions. Based on this definition, the NDA of the BCC include: (i) net credit to the central government (¶16); (ii) credit to the private sector; (iii) credit to public enterprises; (iv) credit to commercial banks; (v) other claims on the rest of the economy (on other financial institutions, and other non-financial institutions); and (vi) other net assets.

15. Definition: **Narrow base money** is defined as the sum of (i) currency in circulation; (ii) cash holdings by banks; (iii) bank deposits held with the BCC; (iv) nonbank private sector deposits held with the BCC; and (v) public enterprises deposits held with the BCC.

The following adjustments will be made to the NDA ceilings:

- **BPS:** NDA ceilings will be adjusted downward by an amount equivalent to 50 percent of BPS in excess of the programmed level. NDA ceilings will be adjusted upward by an amount equivalent to 50 percent of the shortfall of BPS relative to programmed levels.

- **External debt service payment:** NDA ceilings will be adjusted (i) downward by an amount equivalent to under payment of debt service relative to programmed amounts; and (ii) upward by an amount equivalent to the excess of external debt service payments relative to programmed amounts.

- **Statutory reserve requirements for foreign currency deposits:** Before December 2022, NDA ceilings will be adjusted upwards (downwards) by the increase (decrease) in the statutory reserve requirements for foreign currency deposits relative to program projections (memorandum item).

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

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

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

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

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

- **BPS:** NCG ceilings will be adjusted downward by an amount equivalent to 50 percent of total BPS in excess of the programmed level. NCG ceilings will be adjusted upward by an amount equivalent to 50 percent of the shortfall of BPS relative to programmed levels.

- **External debt service payment:** NCG ceilings will be adjusted (i) downward by an amount equivalent to under payment of debt service relative to programmed amounts; and (ii) upward by an amount equivalent to the excess of external debt service payments relative to programmed amounts.

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

Floors on the Domestic Fiscal Balance

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

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

- **Domestic arrears payments**: Domestic budget balance floors will be adjusted downward (higher deficit) by the amount of domestic arrears repayments made above the programmed amount; symmetrically, they will be adjusted upward (lower deficit) by the amount of domestic arrears repayments made below the programmed amount.

- **Domestically-financed investment**: Domestic budget balance floors will be adjusted upward (lower deficit) by the amount of domestically-financed investment made below than the programmed amount.

- **Privatization proceeds**: Domestic fiscal balance floors will be adjusted: (i) upward by an amount equivalent to the full shortfall of privatization relative to programmed levels; (ii) downward by 50 percent of the total amount of privatization proceeds in excess of the programmed levels.

- **Revenues of the central government:** The floors of the domestic fiscal balance will be adjusted upwards by an amount equivalent to 80 percent of the revenues of the central government in excess of the programmed level. There will be no downward adjustment for revenue shortfalls.

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

Ceilings on the Accumulation of External Payment Arrears

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

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

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

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

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

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

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

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

C. Indicative Targets

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

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

Floors on Revenues of the Central Government

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

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

- Revenues should be recognized on a cash basis and flows should be recorded when cash is received. Exceptional advanced payments will be treated as if received on the normal due date.

Floors on Social Spending

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

- Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCAH) and primary health care spending

- Disbursement of Gavi-supported vaccine co-financing and traditional vaccines procurement

- Disbursement of TB/Malaria/HIV/AIDS co-financing

Ceilings on the Accumulation of Wage Arrears of the Central Government

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

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

Ceilings on the Wage Bill

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

Ceilings on Central Government Expenditures Executed Under Emergency Procedures

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

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

D. Data to be Reported for Program Monitoring Purposes

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

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

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

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

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

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

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

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

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF THE CONGO

June 18, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF QUANTITATIVE PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—INFORMATIONAL ANNEX

Prepared By	The African Department (In collaboration with other departments)

CONTENTS

RELATIONS WITH THE IMF

IMF and the Democratic Republic of the Congo (imf.org)

As of April 30, 2024

Financial Position in the Fund for Congo, Democratic Republic of as of April 30, 2024 (imf.org)

Membership Status: Joined September 28, 1963; Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	1,066.00	100.00
IMF's Holdings of Currency (Holdings Rate)	1,066.00	100.00
Reserve Tranche Position	0.00	0.00

SDR Department:	**SDR Million**	**Percent of Quota**
Net cumulative allocation	1,532.57	100.0
Holdings	643.06	41.96

Outstanding Purchases and Loans:	**SDR Million**	**Percent of Quota**
RCF Loans	533.00	50.00
ECF Arrangement	913.80	85.72

Latest Financial Commitments

Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ECF	July 15, 2021	July 14, 2024	1066.00	913.80
ECF[1]	Dec 11, 2009	Dec 10, 2012	346.45	197.97

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

ECF[1]	June 12, 2002	Mar 31, 2006	580.00	553.47

Outright Loans:

Type	**Date of Commitment**	**Date Drawn/Expired**	**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

Overdue Obligations and Projected Payments to Fund[2]

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

	Forthcoming				
	2024	2025	2026	2027	2028
Principal		79.95	106.60	182.75	228.44
Charges/interest	27.34	36.53	36.54	36.54	36.56
Total	27.34	116.48	143.14	219.29	265.00

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
	Of which: IMF assistance (US$ millions)	391.60
	(SDR equivalent millions)	280.30
	Completion point date	July 2010

[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.

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[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

[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.

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

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. The exchange rate of the CDF is determined by supply and demand in the foreign exchange market. The BCC intervenes through auction, which is the only operational framework for the BCC's transactions with the market. Among the services of the CB, the statistics of interventions are published on a daily basis and the Directorate of Statistics layers them in its weekly, monthly, semiannual, and annual publications. This information is also published on the BCC's website. The Fund classifies the de facto exchange rate arrangement as "crawl-like". At end-April 2024, the rate was US$1=CF 2782.831. Effective February 10, 2003, the DRC accepted the obligations of Article VIII, of the Fund's Articles of Agreement. As of June 29, 2021, the Democratic Republic of the Congo (DRC) maintained one exchange restriction subject to IMF approval arising from an outstanding net debt position against other contracting members under the inoperative regional payments' agreement with the CEPGL. (Country Report No. 21/168)

Last Article IV Consultation:

The last Article IV consultation was concluded by the Executive Board on June 29, 2022.

Safeguards Assessment:

The most recent 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, as well as efforts to improve procurement processes. Remaining outstanding recommendations include the adoption of the IFRS; central bank recapitalization, which has been significantly delayed (except for the social capital for which an MoU has been signed), partly due to a reassessment of needs upon transition to IFRS; the design of a strategy for closing all BCC FX accounts at domestic commercial banks; the strengthening of the governance and oversight of reserves management, and the further development of the internal audit and compliance functions.

Resident Representative: the current resident representative, Mr. Gabriel Leost, started his assignment in May 2021.

Table 1. Democratic Republic of the Congo: Fund Technical Assistance Received

Department	Date	Subject
MCM	Jul-20	Review of RR Framework and regularization of government advances
FAD	Oct-20 to Nov-20	Supplementary budget and MTFF
FAD	Nov-20	VAT deferred payment implementation
FAD	Mar-21 to Apr-21	Macro-fiscal framework and fiscal risks
MCM	Apr-21	Strengthening public debt dissemination practices
FAD	Apr-21	Support update of tax expenditures assessment
FAD	May-21 to Oct-21	Updating the MTBF and TOFE
FAD	May-21 to Oct-21	Developing the fiscal risks statement
MCM	May-21	Drafting TAR on FY21 mission 20MMI0205 (Apr-21)
MCM	May-21	Review/finalization of report for the public debt dissemination mission (Apr-21)
MCM	Jun-21 to Apr-22	Desk review of documents on governance and institutional arrangements
MCM	Jun-21 to Apr-22	Desk Support for the issuance of indexed government securities
LEG	Jun-21 to Jul-21	Review of the draft Banking Law of the DRC
STA	Jul-21	GFS&PSDS - AFC - Social Security data compilation
MCM	Aug-21	Developing a procedures manual for debt management operations
MCM	Aug-21 to Sep-21	FSSR scoping mission
ICD	Sep-21 to Oct-21	Macroeconomic frameworks TA – Central Bank scoping mission
MCM	Oct-21	Developing domestic arrears clearance strategy
FAD	Nov-21	Completing TE and planning next stages
LEG	Nov-21	Desk review of the latest version of Banking Law
FAD	Nov-21 to Dec-21	PFM action plan update
MCM	Jan-22	FSSR main mission
ICD	Jan-22 to Feb-22	Macroeconomic frameworks TA – Central Bank
STA	Feb-22 to Mar-22	FSI
MCM	Feb-22 to Apr-22	AFC Feb FY22 review instruction 16 aligned with IFRS 9
FAD	Feb-22 to Mar-22	PIMA
ICD	Apr-22	Macroeconomic frameworks TA – Central Bank

Table 1. Democratic Republic of the Congo: Fund Technical Assistance Received (continued)

Department	Date	Subject
STA	Apr-22	BOP
MCM	May-22 to Jun-22	AFC FY23 BRS development of qualitative information reporting and related party regulation
STA	May-22 to Jun-22	NAC – rebasing GDP
MCM	Jun-22	AFC FY23 BRS methodology for the on-site control of credit files
FAD	Jun-22	CCCDI strategy
FAD	Jun-22	Small tax rationalization and next steps on tax expenditures and revenue administration
STA	Jun-22 to Jul-22	GDP – annual national accounts
MCM	Jun-22 to Jul-22	AFC FY23 developing arrears clearance strategy – follow up
FAD	Jun-22	STX
FAD	Jun-22 to Jul-22	AFC – following up on the macro-fiscal forecasting model phase 1
FAD	Jul-22	AFC-LTX reviewing the COA quality and procedure manual
STA	Jul-22	GFS – AFC – GG data compilation (LTX)
FAD	Aug-22 to Sep-22	LTX PIMA follow-up
FAD	Aug-22 to Sep-22	PIM follow-up
MCM	Sep-22	AFC FY23 BRS integration of bank rating in the supervisory process
MCM	Oct-22	AFC FY23 improving institutional structure for debt management
ICD	Oct-22	Macroeconomic frameworks TA – Central Bank
FAD	Oct-22 to Apr-23	Desk work FY23
FAD	Oct-22	AFC – follow up on fiscal risk identification and monitoring (FY23)
FAD	Oct-22	STX
FAD	Oct-22	Installation mission for new LTX
FAD	Nov-22 to Dec-22	Follow up and 2023 budget rationalization plans for TE and line ministries' revenue
MCM	Dec-22	Conduct high-level gap analysis for transition to IFRS
MCM	Jan-23	AFC FY23 BRS pilot on-site inspection credit files review
FAD	Jan-23 to Feb-23	LTX mission – accounting and fiscal reporting FY23
MCM	Mar-23	FSSR follow up

Table 1. Democratic Republic of the Congo: Fund Technical Assistance Received (continued)

