

COUNTRY PROFILE: DEMOCRATIC REPUBLIC OF CONGO

DATED: NOVEMBER 2008

IES/02: ATTACHMENT A

CREDIT GUARANTEE:

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	Case-by-case

Recent Political Highlights

- Joseph Kabila's Government became the first democratically elected Government in the 2006 elections, where the president is eligible for an additional five-year term. The next election is scheduled for 2011.
- The DRC is struggling to recover from 15 years of conflict, which has killed millions and devastated the lives of the population through disease and poverty.
- Despite the signing of the peace deal between the armed groups and the Congolese Government in January this year, the east is still rocked by lawlessness and violence. The situation has deteriorated rapidly since August, with an upsurge in the conflict in recent weeks. An estimated 250,000 civilians have fled their homes and are living in desperate conditions. Laurent Nkunda, the rebel chief whose armies have swept aside Congolese government forces said he aims to take over the whole of DRC.
- The UN Security Council has authorised the deployment of an extra 2,785 troops and 300 police officers to the DRC, boosting the number to 17,000 uniformed personnel already serving with the mission. The resolution authorises the extra troops and police officers until 31 December, whose stay duration depends on the security situation in DRC's North Kivu and South Kivu provinces.
- China has defended its presence and investments in the DRC after Laurent Nkunda demanded that commercial contracts between the two countries be reviewed as part of a list of demands put to a special UN envoy. Beijing has been investing heavily in the DRC in recent years and in May this year it lent the central African country an estimated \$9bn to restore its infrastructure and revive the mining sector.

Recent Economic Highlights

- The DRC is the second-largest country in Sub-Saharan Africa and borders nine countries. It has a population of 60m people that are scattered throughout the country.
- Although endowed with vast potential wealth, it remains one of the poorest countries in Africa with about 66% of its population living below the poverty threshold of one dollar a day, due to mismanagement, corruption and war. If managed properly the mining sector could contribute 20-25% of GDP and a third of total tax receipts within 10 years. The DRC is also one of Africa's most promising biofuels producers due to its vast amount of farmland suited to a range of crops from palm oil to soybeans.
- In 2007 the country recorded economic growth of 6.2% from 5.1% posted in 2006. Growth is forecast at 6.6% in 2008 and 7.1% in 2009 due to strong investments in the mining sector. The IMF forecasts economic growth at 8.4% in 2008.
- The mining company CAMEC announced that it had temporarily halted all its copper and cobalt production in the DRC, not because of the war but because of a sudden stop of demand in China and will recommence production in early 2009. The London-based mining group holds strategic investment positions in Congo's Katanga Mining Ltd. A few months ago CAMEC anticipated producing 30,000 tons of copper cathode and 8,000 tons of cobalt concentrate metal during 2008-9. According to plans, this would be increased to 100,000 tons and 12,000 tons respectively during 2010-11.
- Involvement of the EU in a mining project in the DRC has drawn a chorus of protest from local and international human rights advocates. After construction of the Tenke mining facility commenced in 2007, the European Investment bank, an arm of the EU, agreed that same year to help finance the project with a loan of €100 million but says it will only release the funds upon the DRC's government approval. The Tenke Fungurume vein is thought to be one of the largest unexploited seams of copper and cobalt in the world. The Tenke controversy is illustrative of the discomfiting ways that commerce and political patronage frequently intersect in foreign companies' involvement in the DRC.

Latest Trade Developments

- SA's exports to the DRC totaled R2.5bn in 2006, R4.4bn in 2007 and R1.4bn in Q1'08. Imports totaled R47.2m in 2006, R54.7m in 2007 and R7m in Q1'08.
- South African mining group Metorex will invest up to \$400 million in the new copper and cobalt project developments in the DRC to increase output of the metals.

Sindiso Valerie Mpfu-Economic Researcher