

**COUNTRY PROFILE:****DEMOCRATIC REPUBLIC OF CONGO****DATED:****OCTOBER 2009****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

***Recent Political Highlights***

- ❑ President Joseph Kabila has been chief of state since January 2001 with Prime Minister Adolphe Muzito as head of Government since October 2008. Under the new constitution, the president is elected by popular vote for a five-year term and is eligible for a second term. The next election is due in October 2011.
- ❑ The DRC has expelled over 20,000 Angolans from its territory in retaliation to Angola's expulsion of illegal Congolese diamond miners. Angola has sent a high-level Government delegation to Kinshasa to try to resolve the problem that was straining relations between the two closely allied countries. Both the countries have since agreed to stop deporting each other's citizens which has left thousands homeless. The two countries share a long, porous border which cuts through diamond-rich areas.
- ❑ A UN-backed military offensive to destroy a Hutu rebel group in eastern DRC has had disastrous results with more than 1,000 civilians killed, 7,000 raped and 900,000 forced from their homes. Eastern DRC had been one of the worst places for civilians since the 1990s, when perpetrators of the genocide in Rwanda fled into DRC and local guerrillas and foreign soldiers battled for control of lucrative mineral deposits. Although the situation has improved in some areas, aid workers say that the overall humanitarian situation is worse than a year ago.

***Recent Economic Highlights***

- ❑ The Democratic Republic of Congo's immense natural resources, including copper, cobalt, and diamonds have fueled conflict as much as development. Agriculture accounts for over half of GDP. Years of corruption and mismanagement have driven much economic activity into the informal sector. Infrastructure is virtually nonexistent in many areas. The DRC has 34% of world reserves of cobalt, 10% of copper and significant supplies of gold, diamonds and uranium.
- ❑ South Africa has signed a deal with DRC that would give SA farmers access to 10m hectares of land. One of the largest land agreements on the continent and part of the DRC's plan to improve food security, it would allow SA farmers to lease land for maize, soya beans, poultry, dairy cattle and other produce. The deal signed is for a 30-year renewable lease and will include tax exemptions on importing agricultural inputs and equipment and full expatriation of profits.
- ❑ The contribution of travel and tourism to GDP is expected to rise from 3.5% (CDF337.1 bn /\$592.6 m) in 2009 to 4.3% (CDF458.1 bn /\$1,071.2 m) by 2019. The sector's contribution to employment is expected to rise from 423,000 jobs in 2009 to 576,000 jobs by 2019. Export earnings from international visitors and tourism goods are expected to generate 2.7% of total exports (CDF53.7 bn /\$94.4 m) in 2009, growing to CDF107.5 bn /\$251.3 m (2.7% of total) in 2019.
- ❑ A British aid group is urging Government to do more to regulate the country's tin industry. Global Witness says that a new industry initiative to trace the origin of tin supplies from the DRC will fail to break the link between the mineral trade and the country's ongoing armed conflict. A body representing members of the tin industry ITRI has begun developing proposals to control its supply chain. Traders and middlemen will be required to declare the origins of minerals, but there are doubts if this initiative would be effective in the DRC. The minerals trade has for a long time been a source of revenue for armed rebel groups in eastern Congo, including the Democratic Forces for the Liberation of Rwanda, which is linked to the Hutu extremists involved in the genocide in neighbouring Rwanda. Some analysts feel that the tin industry in the DRC is difficult to regulate as the mining industry is not industrialised.
- ❑ AngloGold Ashanti has teamed up with Randgold Resources to develop the Moto gold resources in the DRC in a bid to boost reserves as gold prices rise and global reserves fall. AngloGold has acquired a 50% indirect interest in Moto Goldmines, which it and Randgold Resources will jointly own. Both companies will be responsible for developing the 70%-owned Moto gold project in the Congo which will be operated by Randgold. The remaining 30% of the Moto gold project is held by Okimo, a Congo state-owned company. The Moto project, which has a proven resource of 22.5m ounces of gold and is considered to be one of the best untapped gold deposits on the continent.
- ❑ The struggling copper and cobalt sector is slowly rebounding on rising metal prices but only major projects in development will encourage a full-scale recovery. Production fell to 142,000 tonnes in 2008 from 213,000 tonnes in 2007 and well below the peak of 476,000 tonnes in 1986. Last year's global crisis put about half the Katanga province's 300,000 informal workers out of work. The high-risk, but potentially lucrative metals sector has begun attracting the interest of major investors. Most major foreign-owned projects in the DRC suspended development last year when financing dried up and the much-delayed Government review of 61 mining contracts concluded with First Quantum scrapping its \$550m Kingamyambo Musonoi Tailings (KMT) Project. Investors were advised to be on notice that their Congo deals may attract more attention as the country attempts to rehabilitate itself financially with a \$6bn agreement with China which could pave the way for debt relief.

***Latest Trade Developments***

- ❑ South Africa's Shoprite store's move to the DRC has been met with scepticism from retail analysts who do not believe trading in the DRC will contribute significantly to the group's earnings. The retail giant plans to start trading in the DRC by the end of next year after investing about R400m. Analysts believe that the deal would be fruitless, similar to the deal in Egypt.
- ❑ SA's exports to DRC totaled R4.4bn in 2007, R8.3bn in 2008 and R2.9bn in the year to July 2009.

*Lily Maharaj, Economic Services*