Department	Date	Subject
MCM	Mar-23	AFC FY23 domestic arrears clearance – follow up
FAD	Mar-23	Activity, mission to COD
FAD	Mar-23	STX mission – mastering exemptions and suspensive regimes
FAD	Mar-23 to Apr-23	AFC – following up on the macro-fiscal forecasting model phase 2
MCM	Apr-23	AFC FY23 BRS assistance to the update of the regulatory framework
ICD	Apr-23	Macroeconomic frameworks TA – Central Bank
FAD	Apri-23	LTX mission – accounting fiscal reporting mission 2 (FY23)
FAD	Apr-23	2024 Budget TE edition and small tax rationalization round / codification of non-tax revenue
FAD	Apr-23	LTX mission to support transit interconnectivity / SIGMAT
FAD	May-23 to Dec-23	Non-tax code drafting
FAD	May-23	CIP medium taxpayers part 1
MCM	May-23	Risk management framework
MCM	May-23 to Jun-23	Preparations for transitioning to IFRS
FAD	May-23 to Jun-23	SOEs governance and oversight (FY24)
FAD	Jun-23	LTX mission – accounting fiscal reporting 3 (FY24)
MCM	Jun-23	AFRITAC Central FY24 follow up assistance to the update of the regulatory framework
LEG	Jun-23	Review of the 2022 Banking Law of the DRC
MCM	Jun-23	Domestic market development (DDM)
FAD	Jun-23 to Jul-23	Fuel subsidies
STA	July-23	GFS – AFC – FY22 compilation and coverage expansion (LTX)
MCM	Aug-23	Final preparation in transitioning to IFRS
FAD	Aug-23	AFC/LTX/STX EM improving public investment budgeting CA-PA
FAD	Sep-23 to Oct-23	Follow up on TE, codification of non-tax revenue and preparatory work on provincial taxation

Table 1. Democratic Republic of the Congo: Fund Technical Assistance Received (continued)

Department	Date	Subject
MCM	Sept-23	Diagnostic mission – insurance supervision (desk review)
MCM	Sep-23	Review BCC banks – rating
STA	Sep-23 to Oct-23	GDP – ANA and GDP rebasing
MCM	Sep-23	Final preparation in transitioning to IFRS – training
MCM	Sep-23	Diagnostic mission – insurance supervision
ICD	Sep-23 to Oct-23	Macroeconomic frameworks TA – Central Bank
FAD	Sep-23 to Oct-23	LTX participation in TADAT assessment
FAD	Sep-23 to Oct-23	TADAT evaluation
FAD	Oct-23	LTX mission – accounting fiscal reporting 4 (FY24)
MCM	Oct-23	Macroprudential policy resident advisor
MCM	Oct-23 to Apr-24	Macroprudential policy LTX deployment
MCM	Oct-23 to Nov-23	Foreign exchange market operations
MCM	Oct-23 to Nov-23	Central Bank financial risk management framework
MCM	Oct-23	Install the macroprudential policy resident advisor at the BCC
FAD	Nov-23 to Apr-24	Remote support on TE assessment and rationalization
FAD	Nov-23	Peer learning to Cameroon on macro-fiscal frameworks
MCM	Nov-23	Assess BCC's credit files review
MCM	Jan-24	AFC FY24 Jan review of the BCC quantitative prudential regulation (Instruction 14)
FAD	Feb-24	AFC LTX (BY) STX hands-on manual on revenue accounting procedures
MCM	Feb-24 to Mar-24	Training for BCC supervisors including stress testing
FAD	Feb-24 to Mar-24	AFC LTX (BY STX improving cash management
MCM	Feb-24 to Mar-24	Foreign exchange market operations
FAD	Mar-24	LTX mission – hybrid accounting fiscal reporting 5 (FY24)
ICD	Mar-24	Macroeconomic frameworks TA – Central Bank

Table 1. Democratic Republic of the Congo: Fund Technical Assistance Received (concluded)

Department	Date	Subject
FAD	Mar-24	Natural resource revenue management FY24
STA	Mar-24	GDP – annual national accounts
MCM	Mar-24	Assessment of gender policy at the Central Bank
STA	Mar-24 to Apr-24	BOP
MCM	Apr-24	Roadmap for Basel Pillar 2 implementation (SRP; ICAAP)
FAD	Apr-24	AFC/LTX/STX/EM support to program based budgeting - quality review of moving process
FAD	May-24	Central / provincial tax coordination, follow up on TE and on small tax and excises rationalization

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

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF THE CONGO

June 18, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF QUANTITATIVE PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

Risk of external debt distress:	**Moderate**
Overall risk of debt distress	**Moderate**
Granularity in the risk rating	**Some space to absorb shocks**
Application of judgment	**No**

According to the updated Low-Income Country Debt Sustainability Framework (LIC DSF), the Democratic Republic of the Congo (DRC) remains at a moderate risk of external and overall debt distress, with some space to absorb shocks, and its debt-carrying capacity remains weak.[1] *Weak revenue mobilization is a main determinant for the DRC's moderate risk of debt distress given low external debt. External debt thresholds for both solvency and liquidity risks are breached under the stress tests, highlighting the country's vulnerability to external shocks, primarily regarding a negative shock to exports. Given limited buffers and exposure to risk from volatile commodities prices, prudent borrowing policies prioritizing concessional loans, and strengthening debt management policies remain essential to debt sustainability.*

[1] The DSA reflects a weak debt carrying capacity considering DRC's Composite Indicator of 2.38, based on the April 2024 World Economic Outlook and the latest CPIA vintage (2022).

PUBLIC DEBT COVERAGE

1. Public and publicly guaranteed (PPG) external and domestic debt covers debt contracted and guaranteed by the central government, the Central Bank of Congo (BCC), provinces, and state-owned enterprises (SOEs). The public debt department (*Direction Générale de la Dette Publique*, DGDP) under the Ministry of Finance publishes quarterly and annual reports on its website with information on domestic and external debt based on the residency criteria. This report summarizes the debt of the central government, debt of Sicomines (a joint venture between the Congolese government and Chinese investors) and Gécamines, guaranteed external debt of SOEs managed by the government, and the BCC.[2] Other public institutions are legally prevented from borrowing externally without approval, and unlikely to command market access without a government guarantee. However, the authorities do not receive any regular report from public institutions other than those named above or provinces. In light of this, the authorities are committed to improve quality of debt reporting, especially for SOEs, and are following up on recommendations from recent IMF technical assistance. To this end, the authorities have approved an ordinance-law on public debt management in September 2023 which mandates the DGDP to evaluate any new borrowing by SOEs prior to contracting debt, harmonizes the legal framework, reaffirms the exclusive role of the Ministry of Finance in contracting external debt. Supported by the World Bank Sustainable Development Finance Policy (SDFP), under Performance and Policy Actions (PPA2), the authorities are committed to continuing to improve the coverage of their debt reports to

Text Table 1. Democratic Republic of the Congo: Coverage of Public and Publicly Guaranteed Debt and Parameters for Contingent Liability Shocks for the Tailored Stress Test

Public Debt Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	X
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

Public Debt Coverage and the Magnitude of the Contingent Liability Tailored Stress Test

1	**The country's coverage of public debt**	The central, state, and local governments, central bank, government-guaranteed debt, non-guaranteed SOE debt			
		Default		**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0	percent of GDP	2.0	Some public institutions are not reporting to the DGDP.
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	0.5	Reflecting risks stemming from irregular data sharing with DGDP.
4	PPP	35	percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			7.5	

1/ The default shock of 2 percent of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1). If it is already included in the government debt (1) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0 percent.

[2] SOEs debt account for 34 percent of PPG external debt, of which 3 percent is managed by the government through escrow accounts.

include the reporting of additional SOEs and provinces debt.[3] Moreover, Sicomines' infrastructure loans have a government guarantee which can only be called after 2040. Its debt is expected to be repaid by 2028 and is collateralized by Sicomines' earnings.[4] Sicomines also contracted a loan to finance the Busanga power plant to secure its electricity supply. Data on the debt of the private sector is scarce, and the private sector is believed not to be borrowing externally.

BACKGROUND AND RECENT DEVELOPMENTS

2. Despite vast natural resources, the DRC is one of the poorest countries in the world, and its fragility makes the country prone to health and humanitarian crises and conflict. The economy is highly dollarized, undiversified, and acutely vulnerable to commodity-price shocks and supply risks.

3. While the DRC's economy has shown resilience in recent years, it remains highly vulnerable to shocks. Real GDP grew by 8.4 percent in 2023 after 8.8 percent in 2022, and growth is projected to tamper in 2024 to 4.7 percent and 5.1 percent per year in the medium-term, supported first by high commodity prices and expanded mining production, and second by the non-extractive sector. The primary deficit is expected to widen from 1.4 percent of GDP in 2023 to 1.7 percent in 2024, against the backdrop of higher security spending to address an escalation of the conflict in the East. Despite a deteriorated current account, reserves strengthened in 2023, exceeding 9 weeks of non-aid related imports at end-2023.

4. Central government external arrears date from pre-HIPC Completion Point, with some Gecamines arrears adding to the stock. External arrears amount to US$251 million at end-2023 (0.4 percent of GDP).[5] Four non-Paris Club creditors hold pre-HIPC claims against the DRC for a total of US$60 (0.1 percent of GDP) million and are in negotiation or under a reconciliation process. Meetings with each of these creditors took place in 2023 or are scheduled this year, with enhanced information sharing, to reach an agreement. The remaining external arrears are claims from commercial creditors to the central government (less than 0.2 percent of GDP, pre-HIPC) and Gécamines (less than 0.2 percent of GDP), with whom the authorities are also making good faith efforts.

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[3] Under the SDFP PPA2 for FY23, the authorities published the quarterly debt bulletins for the second half of 2022 that included debt reporting of 5 SOEs (SNEL, MIBA, Gécamines, Sodimico and Sonahydroc) as well as debt of 3 provinces (Kinshasa, Kwilu and Kongo Central). Under SDFP PPA2 for FY24, authorities have continued to improve progressively debt transparency and coverage for two SOEs (REGIDESO and RVA) in addition to the five already reported; and for five provinces (Haut-Katanga, Equateur, Lomami, Kasai-Orientale and Tanganyika), in addition to the three provinces already reported.

[4] Box 1, Debt Sustainability Analysis, IMF Country Report No. 15/280. This report includes data on disbursements up to end-2022 on publicly guaranteed infrastructure loans, and up to end-2021 for other loans.

[5] In accordance with the LIC DSF Guidance Note, the external arrears do not trigger a determination of an in-debt-distress risk rating when they are *de minimus* cases where arrears are less than 1 percent of GDP. For more details see paragraph 15.

5. **External public debt-to-GDP increased from 15 percent of GDP at the end of 2022 to 17.8 percent of GDP at the end of 2023**. This is driven in large part by an increase in debt to multilateral creditors and the strong depreciation of the Franc Congolais in 2023. Multilateral and bilateral creditors dominate the creditor base (Text Table 2).

Text Table 2. Democratic Republic of the Congo: Decomposition of Public Debt and Debt Service by Creditor 2023-25[1]

	Debt Stock[3] 2023			Debt Service 2023	2024	2025	2023	2024	2025
	(in M US$)	*(Percent total debt)*	*(Percent GDP)*	*(in M US$)*			*(Percent GDP)*		
Total	14,660.4	100.0	24.1	1,480.4	1,341.4	1,241.0	2.2	1.9	1.6
External	10,835.9	73.9	17.8	705.0	651.6	745.5	1.1	0.9	1.0
Multilateral creditors	6,027.7	41.1	9.9	178.0	155.1	266.4	0.3	0.2	0.3
IMF[2]	2,611.3	17.8	4.3	41.2	48.5	155.1	0.1	0.1	0.2
World Bank	3,009.4	20.5	4.9	75.3	85.6	89.5	0.1	0.1	0.1
AfDB	246.8	1.7	0.4	51.8	5.1	5.4	0.1	0.0	0.0
Other Multilaterals	160.1	1.1	0.3	9.7	15.8	16.3	0.0	0.0	0.0
o/w: European Investment Bank	44.8	0.3	0.1	4.9	9.5	9.3	0.0	0.0	0.0
Arab Bank for Economic Development in Africa	40.3	0.3	0.1	0.6	1.0	1.0	0.0	0.0	0.0
Bilateral creditors	4,281.2	29.2	7.0	503.6	434.6	420.3	0.8	0.6	0.6
Paris Club	80.6	0.6	0.1	20.4	7.6	3.8	0.0	0.0	0.0
o/w: France	22.8	0.2	0.0	20.4	7.6	3.8	0.0	0.0	0.0
Exim Bank of Korea	57.9	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	4,200.6	28.7	6.9	483.2	426.9	416.5	0.7	0.6	0.5
o/w: Exim Bank of China	3,757.1	25.6	6.2	453.4	382.9	367.6	0.7	0.5	0.5
Exim Bank of India	133.0	0.9	0.2	20.7	20.1	19.5	0.0	0.0	0.0
Bonds	…	…	…	…	…	…	…	…	…
Commercial creditors	527.0	3.6	0.9	23.5	62.0	58.7	0.0	0.1	0.1
o/w: FG Hemisphere	93.2	0.6	0.2	-	11.6	11.6	-	0.0	0.0
Financial Investment Holding	24.3	0.2	0.0	7.2	7.2	7.1	0.0	0.0	0.0
Domestic	3,824.5	26.1	6.3	775.4	689.8	495.5	1.2	1.0	0.7
T-Bills	112.6	0.8	0.2	97.9	118.3	-	0.1	0.2	0.0
T-Bonds	162.8	1.1	0.3	211.2	114.0	57.0	0.3	0.2	0.1
Loans	22.0	0.2	0.0	108.0	19.0	3.0	0.2	0.0	0.0
Arrears	3,527.0	24.1	5.8	358.3	438.6	435.6	0.5	0.6	0.6
Memo items:									
Collateralized debt	3,013.0	20.6	4.9						
Contingent liabilities	3,381.3	23.1	5.6						
o/w: Public guarantees	138.5	0.9	0.2						
o/w: Other explicit contingent liabilities	3,242.8	22.1	5.3						
Nominal GDP (in M USD)	60,891.9	…	…	66,932.7	70,946.5	76,157.2	…	…	…

Sources: Congolese authorities and IMF staff estimates.
1/ As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.
2/ Including the net negative SDR position following the SDR allocation retroceded to the government and used as budget support.
3/ At end-year exchange rate.

6. **Domestic debt is mostly composed of arrears.** Domestic debt in 2023 decreased from 6.8 to 6.3 percent of GDP, with most of the stock in domestic arrears. Non-arrears debt amounts to 0.5 percent of GDP, mostly Treasury bills and bonds, with a small bank debt under the now phased-out CREDOCs ("Credit Documentaire"), a scheme which used central bank's deposits as guarantees for central government loans. Arrears are non-financial debt mainly composed of reconciled arrears (4.2 percent of GDP), VAT arrears to

exporters (0.7 percent of GDP) and arrears to oil companies (0.7 percent of GDP, Text Table 3). Reconciled arrears have been audited and include bank debt, social debt, judiciary debt, debt to suppliers, and debt related to rent and other services. Domestic arrears repayment follows the clearance strategy whose implementation is expected to accelerate in 2024.[6] At end-2023, the public debt ratio was 24.5 percent of GDP, higher by close to 3 percentage points of GDP vis-à-vis the 2022 level, driven by external debt.

Text Table 3. Democratic Republic of the Congo: Total Domestic Debt, 2023

	2023		
	Nominal in US$ million	Percent of GDP	Percent of Total Domestic Debt
Stock of Treasury bills and other bank loans	297.5	0.5	7.8
Reconciled legacy arrears 1/	2556.8	4.2	66.9
Arrears from provinces	145.8	0.2	3.8
Arrears to oil companies	422.7	0.7	11.1
VAT arrears	401.7	0.7	10.5
Total	**3824.5**	**6.3**	**100.0**

Sources: Congolese authorities and IMF staff calculations.
1/ Includes the stock of validated and certified arrears under the domestic debt strategy and the stock of certified arrears awaiting validation.

BACKGROUND ON MACROECONOMIC FORECASTS

7. Projections underlying this DSA are underpinned by the macroeconomic framework of the sixth review of the ECF arrangement.

- GDP growth is expected to converge to 4.7 percent on average in 2024-29 due to a slowdown in new mining projects. High commodity prices, strong global demand for DRC's commodity exports, and positive advances in the non-extractive sector, would improve the trade balance in the medium to long term. Starting from 6.0 percent of GDP in 2023, the trade deficit is expected to decrease to 4.0 percent in the medium term, recovering from three years of exceptionally strong import growth, in capital goods mostly. Risks stem from the escalation of the conflict in the East and a reversal of commodity prices.

- Against the background of large development needs and heightened security spending, ambitious public spending on education and infrastructure relies on available additional financing sources in the context of the catalytic role of the ECF arrangement and domestic

[6] The three-pronged strategy consists of (i) repaying first claims under US$300,000 (for a total of US$99 million) and residuals on large claims; (ii) securitizing large claims; (iii) resuming the payment of arrears subject to MoUs with creditors (Country Report No. 2023/434, ¶13).

revenue mobilization efforts.[7] The latter will hinge on the authorities' plans to finalize the new tax code to broaden the tax base and improve tax compliance, and to restore VAT functioning through the new standardized VAT billing system.

- Sizable FDI and other investment inflows, including project financing, strengthened reserve accumulation in 2023 despite a deteriorated current account.
- Multilateral and bilateral loans remain the main sources of debt financing. Contracted external borrowing is projected to amount to $3.5 billion in 2024. Financial terms of new lending are projected to remain largely concessional, with an increase of lending at non-concessional terms over the medium term.
- The stock of Treasury bills and bonds amounted to US$275.5 million at end-2023 (0.5 percent of GDP), and is expected to remain low in 2024-29, and gradually increase afterwards, as domestic markets deepen, and concessional financing gradually declines over the long term.

Box 1. Macroeconomic Assumptions for 2024–44

Real GDP growth. Growth is expected to average at about 5.1 percent over the medium to long term, driven by sustained increases in mining production, supportive commodity prices, and a gradual increase in public investment.

Inflation. After peaking at 15.6 percent in 2024, average yearly inflation measured by GDP deflator growth is projected to stabilize in the 6-7 percent range, in line with the BCC's target of keeping inflation below 7 percent. The BCC's commitment to tighten monetary policy as needed to curb inflation dynamics will be key to keeping inflation expectations anchored.

Primary balance. The primary fiscal deficit is projected to average 1.2 percent of GDP in 2024-2044, with greater revenue mobilization and additional external financing helping to tackle large spending needs. Capital expenditure is expected to rise over the projection period and to gradually shift towards domestic financing. Revenues are computed as central government revenues plus revenues from SOEs that are assumed equivalent to their debt service flows.

Current account balance. The current account balance is significantly driven by developments in the mining sector. Mineral exports constitute a significant portion of exports and are projected to improve, on average, over the medium term given new mining projects and high global demand for commodities related to the global climate transition. Imports are projected to rise gradually on the back of increasing demand for capital goods and intermediates for infrastructure investment. Overall, the non-interest current account deficit is expected to average 2.8 percent of GDP over 2024-2044.

Financing. External financing is projected to consist of concessional and non-concessional loans from multilateral, bilateral and commercial lenders, and FDI. Part of the financing of public investment projects would also stem from foreign grants. Additional government financing needs are assumed to be covered by treasury bill issuance (70 percent) and treasury bond issuance with maturities below 7 years (30 percent) in the domestic market until 2034, with bond issuance assumed to increase (to 40 percent) by 2044.

Gross official reserves. Gross official reserves are expected to gradually rise to about 11 weeks of imports by 2029. The reserve buildup is crucially driven by stronger exports and the continued catalytic effect of the ECF program.

[7] The ECF arrangement focus on three key areas, (i) stepping up domestic revenue mobilization through restoring VAT normal functioning, rationalizing non-tax and parafiscal charges, streamlining tax expenditures, and modernizing revenue administration; (ii) strengthening governance including natural resource management and transparency; and (iii) strengthening the monetary policy framework and the central bank's independence. See CR 22/3 for details on key policies under the ECF-supported arrangement.

8. The realism tool's outputs find the DSA projections to be consistent with DRC's historical experience (Figures 3 and 4).

- **Debt drivers:** External debt-to-GDP remained low in 2023; new engagement strategies with multilateral institutions will provide financing to sustain development.
- **Fiscal adjustment and growth.** The projected fiscal primary deficit (1.2 percent of GDP on average over 2024-44) is above its historical range (0.2 percent of GDP), reflecting the increasing role taken by the domestic public sector in meeting the country's development needs, but is expected to remain contained over the medium term, thanks to improved revenue mobilization and sustained growth.

Text Table 4. Democratic Republic of the Congo: Selected Macroeconomic Indicators, Current vs Previous[1] DSA, 2018-44

		2018-23	2024	2025	2026	2027	2028	2029	2030-44
Real GDP	Current	5.7	4.7	5.1	4.5	5.1	4.4	4.3	4.7
(annual percentage change)	Previous	5.5	4.7	5.3	5.2	5.6	5.2	4.3	4.9
Consumer prices, period average	Current	13.9	17.2	8.8	7.0	7.0	7.0	7.0	6.4
(annual percentage change)	Previous	13.1	7.1	7.1	7.0	7.0	7.0	6.0	6.0
Fiscal Balance	Current	-1.7	-2.1	-1.2	-1.1	-1.1	-1.3	-1.7	-2.6
(percent of GDP)	Previous	-1.7	-1.1	-1.4	-1.0	-0.8	-0.9	-0.8	-0.9
Current Account Balance	Current	-3.5	-4.6	-3.5	-3.5	-3.3	-3.3	-3.1	-2.2
(percent of GDP)	Previous	-3.4	-3.9	-2.8	-2.6	-2.4	-2.9	-4.4	-3.8
Exports of Goods and Services	Current	35.7	43.9	43.2	42.3	40.9	39.3	38.2	26.9
(percent of GDP)	Previous	35.5	40.8	38.6	36.3	34.1	31.6	29.8	21.6
Foreign Direct Investment	Current	2.9	3.0	2.5	2.5	2.5	2.5	2.5	1.6
(percent of GDP)	Previous	2.6	2.1	2.1	2.1	2.1	2.1	2.1	2.2

1/ The previous vintage refers to the June 2023 DSA.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

9. DRC's debt carrying capacity is classified as weak (Text Table 4), unchanged from the previous DSA. The classification of debt carrying capacity is guided by the composite indicator (CI) score which is determined by the World Bank's CPIA and other macroeconomic variables, including forward-looking elements. DRC's CI score is 2.38, roughly unchanged compared to previous vintages. DRC is a fragile state and highly vulnerable to external shocks.

Text Table 5. Democratic Republic of the Congo: Composite Indicator and Threshold Tables

Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.38	Weak 2.32	Weak 2.23

Applicable Thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

Note: The current vintage refers to the April 2024 WEO and the 2022 CPIA; the previous vintages refer to the April 2023 and October 2022 WEOs and the 2021 CPIA.

10. **The debt sustainability analysis relies on six standardized stress tests and two tailored stress tests (commodity price shock and combined contingent liabilities shock).** The standardized stress tests use the default settings. While DRC does not qualify for the market financing shock stress test, the commodity price shock stress test is relevant in assessing the sensitivity of projected debt burden indicators to unfavorable commodity export prices.[8]

EXTERNAL DEBT SUSTAINABILITY

Baseline

11. **External PPG debt remains sustainable in the baseline scenario, but with vulnerabilities stemming from some structural weakness.** All external debt is owed or guaranteed by the government. Due to improved access to external financing, external debt increased from $9,822 million at end-2022 to $10,836 million at end-2023, driven by increased debt towards multilateral creditors. The present value of external debt estimated at 12.5 percent of GDP in 2023 is significantly lower than the benchmark of 30 percent and reflects the extent of concessional debt which is projected to remain broadly unchanged. Despite higher debt issuance resulting from the catalytic effect of the ECF arrangement and temporarily larger fiscal deficits reflecting higher investment needs, the medium-term trajectory of external and public

[8] Under the debt sustainability framework, countries with commodity exports accounting for at least 50 percent of total exports of goods and services over the previous three-year period are subject to the stress test. Commodities accounted for about 98 percent of DRC's exports of goods and services over the period 2018-23.

debt does not give rise to debt sustainability concerns, under the currently favorable medium-term growth outlook. The end-December 2023 quantitative performance criterion (QPC) on the ceiling on new external borrowing by the public sector, set at US$2500 million in present value terms, is met by a wide margin, and high borrowing in 2024 reflects some catching up with signing loans initially planned in 2023. Indicators of public external debt and external debt services remain below their threshold in the baseline scenario (Figure 1).

Alternative Scenarios and Stress Tests

12. **The debt-to-GDP and the two debt service indicators breach their thresholds under the most extreme shock scenario of lower nominal exports (Figure 1).**[9] In the exports shock scenario, nominal exports fall by 17 percent in 2025 and 20 percent in 2026, relative to the previous year value. Given a share of 70 percent for copper exports in total exports in 2023, the exports shock could be equivalently modelled as the combination of two consecutive 25 percent drops in 2025 and 2026 in the international price of copper, relative to baseline projections. These breaches highlight vulnerabilities from a reversal in commodity prices. This risk would be mitigated by limiting non-concessional borrowing and seizing the opportunity of high commodity prices to build buffers and safeguard some borrowing space.

PUBLIC DEBT SUSTAINABILITY

Baseline

13. **The overall risk of debt distress is projected to remain moderate.** The public debt-to-GDP ratio does not breach its threshold in the baseline scenario. While treasury bill issuance remains low, recognition of yet uncertified VAT arrears and arrears to suppliers could bring domestic debt and total public debt up. The realization of guarantees and other possible contingent liabilities poses risks.

Alternative Scenarios and Stress Tests

14. **Stress tests confirm DRC's vulnerability to shocks to exports and commodity prices.** The most extreme shock for the ratio to GDP of the present value of public debt consists of a sharp decline in exports (Figure 2). Under such shock, the present value of the public debt ratio peaks slightly above the applicable threshold value of 35 percent before trending downwards.

RISK RATING AND VULNERABILITIES

15. **The external and overall risk of debt distress for the DRC remain moderate.** Both external and overall public debt are at moderate risk of debt distress due to breaches of the thresholds under the stress tests. Public debt metrics remain broadly unchanged, as stronger projected economic and revenue

[9] Nominal export growth (in USD) is set to its historical average minus one standard deviation, or to the baseline scenario's projection minus one standard deviation, whichever is lower in 2025–26, a shock that is likely unduly harsh to judge external financing needs as imports would likely contract significantly under such a scenario. For the specification of other stress tests, see Table 8 in the 2018 Guidance Note.

growth is expected to be somewhat offset by higher borrowing. The present value of external debt is expected to decrease gradually relative to GDP and remain stable relative to exports. External arrears, mostly pre-HIPC, are below 1 percent of GDP, qualifying as a *de minimis* case, and hence not encumbering the risk rating consideration. The domestic arrears are to suppliers of goods and services and reflect inadequate public finance practices rather than government insolvency and/or liquidity problems, and the authorities are enacting measures that lead to their reduction.

16. Low revenue mobilization capacity warrants preserving the borrowing space created by favorable commodity prices. Although there is some space for additional borrowing without endangering DRC's risk rating (Figure 5), low revenue mobilization remains a key challenge. Based on revised information on repayment schedules, the debt service-to-revenue ratio breaches the lower threshold for qualification of moderate risk, indicating some but not substantial space to absorb shocks. Under the ECF arrangement, revenues are projected to increase from 9.5 percent of GDP in 2020 to 15.5 percent in 2024, and stabilize above 14 percent by 2029, compared to an average of 20 percent of GDP in sub-Saharan Africa (SSA).

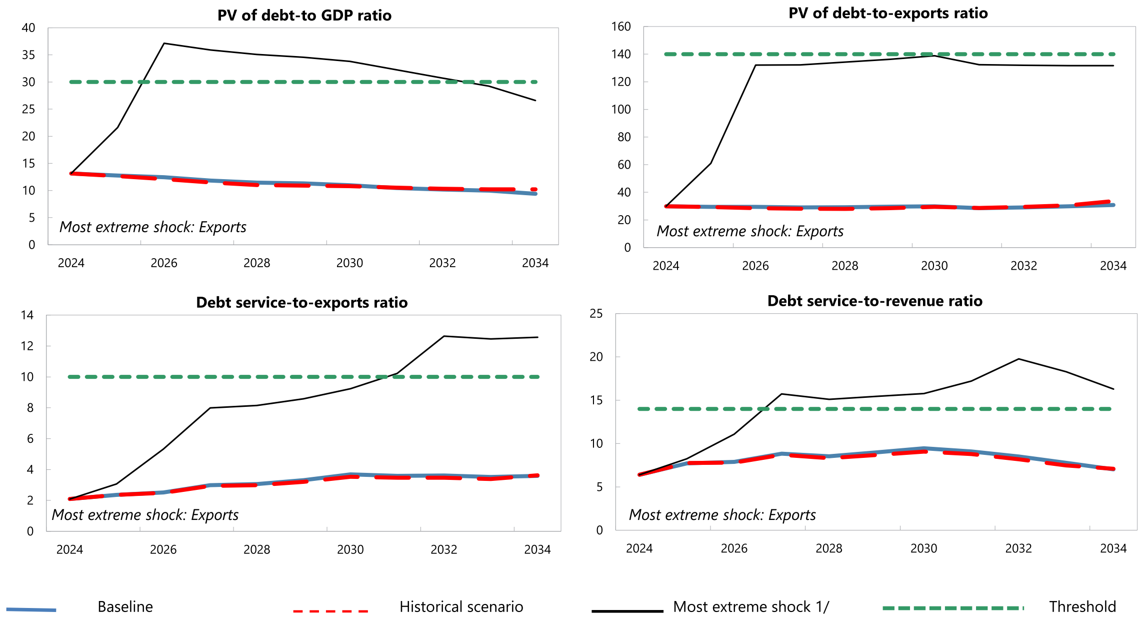
17. Risks stem from export performance and DRC's ability to carry meaningful reforms. Export performance is the Achilles' heel of DRC's debt sustainability. A key risk is therefore the fluctuation in commodity prices. DRC should continue to build buffers by increasing international reserves, mobilizing revenue, and ensuring borrowed resources enhance inclusive growth and promote economic diversification by supporting private sector development in non-extractive sectors. Borrowing on non-concessional is projected to increase but should remain limited, and DRC should continue to rely mostly on concessional sources.

18. Despite low total public debt, limited repayment capacity remains a key vulnerability. Key sources of vulnerabilities include commodity prices fluctuations and challenges to fiscal revenue mobilization. Despite gradually higher revenues under the ECF arrangement, the elevated debt service-to-revenue ratio suggests that space for additional borrowing is close to becoming constrained (Figures 1 and 2). This calls for prudent fiscal policies including constraining new borrowing. Structural reforms, in particular in revenue mobilization, public financial management, and growth potential-enhancing public investment remain key to DRC's debt carrying capacity.

AUTHORITIES' VIEWS

19. The authorities broadly agreed with the overall assessment of the country's debt sustainability. Debt carrying capacity is expected to improve against the backdrop of the ECF arrangement. The authorities are committed to further improve debt management, including enhancing the reporting of SOEs and provinces debt, and publicly guaranteed debt.

Figure 1. Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2024-34



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	Yes	Yes
Market financing	n.a.	n.a.

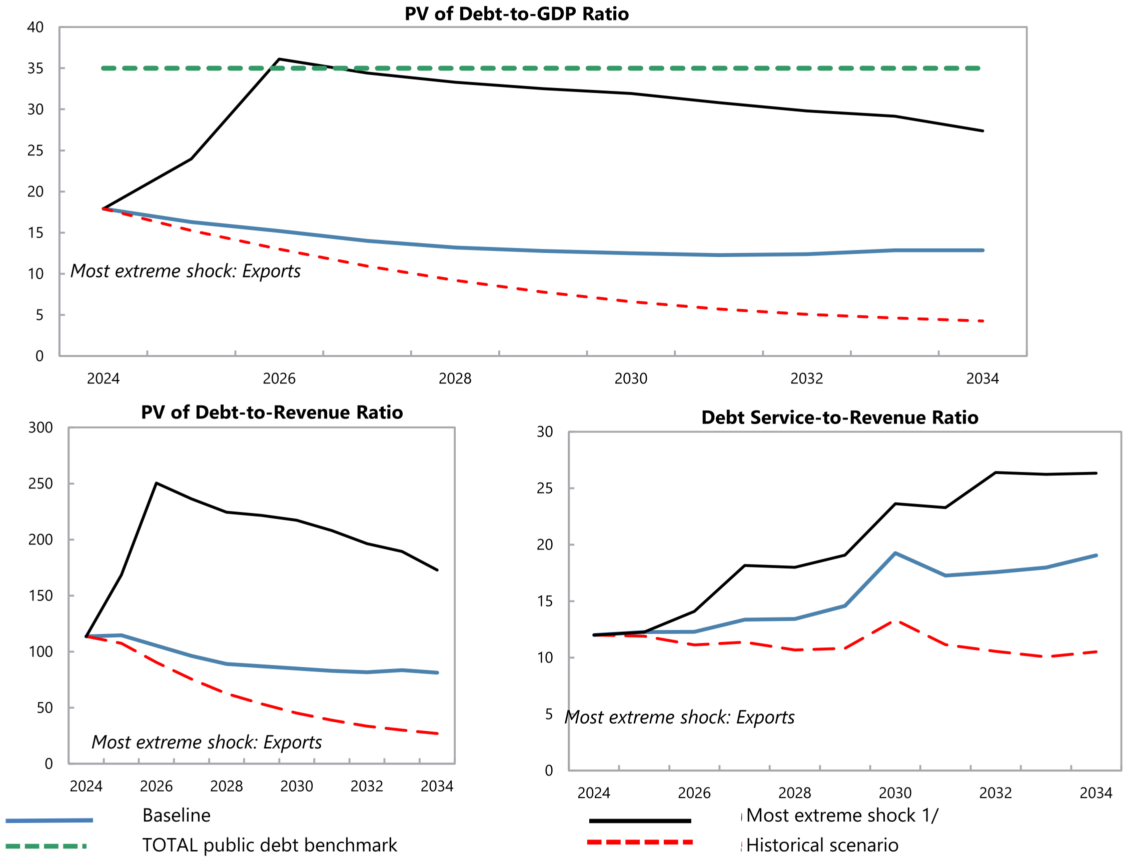
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.8%	2.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities and IMF staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Indicators of Public Debt under Alternative Scenarios, 2024-34



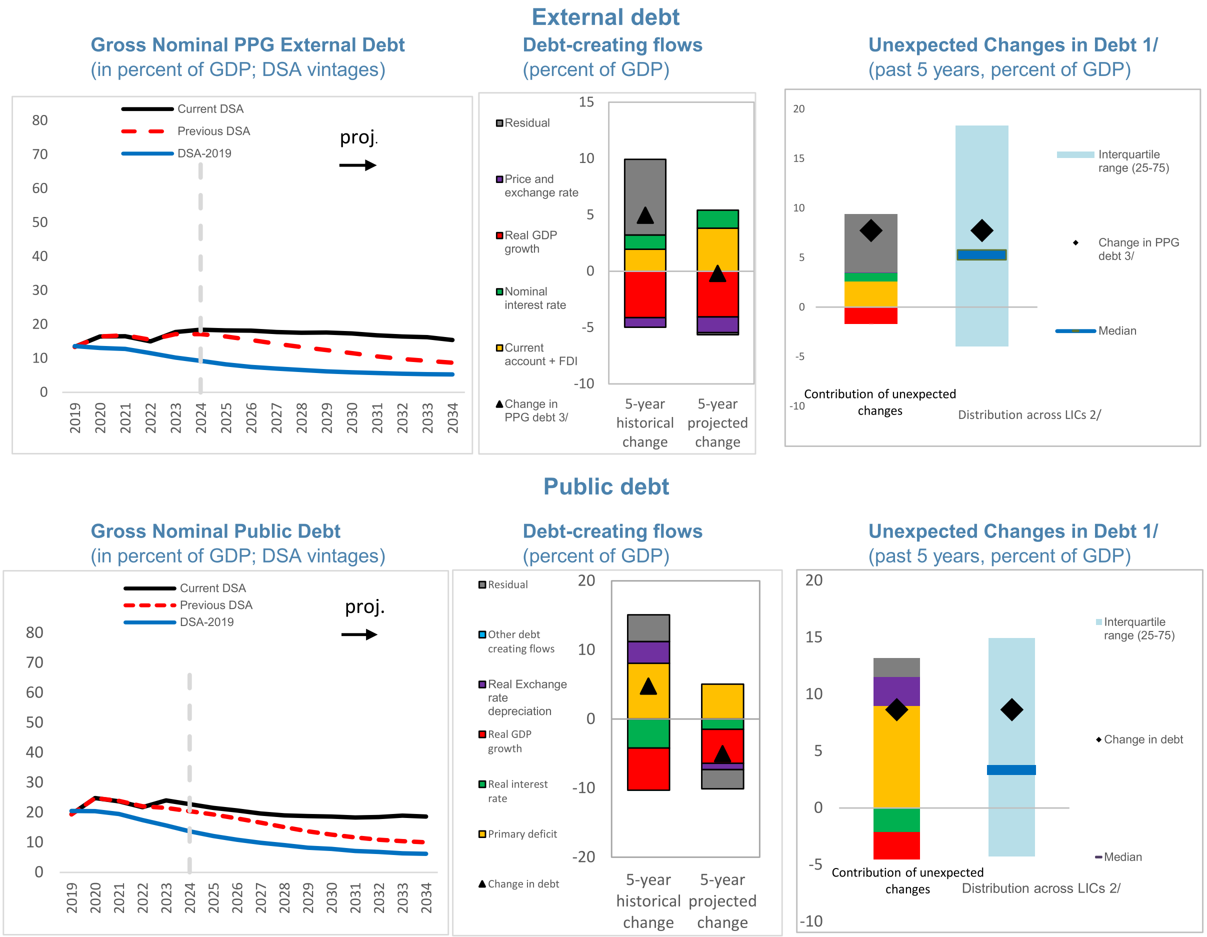
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	67%	95%
Domestic medium and long-term	10%	2%
Domestic short-term	23%	3%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.8%	2.8%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.2%	0.2%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	-2.8%	-2.8%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities and IMF staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

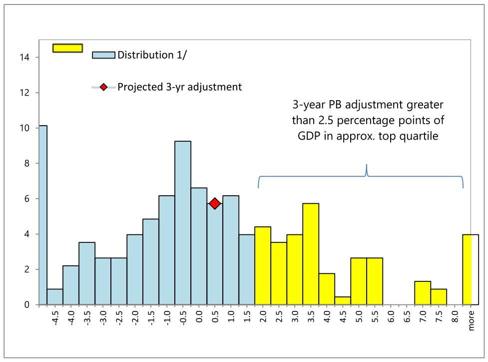
Figure 3. Drivers of Debt Dynamics – Baseline Scenario



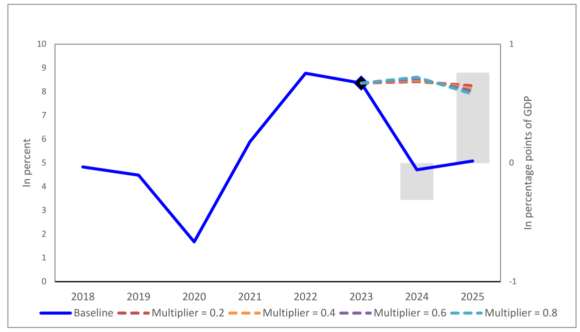
Sources: Country authorities and IMF staff estimates and projections.
1/ Difference between anticipated and actual contributions on debt ratios.
2/ Distribution across LICs for which LIC DSAs were produced.
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Realism Tools[3]

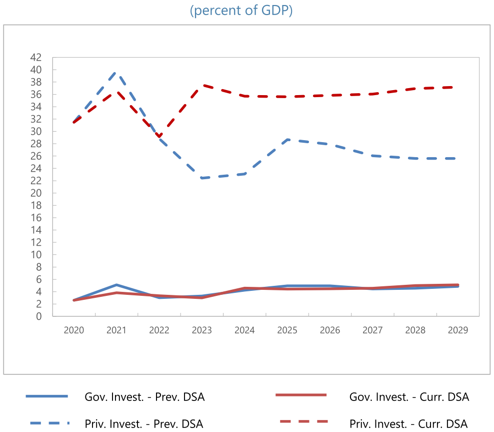
3-Year Adjustment in Primary Balance
(Percentage points of GDP)



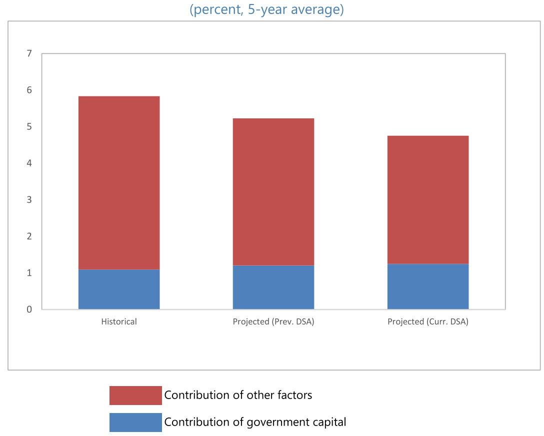
Fiscal Adjustment and Possible Growth Paths 2/



Public and Private Investment Rates
(percent of GDP)

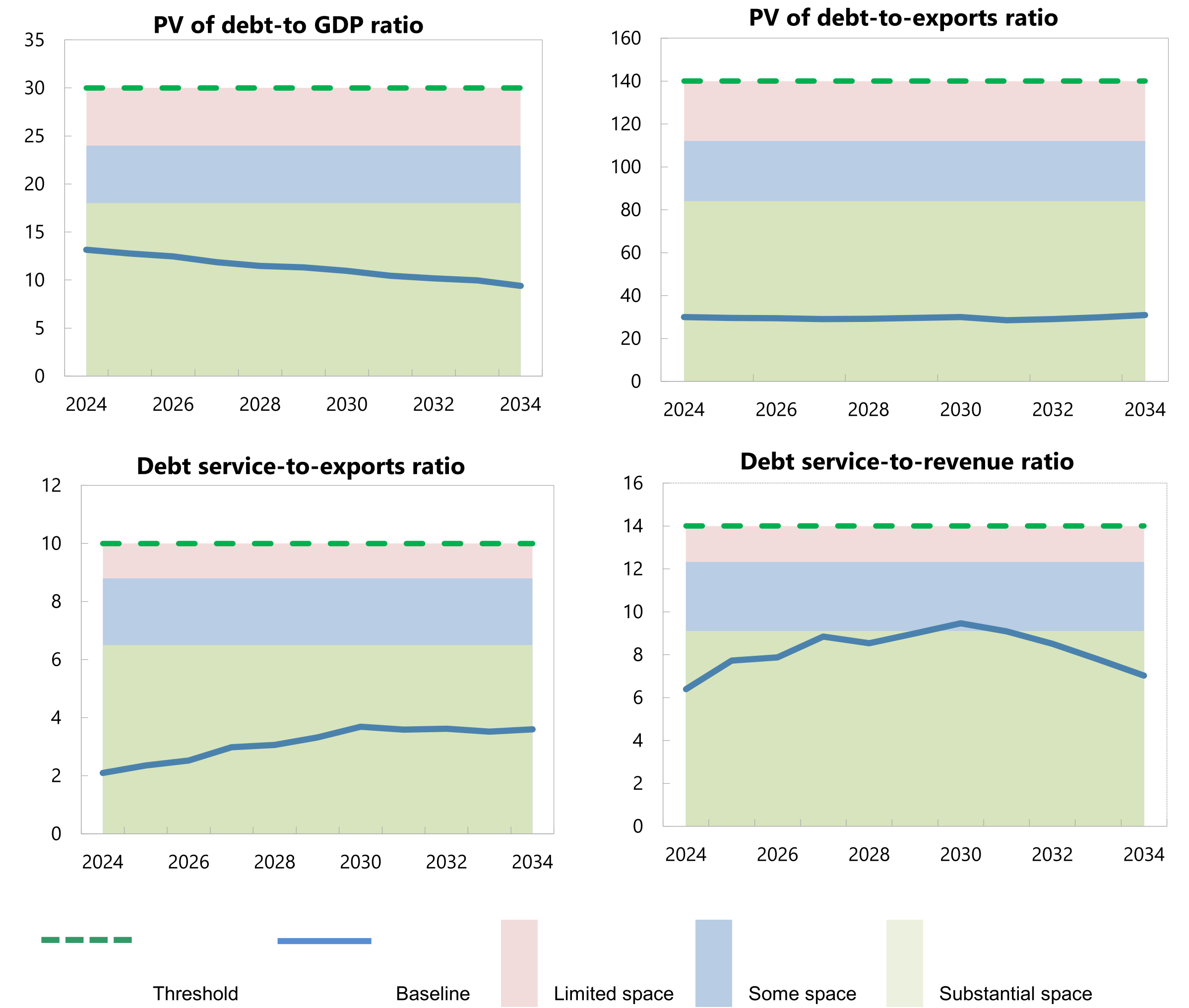


Contribution to Real GDP growth
(percent, 5-year average)



Sources: Country authorities and IMF staff estimates and projections.
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.
2/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).
3/ Public and private investment rates are preliminary and based on national accounts information. Some discrepancies with fiscal accounts information are expected.

Figure 5. Qualification of the Moderate Category 2024-34[1]



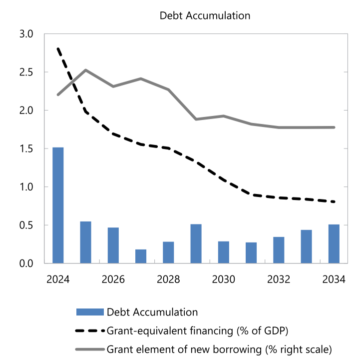
Sources: Country authorities and IMF staff estimates and projections.
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

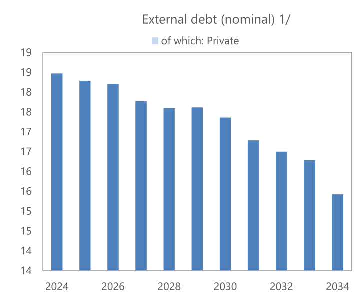
Table 1. Democratic Republic of the Congo: External Debt Sustainability Framework, Baseline Scenario 2021-44

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	16.5	15.0	17.8	18.5	18.3	18.2	17.8	17.6	17.6	15.4	15.4	17.2	17.3
of which: public and publicly guaranteed (PPG)	16.5	15.0	17.8	18.5	18.3	18.2	17.8	17.6	17.6	15.4	15.4	17.2	17.3
Change in external debt	0.0	-1.5	2.8	0.7	-0.2	-0.1	-0.4	-0.2	0.0	-0.9	0.0		
Identified net debt-creating flows	-4.2	0.7	2.4	0.8	0.2	0.3	-0.1	0.1	-0.1	-0.8	0.0	-0.3	0.0
Non-interest current account deficit	0.8	4.7	6.0	4.3	3.2	3.2	3.0	3.0	2.8	2.1	1.3	3.4	2.8
Deficit in balance of goods and services	-0.3	4.6	6.0	4.6	4.6	4.6	4.3	4.3	4.0	3.2	1.9	4.2	4.0
Exports	38.8	43.5	44.3	43.9	43.2	42.3	40.9	39.3	38.2	30.4	18.4		
Imports	38.5	48.2	50.3	48.5	47.8	46.9	45.1	43.6	42.2	33.6	20.3		
Net current transfers (negative = inflow)	-2.2	-3.5	-2.8	-2.4	-3.2	-3.1	-3.1	-3.0	-3.0	-2.3	-1.6	-3.3	-2.8
of which: official	-1.2	-1.6	-1.3	-0.5	-0.9	-0.9	-0.8	-0.8	-0.8	-0.6	-0.4		
Other current account flows (negative = net inflow)	3.3	3.6	2.7	2.1	1.8	1.8	1.8	1.8	1.8	1.2	1.0	2.6	1.6
Net FDI (negative = inflow)	-2.9	-2.1	-3.5	-3.0	-2.5	-2.5	-2.5	-2.5	-2.5	-1.8	-1.0	-2.9	-2.3
Endogenous debt dynamics 2/	-2.1	-1.8	0.0	-0.5	-0.5	-0.4	-0.6	-0.4	-0.4	-1.1	-0.3		
Contribution from nominal interest rate	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3		
Contribution from real GDP growth	-0.8	-1.3	-1.2	-0.8	-0.9	-0.8	-0.9	-0.7	-0.7	-1.4	-0.7		
Contribution from price and exchange rate changes	-1.4	-0.8	1.0	...	...	...	...	...	...	...	...		
Residual 3/	4.2	-2.2	0.3	-0.2	-0.4	-0.4	-0.4	-0.3	0.1	-0.1	0.0	0.2	-0.2
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		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	12.4	13.2	12.8	12.5	11.9	11.5	11.3	9.4	9.1		
PV of PPG external debt-to-exports ratio	...	...	28.0	29.9	29.5	29.4	29.0	29.1	29.6	30.8	49.6		
PPG debt service-to-exports ratio	2.3	2.4	2.4	2.1	2.4	2.5	3.0	3.1	3.3	3.6	5.5		
PPG debt service-to-revenue ratio	8.1	6.8	7.7	6.4	7.7	7.9	8.8	8.5	9.0	7.0	5.8		
Gross external financing need (Million of U.S. dollars)	-680.7	2354.4	2318.5	1574.3	1338.8	1464.8	1476.0	1601.8	1563.4	1925.1	3362.4		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.9	8.8	8.4	4.7	5.1	4.5	5.1	4.4	4.3	9.7	4.5	5.2	5.1
GDP deflator in US dollar terms (change in percent)	9.6	5.0	-6.1	1.2	2.2	1.7	1.4	1.4	1.5	1.8	1.4	1.7	1.7
Effective interest rate (percent) 4/	1.3	1.8	2.0	1.9	1.9	1.9	1.9	1.8	1.9	2.4	2.2	1.2	2.0
Growth of exports of G&S (US dollar terms, in percent)	60.4	28.1	3.6	5.1	5.6	4.0	2.9	1.9	2.7	1.6	1.2	11.8	3.3
Growth of imports of G&S (US dollar terms, in percent)	52.5	42.7	6.3	2.2	5.8	4.1	2.6	2.3	2.5	1.6	1.2	12.1	3.0
Grant element of new public sector borrowing (in percent)	...	...	...	44.1	50.5	46.2	48.2	45.4	37.6	35.5	35.7	...	41.2
Government revenues (excluding grants, in percent of GDP)	11.1	15.4	13.7	14.4	13.2	13.5	13.8	14.1	14.1	15.6	17.4	11.5	14.3
Aid flows (in Million of US dollars) 5/	1498.4	2641.6	3383.9	2302.9	1802.7	1692.7	1694.1	1789.8	1730.2	1455.9	1455.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.8	2.0	1.7	1.6	1.5	1.3	0.8	0.7	...	1.4
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	60.9	67.7	64.6	65.0	61.7	52.1	44.2	41.0	...	54.9
Nominal GDP (Million of US dollars)	57,592	65,777	66,933	70,946	76,157	80,875	86,243	91,276	96,624	138,656	245,339		
Nominal dollar GDP growth	16.1	14.2	1.8	6.0	7.3	6.2	6.6	5.8	5.9	11.7	6.0	7.0	6.9
Memorandum items:													
PV of external debt 7/	...	...	12.4	13.2	12.8	12.5	11.9	11.5	11.3	9.4	9.1		
In percent of exports	...	...	28.0	29.9	29.5	29.4	29.0	29.1	29.6	30.8	49.6		
Total external debt service-to-exports ratio	2.3	2.4	2.4	2.1	2.4	2.5	3.0	3.1	3.3	3.6	5.5		
PV of PPG external debt (in Million of US dollars)			8316.6	9330.4	9718.4	10074.8	10222.0	10465.0	10932.3	13011.1	22393.3		
(PVt-PVt-1)/GDPt-1 (in percent)				1.5	0.5	0.5	0.2	0.3	0.5	0.5	0.5		
Non-interest current account deficit that stabilizes debt ratio	0.8	6.2	3.2	3.6	3.4	3.3	3.4	3.2	2.8	3.0	1.3		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities and IMF staff estimations and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

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

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

6/ 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).

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

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

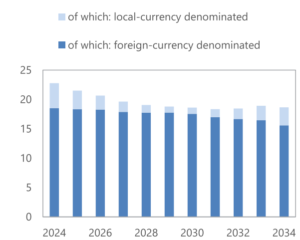
Table 2. Democratic Republic of the Congo: Public Sector Debt Sustainability Framework, Baseline Scenario 2021-44

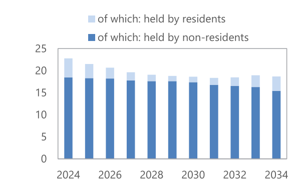
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	**23.7**	**21.8**	**24.1**	**22.8**	**21.5**	**20.7**	**19.6**	**19.1**	**18.8**	**18.7**	**34.0**	**23.8**	**19.6**
of which: external debt	**16.5**	**15.0**	**17.8**	**18.5**	**18.3**	**18.2**	**17.8**	**17.6**	**17.6**	**15.4**	**15.4**	**17.2**	**17.3**
Change in public sector debt	-1.1	-2.0	2.3	-1.3	-1.3	-0.8	-1.0	-0.6	-0.3	-0.3	1.4		
Identified debt-creating flows	**-3.2**	**-2.6**	**1.5**	**-0.2**	**-0.5**	**-0.3**	**-0.4**	**0.0**	**0.4**	**-0.1**	**1.3**	**-1.4**	**0.1**
Primary deficit	**1.3**	**0.2**	**1.4**	**1.7**	**0.9**	**0.8**	**0.7**	**0.9**	**1.2**	**1.5**	**2.4**	**0.2**	**1.2**
Revenue and grants	12.2	17.0	14.8	15.7	14.2	14.4	14.6	14.8	14.7	15.8	17.5	**13.3**	**14.9**
of which: grants	1.1	1.6	1.1	1.4	1.0	0.9	0.8	0.7	0.6	0.2	0.1		
Primary (noninterest) expenditure	13.5	17.2	16.2	17.4	15.1	15.2	15.3	15.8	15.9	17.4	20.0	**13.5**	**16.1**
Automatic debt dynamics	**-4.6**	**-2.7**	**0.2**	**-1.9**	**-1.4**	**-1.1**	**-1.1**	**-0.9**	**-0.8**	**-1.6**	**-1.1**		
Contribution from interest rate/growth differential	-3.1	-3.0	-2.7	-1.9	-1.4	-1.1	-1.1	-0.9	-0.8	-1.6	-1.1		
of which: contribution from average real interest rate	-1.7	-1.1	-1.0	-0.8	-0.3	-0.2	-0.1	-0.1	0.0	0.1	0.3		
of which: contribution from real GDP growth	-1.4	-1.9	-1.7	-1.1	-1.1	-0.9	-1.0	-0.8	-0.8	-1.7	-1.4		
Contribution from real exchange rate depreciation	-1.5	0.3	2.8	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (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		
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 debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**2.1**	**0.6**	**0.8**	**-1.1**	**-0.8**	**-0.5**	**-0.6**	**-0.6**	**-0.7**	**-0.2**	**0.1**	**1.4**	**-0.6**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**19.9**	**17.9**	**16.3**	**15.2**	**14.0**	**13.2**	**12.8**	**12.9**	**28.0**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**134.6**	**113.7**	**114.6**	**105.5**	**96.2**	**89.0**	**87.0**	**81.2**	**159.7**		
Debt service-to-revenue and grants ratio 3/	**13.2**	**15.9**	**14.9**	**12.0**	**12.3**	**12.3**	**13.4**	**13.4**	**14.6**	**19.1**	**60.0**		
Gross financing need 4/	2.9	2.9	3.6	3.6	2.7	2.5	2.7	2.9	3.4	4.5	13.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.9	8.8	8.4	4.7	5.1	4.5	5.1	4.4	4.3	9.7	4.5	**5.2**	**5.1**
Average nominal interest rate on external debt (in percent)	1.4	1.8	2.0	2.1	2.0	1.9	1.9	1.9	1.9	2.4	2.3	**1.2**	**2.1**
Average real interest rate on domestic debt (in percent)	-15.1	-5.4	-12.2	-13.6	-8.1	-5.9	-5.3	-4.5	-3.3	0.8	1.7	**-10.0**	**-3.3**
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.0	1.9	20.7	...	...	...	...	...	...	...	...	**2.7**	**...**
Inflation rate (GDP deflator, in percent)	17.8	5.9	14.4	16.2	9.1	6.7	6.4	6.4	6.5	6.8	5.8	**12.6**	**7.8**
Growth of real primary spending (deflated by GDP deflator, in percent)	16.3	37.8	2.3	12.7	-8.7	4.8	5.9	7.5	5.5	12.7	5.5	**10.3**	**5.9**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	2.5	2.1	-0.9	3.0	2.2	1.6	1.8	1.5	1.5	1.8	1.0	**1.2**	**1.7**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities and IMF staff estimations and projections.

1/ Coverage of debt: The central, state, and local governments, central bank, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

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

4/ 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 and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Democratic Republic of the Congo: Sensitivity Analysis for Key Indicators of PPG External Debt, 2024-34

(In percent)

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of debt-to GDP ratio											
Baseline	13	13	12	12	11	11	11	10	10	10	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	13	13	12	12	11	11	11	11	10	10	10
B. Bound Tests											
B1. Real GDP growth	13	13	14	13	12	12	12	11	11	11	10
B2. Primary balance	13	14	16	15	14	14	14	13	13	13	12
B3. Exports	13	22	**37**	**36**	**35**	**35**	**34**	**32**	**31**	29	27
B4. Other flows 3/	13	14	15	14	14	14	13	13	12	12	11
B5. Depreciation	13	16	13	13	12	12	12	11	11	11	10
B6. Combination of B1-B5	13	18	18	18	17	17	16	16	15	14	13
C. Tailored Tests											
C1. Combined contingent liabilities	13	18	18	17	17	16	16	15	15	15	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	13	18	22	21	21	20	20	19	18	17	16
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	30	30	29	29	29	30	30	28	29	30	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	30	29	29	28	28	29	29	29	29	31	34
B. Bound Tests											
B1. Real GDP growth	30	30	29	29	29	30	30	28	29	30	31
B2. Primary balance	30	33	37	36	37	37	38	36	37	38	39
B3. Exports	30	61	132	132	134	136	139	132	132	132	132
B4. Other flows 3/	30	32	35	35	35	35	36	34	35	35	36
B5. Depreciation	30	30	25	25	25	25	25	24	25	26	27
B6. Combination of B1-B5	30	45	40	51	52	53	53	51	51	52	53
C. Tailored Tests											
C1. Combined contingent liabilities	30	42	42	42	42	43	44	42	43	44	45
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	30	48	59	58	57	56	56	52	52	52	53
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	2	2	3	3	3	3	4	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	2	2	2	3	3	3	4	3	3	3	4
B. Bound Tests											
B1. Real GDP growth	2	2	3	3	3	3	4	4	4	4	4
B2. Primary balance	2	2	3	3	3	4	4	4	4	4	4
B3. Exports	2	3	5	8	8	9	9	**10**	**13**	**12**	**13**
B4. Other flows 3/	2	2	3	3	3	4	4	4	4	4	4
B5. Depreciation	2	2	3	3	3	3	4	3	3	3	3
B6. Combination of B1-B5	2	3	4	4	4	5	5	6	6	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	2	2	3	3	4	4	4	4	4	4	4
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	2	3	3	4	4	4	5	5	6	6	6
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	6	8	8	9	9	9	9	9	9	8	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	6	8	8	9	8	9	9	9	8	7	7
B. Bound Tests											
B1. Real GDP growth	6	8	9	10	9	10	10	10	9	8	8
B2. Primary balance	6	8	8	10	9	10	10	10	10	9	8
B3. Exports	6	8	11	**16**	**15**	**15**	**16**	**17**	**20**	**18**	**16**
B4. Other flows 3/	6	8	8	9	9	10	10	10	10	9	8
B5. Depreciation	6	10	10	11	10	11	11	11	10	9	8
B6. Combination of B1-B5	6	8	10	11	10	11	11	12	11	10	9
C. Tailored Tests											
C1. Combined contingent liabilities	6	8	9	10	10	10	11	10	10	9	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	6	9	10	12	12	12	12	13	13	12	11
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities and IMF staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Democratic Republic of the Congo: Sensitivity Analysis for Key Indicators of Public Debt 2024-34

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to-GDP Ratio											
Baseline	18	16	15	14	13	13	12	12	12	13	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	18	15	13	11	9	8	7	6	5	5	4
B. Bound Tests											
B1. Real GDP growth	18	17	18	17	17	18	18	19	20	21	22
B2. Primary balance	18	18	18	17	16	16	15	15	15	16	15
B3. Exports	18	24	**36**	34	33	33	32	31	30	29	27
B4. Other flows 3/	18	18	18	16	16	15	15	14	14	15	15
B5. Depreciation	18	18	16	14	12	11	10	9	8	8	7
B6. Combination of B1-B5	18	17	16	14	13	12	12	12	12	12	12
C. Tailored Tests											
C1. Combined contingent liabilities	18	22	21	19	18	18	18	17	17	18	17
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	18	18	18	19	20	21	22	22	23	24	25
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	114	115	105	96	89	87	85	83	82	84	81
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	114	107	91	76	63	53	45	39	34	30	27
B. Bound Tests											
B1. Real GDP growth	114	122	123	119	117	121	125	128	131	138	137
B2. Primary balance	114	126	127	117	109	107	105	102	100	101	97
B3. Exports	114	169	250	236	224	221	217	208	196	189	173
B4. Other flows 3/	114	123	122	112	105	103	100	97	95	96	92
B5. Depreciation	114	130	113	97	83	75	66	59	53	50	45
B6. Combination of B1-B5	114	119	111	94	86	84	82	80	79	81	79
C. Tailored Tests											
C1. Combined contingent liabilities	114	154	144	133	125	122	120	116	114	115	109
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	114	137	140	143	142	147	150	149	152	159	156
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	12	12	12	13	13	15	19	17	18	18	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	12	12	11	11	11	11	13	11	11	10	11
B. Bound Tests											
B1. Real GDP growth	12	13	14	15	15	17	22	20	21	22	23
B2. Primary balance	12	12	13	15	14	15	20	18	19	19	20
B3. Exports	12	12	14	18	18	19	24	23	26	26	26
B4. Other flows 3/	12	12	13	14	14	15	20	18	19	19	20
B5. Depreciation	12	13	14	15	15	16	20	18	18	17	18
B6. Combination of B1-B5	12	12	12	13	13	14	19	17	17	18	19
C. Tailored Tests											
C1. Combined contingent liabilities	12	12	15	15	15	16	20	18	19	19	20
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	12	14	14	15	16	17	22	20	21	22	23
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities and IMF staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Statement by Mr. Regis O. N'Sonde, Mr. Mbuyamu Matungulu, and Ms. Mwanza Nkusu
on Democratic Republic of the Congo
July 3, 2024

On behalf of our Congolese authorities, we would like to thank the Executive Board, Management, and staff for the Fund's continued support to the Democratic Republic of the Congo (DRC). In the challenging domestic and external contexts of the past three years, IMF support through surveillance and both capacity building and financial assistance under the Extended Credit Facility (ECF) has been instrumental in helping the authorities implement sound economic policies as well as key structural reforms set out in the country's 2019–23 National Strategic Development Plan (NSDP). The authorities broadly agree with the thrust of staff's assessment of performance under the ECF arrangement and with the findings and recommendations from the 2024 Article IV consultation discussions. The conclusion of the sixth review under the ECF will mark the country's first ever successful completion of a Fund-supported program. It is a testimony to the authorities' strong program ownership, notably at the highest level of government, coupled with the effectiveness of their valued engagement with staff.

The Congolese economy has been resilient despite the spillovers from the successive shocks that have affected the global economy since the COVID-19 pandemic and heightened domestic challenges in the past year. These challenges include the prohibitive cost of the December 2023 general elections and the security and humanitarian demands from escalating armed groups attacks in the eastern part of the country. Notwithstanding these difficult circumstances, the authorities have preserved macroeconomic stability and steadfastly advanced their structural reforms program. Going forward, they remain committed to further enhancing macroeconomic stability and pursuing their sustainable growth and development agenda.

RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

Recent Developments

Economic activity has been strong despite persistently high inflation. Reflecting a buoyant extractive sector, real GDP growth remained robust at 8.4 percent in 2023, although 0.4 percentage points lower than in 2022. At 3.5 percent, growth of the non-extractive sector was 1.2 percentage points weaker than anticipated, subdued by the adverse impact of high inflation on real incomes and domestic demand. A sharp depreciation of the Congolese franc fueled inflation, which remained above 20 percent despite the central bank's tight monetary policy stance, after the policy rate was raised by 1400 basis points to 25 percent in August 2023. Nonetheless, year-on-year inflation receded to 21.2 percent at end-April 2024, from 23.8 percent at end-December 2023.

The estimated outturn for other key macroeconomic indicators for 2023 was generally mixed. At 13.7 percent of GDP, revenue was just over one percentage point better than projected, reflecting mainly strong corporate income tax and robust revenue efforts by tax administrations. The overall fiscal deficit was nevertheless wider than projected owing to security and elections-related spending overruns. The current account deficit is estimated to have widened to 6.2 percent of GDP, compared with 4.9 percent of GDP in 2022 and a projected 5.3 percent of GDP at the time of the fifth program review. Key drivers include a surge of capital goods imports against the backdrop of a significant deterioration in the terms of trade. Official FX reserves increased by about US$850 million, bringing the total at end2023 to US$5.4 billion, equivalent to just over two months of imports (compared with 1.9 months of imports at end-2022).

Program Performance

Program performance was broadly satisfactory. At end-December 2023, all but one quantitative performance criteria (QPCs) and three of the six indicative targets (ITs) were met. Also, the continuous performance criterion (PC) on the non-introduction of multiple currency practices (MCP) was met. The non-observance of the floor on the domestic fiscal balance, the only QPC missed, is due to spending pressures associated with heightened security and elections-related challenges. Corrective actions to address the missed QPC include commitment to rigorous execution of quarterly budgetary commitment plans to ensure that quarterly spending is consistent with the annual budget, a commitment to prepare a revised Budget Law for 2024 aligned with the macroeconomic framework of the sixth review, and the decentralization of spending authorization in six pilot ministries by end-2024.

The three missed end-December 2023 ITs are the ceilings on the wage bill and on spending executed under emergency procedures, as well as the floor on social spending. The wage bill target was exceeded by a very small margin, and a lion share of the excess spending under emergency procedures is attributable to increased security expenditures. The social spending target, which covers expenditures on a narrowly defined set of three health programs, was missed because of underspending on one of the three programs. Nonetheless, as acknowledged by relevant development partners, significant progress was made in the implementation of the three health programs under the ECF-supported program. The execution rates for spending under the three programs reached 90 percent at end-2023 from 73 percent at end-2022.

Two of the four structural benchmarks (SBs) for the sixth review were met and significant progress has been made towards the implementation of the remaining two. The SB on the adoption of the manual for public investment management procedures was missed owing to weaknesses in the climate section of the manual adopted by the Council of Minister. Although the end-May 2024 SB on the adoption of the central bank (Banque centrale du Congo, BCC)'s 2023 financial statements prepared in accordance with International Financial Reporting Standards (IFRS) is postponed to end-September 2024, related preparations are advancing well. The 2023 financial statements based on the current, non-IFRS norms, have been submitted to the external auditors and should be published in late July.

OUTLOOK AND RISKS

Economic growth is projected to remain strong in 2024, albeit weaker than in 2023, and other key macroeconomic indicators are expected to improve. Reflecting the base effect from the estimated strong outturn in 2023, real GDP growth is expected to slow to 4.7 percent in 2024, and to average 4.7 percent during 2025–29. Medium-term growth will be sustained mostly by the non-extractive sectors when the expansion of the extractive sector moderates. Consumer price inflation is projected to continue decelerating to 17.2 percent year-on-year at end-December 2024 and to the BCC's target of 7 percent by end-2026, supported by appropriate monetary and fiscal policies. The domestic fiscal deficit is projected to narrow to 0.5 percent of GDP in 2024 and be contained around the latter level over the medium-term. Projected to fall to about 19 percent of GDP over the medium term, public debt remains sustainable, with a moderate risk of debt distress. The current account deficit is projected to narrow by over 1.5 percentage points to 4.5 percent of GDP in 2024 and further to about 3 percent of GDP by 2029. The expected improvement would contribute to a gradual buildup of FX reserves, projected to reach US$6.3 billion at end-2024 (about 2.3 months of imports) and gradually increase to US$8.2 billion (about 2.5 months of imports) by end-2029. The authorities are cognizant that stronger efforts are needed to further raise the FX reserves imports cover.

The DRC's economic outlook remains favorable but subject to potential downside risks. On the external front, risks arise from an intensification of regional conflicts, including the war in Ukraine and the conflict in the Middle East that could subdue inward foreign direct investment and exports, an abrupt growth slowdown in China that could adversely affect global growth. On the domestic side, risks pertain to a possible escalation of armed attacks and related spending pressures; uncertainties related to the gradual withdrawal of the United Nations peacekeeping force in Congo (MONUSCO), which could exacerbate pressures on security spending; as well as extreme climate events that could damage infrastructure and disrupt supply chains. The authorities' reform agenda seeks to reduce fragility and enhance resilience to shocks.

POLICIES AND REFORMS FOR THE REMAINDER OF 2024 AND BEYOND

The Congolese authorities remain committed to preserving macroeconomic stability and advancing reforms to promote strong and inclusive growth. The ending ECFsupported program has broadly met its objectives despite delays in the implementation of some reform measures, but many challenges are still to be addressed. These include securing sustained strong domestic revenue mobilization and current spending rationalization to strengthen buffers and create adequate room for much needed investment in physical and human capital; strengthening the monetary and exchange rate policy frameworks to enhance the effectiveness of monetary policy; improving financial sector supervision to support private sector development and promote financial stability; improving financial sector development and resilience; implementing broader structural reforms, including to improve the business climate; and deepening reforms to tackle climate change challenges.

Fiscal Policy and Reforms

Fiscal consolidation supported by both revenue and expenditure measures is a key element of the authorities' policy agenda. Revenue mobilization efforts will remain focused on broadening the tax base; improving tax compliance by facilitating the registration of taxpayers and accelerating digitalization; containing VAT exemptions, including by refraining from granting ad hoc and unwarranted new exemptions; strengthening the performance of customs taxes, including by modernizing infrastructure; and improving the performance of nontax revenue by the continued automation of revenue collection procedures. On the expenditure side, the authorities are committed to curbing non-priority spending and containing the wage bill growth. Restraining the wage bill would benefit from a broad civil service reform and the ongoing clean-up of the civil service payroll based on biometric identification of individuals.

Several fiscal reform measures are envisaged to further strengthen fiscal performance, enhance budget transparency, and reduce fiscal risks. The reform measures aim to address weaknesses in public financial management (PFM), improve the management of public investment based on the recommendations of the Fund's 2022 Public Investment Management (PIMA), enhance the oversight of public enterprises, and continue the rationalization of fuel subsidies. The priorities of the PFM reform agenda include strengthening the procedures of the spending chain, improving public accounting and cash management, notably through the establishment of the Treasury Single Account for which important preliminary work has been completed. For greater visibility of fiscal risks, the authorities plan to enhance the Annex to the Budget Law detailing fiscal risks with the addition, starting in 2025, of risks emanating from the mining sector. The authorities also plan to establish, over the medium term, a fiscal framework anchored on a fiscal balance excluding extractive resources, to avoid procyclical fiscal policy implementation.

Monetary, Financial Sector, and External Sector Policies

The central bank is committed to using all the tools at its disposal to observe its price stability mandate. It will continue to monitor liquidity and economic developments trends and respond as appropriate to address emerging price pressures. At its May 30, 2024, meeting, the Monetary Policy Committee kept the policy rate unchanged at 25 percent and the required reserve ratio on local currency deposits at 10 percent. If warranted by developments, the BCC is committed to further tighten monetary policy and absorb assessed excess liquidity. The BCC is considering additional measures to enhance the monetary policy's implementation framework based on the recommendations of a March 2024 IMF TA mission.

The BCC will continue with efforts to strengthen its operational and governance frameworks and improve financial sector surveillance. It will finish establishing its policy forecasting and analysis system (FPAS) by end-2024. Operationalization thereafter will help reinforce the monetary policy decision-making process. Reforms of the BCC's operational and governance frameworks are also benefiting from the implementation of the 2020 Safeguards recommendations. Measures to enhance financial sector supervision will be underpinned by the December 2022 banking law. Relatedly, implementing the recommendations of the Financial Sector Stability Review is essential to bolstering financial sector surveillance and regulation.

The authorities remain committed to maintaining a flexible exchange rate system. The BCC will continue implementing an exchange rate policy guided by its price stability objective and the need to accumulate adequate FX reserves to strengthen external buffers. The BCC will otherwise limit its intervention in the FX market to smoothening excessive exchange rate volatility that could jeopardize macroeconomic stability.

Other Structural Reforms

The authorities will advance the implementation of reforms aimed at promoting inclusive and sustainable private sector-led growth. Key priorities include: (i) enhancing the quality of the education and health systems, liberalizing the telecommunications sector, and revising the Investment Code and the Agricultural Law to improve the business environment and facilitate economic diversification; (ii) enhancing governance and the fight against corruption; (iii) implementing the financial inclusion strategy; and (iv) developing basic infrastructure, particularly transport and communications, energy, and access to safe drinking water. The DRC's Local Development Program for 145 Territories (PDL-145T) which is partially funded with half of the resources from the 2021 SDR allocation, remains a key pillar of the development framework for basic infrastructure. Expected higher revenues from the renegotiated SICOMINES (infrastructure for mining resources) contract with China, coupled with transparency in their use, would offer an opportunity to further develop transformative infrastructure in key sectors.

The authorities are determined to continue making progress in enhancing the Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework and its

effectiveness. They are implementing the action plan agreed with the Financial Action Task Force (FATF) with technical and financial support from donors, led by the European Union Global Facility on AML/CFT. On March 22, 2024, the authorities submitted to the FATF Secretariat, the Fourth Progress Report, which highlights substantial progress achieved while stressing the need to meet the deadlines for certain points of the Action Plan. The authorities will continue to address deficiencies identified by the FATF and implement the agreed action plan to facilitate the DRC's removal from the list of jurisdictions under enhanced scrutiny.

Climate Change-related Reforms

The authorities are committed to ambitious actions to tackle the climate change challenges they face and reinforce the DRC's role as a solution country for the global low-carbon energy transition. The DRC's climate agenda is anchored in the 2022–2026 National Adaptation Plan (NAP). The NAP spans reform plans covering adaptation, mitigation, and transition. It is complemented by the C-PIMA climate diagnostics and the World Bank's Country Climate and Development Report (CCDR). The country's ambitious Nationally Determined Contributions (NDCs) are aligned with the NAP. Home to the largest world reserves of strategic mineral for the low-carbon energy transition and to the Congo Basin, the second largest rainforest in the world that absorbs as much as four percent of global carbon emissions every year, the DRC is a solution country to the global energy transition. The country is also committing to cut its GHG emissions by 21 percent by 2030.

Large financing gaps pose challenges to the implementation of the DRC's climate strategy. The authorities will need substantially large financial resources to meet the cost of the country's development and climate-related objectives and the requirements of its leadership role in the preservation of the Congo Basin, a global public good. The authorities continue to view Fund-supported programs as crucial to unlock support from development partners and private investors and to provide a framework for anchoring the achievement of the DRC's socio-economic development and climate goals. They have stated willingness to continue their engagement with the Fund through a new arrangement to support the implementation of policies and reforms based on the forthcoming 2024–2029 National Strategic Development Plan. The authorities have also reiterated their interest in requesting, in due course, Fund financing under the Resilience and Sustainability Facility (RSF). To this end, they have prepared a preliminary matrix of reform measures that they intend to refine, drawing from the C-PIMA and the World Bank's CCDR recommendations. As a nationsolution to global climate challenges, the DRC is counting on full Fund support in the orderly implementation of its climate reform agenda for the benefit of humanity.

CONCLUSION

The Congolese authorities have demonstrated unwavering commitment to steadfastly implement their IMF-supported economic and financial program to preserve macroeconomic stability under challenging global and domestic conditions. Program performance over the period under review has been satisfactory and the authorities have committed to continue implementing policies aligned with the macroeconomic framework of the sixth review of the ECF-supported program for the remainder of 2024.

Considering the authorities' satisfactory program implementation, the measures they have taken to correct the missed PC on the domestic fiscal balance, they are requesting a waiver of non-observance of the PC and the completion of the sixth and last review under the 2021–24 ECF arrangement. We would greatly appreciate Executive Directors' favorable consideration of these requests.