

Democratic Republic of Congo

January 2012

CREDIT GUARANTEE COUNTRY PROFILE:

IES/02: ATTACHMENT N

<i>Country rating</i>	<i>S/T business cycle indicator</i>	<i>S/T political indicator</i>	<i>Debt recovery</i>
3C	→	↓	Suggested use of a collection agent

Country rating key - political risks: 1=low, 2=medium, 3=high

Commercial risks: A=low, B=medium, C=high

Credit Guarantee experience

- This is not a claims free market.

Recent political highlights

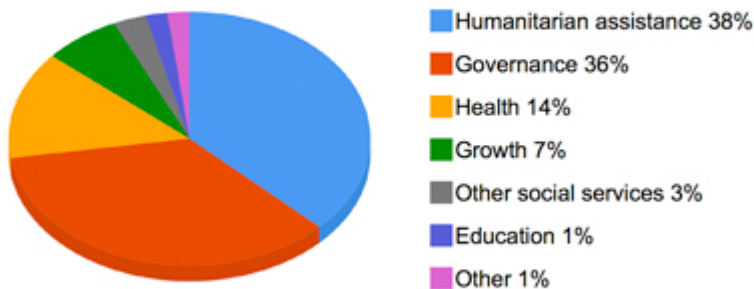
- Joseph Kabila has been head of state since 2001 and Adolphe Muzito has held the position of prime minister since 2008. The president is elected by a democratic voting process and the prime minister is elected by the president.
- The presidential elections were held on the 28th of November but the period leading up to the elections was characterised by violence which included Congolese civilians being beaten up and even arrested for wearing opposition party t-shirts. A law was put in place which bans insults against the current president; this allegation was made by the United Nations and anyone who contravenes the law faces prosecution. Election related violence is rife and approximately 188 cases were reported between November last year and September this year. Countries in the Southern African Development Community (SADC) travelled to the country before the elections to provide logistical assistance. A SADC-led observer mission said that campaigns have been peaceful since their arrival; but between the 26th to the 28th of November 18 civilians had been killed and 100 wounded. Violence has intensified following the elections and thousands, including foreign nationals have fled Kinshasa the capital. It was reported that approximately 3000 people entered Brazzaville, the capital of neighbouring Congo because of political uncertainty and the increased violence that was expected to follow the announcement of the election verdict.
- Mr. Kabila was declared president of the DRC on the 8th of December following the previous postponement of election results. Analysts had predicted that he would be re-elected for another term. Opposition leader Etienne Tshisekedi said that they would not recognise Mr. Kabila's authority as president. Mr. Tshisekedi even stated that he considers himself president; other controversial statements include a call for his supporters to storm prisons and release supporters who were arrested during protests. A preliminary EU report found numerous voting irregularities in the voting process. The Carter Center observer group has also questioned the credibility of the results; the election results will affect stability within the country and surrounding regions which are economically and politically linked to the DRC. Opposition parties have threatened protest action, claiming that the results were rigged. It has been reported that 6 people have already died as a result of post-election clashes.

Recent Economic Highlights

- The Democratic Republic of Congo (DRC) has a population of 71,712,867. More than 75% of the population works in the informal sector and the country's per capita income is the lowest in the sub-Saharan region. A 2011 United Nations human development report ranks the country as the least developed in the world. The agricultural sector employs an estimated 75% of the working population and its overall contribution to GDP is greater than 30%.
- The mining sector is a potentially lucrative industry but the country does not have sufficient skills to develop this sector and therefore needs the help of foreign investors. In September, the IMF said that the country should increase transparency in the mining sector. The country possesses 4% of the world's copper reserves and it is currently one of the world's largest cobalt producers. China will loan the DRC \$367.5 million for the purposes of constructing a hydroelectric plant; the project duration is estimated to be three years. Although the DRC is rated third in the least desirable places to operate a mine, Chinese investments in the country still continue to rise; an example of this being an agreement which saw Minmetals Resources Ltd - a Chinese state-owned company - buy Anvil Mining Ltd. for \$1.3 billion.

- Debt levels are decreasing and GDP as a percentage of debt is nearing 25%. Due to potential infrastructure projects, this figure might increase. The country received a three year Extended Credit Facility from the IMF; it is a loan programme aimed at reducing poverty and encouraging economic growth. The three year loan is to the value of \$561 million. The DRC also benefited from the Heavily Indebted Poor Countries (HIPC) initiative led by the IMF and the World Bank, receiving \$12.3 billion in debt relief in 2010. Several countries in the West are in the process of writing off DRC debt; this includes the U.S. who signed a bilateral debt cancellation agreement to the value of \$1.8 billion in April this year. The agreement cancels 100% of the debt that the DRC owed the U.S.

Congo (Democratic Republic of): Total spend £109.1 million (2009-10)



(Above) Pie chart showing UK bilateral aid spending in DRC (2009/10)

Source: Department for International Development

- The International Monetary Fund recently published findings on the implementation of an economic review programme in the DRC. The findings revealed that the government had managed to contain its spending which led to a fiscal surplus, but this was largely attributed to the government postponing civil servants pay and monies owed to domestic creditors.
- GDP for 2011 has been estimated at 6.5% and 6.3% in 2012. The current account deficit is forecasted to fall from 2.8% of GDP in 2011 to 0.8% of GDP in 2012 as a result of an increase in mineral exports. Budget minister Jean-Baptiste Ntahwa Kuderwa, earlier in the year said that inflation for 2011 would average 9.9%. Other inflation forecasts placed 2011 inflation at an average of 10.2%. Fluctuations in global mineral and food prices at one point saw inflation exceed 19% this year.
- The DRC was ranked 176 out of a total 182 countries in the 2011 World Bank's Doing Business report; the 2012 report puts the DRC in position 178, this is a decline of two places. The 2011 Ibrahim Index of African Governance gave the DRC an overall ranking of 50 out of 53 countries for governance; the country was ranked 44 for public management, 50 for the business environment and 53 for infrastructure.
- Tourism in the eastern parts of the country is slowly picking up yearly because of the natural wonders in abundance in the DRC. The Nyamulagira volcano began erupting on the 6th of November and has drawn tourists to the country. Although the war torn country does not boast of a highly successful tourism industry, Virunga National Park, a UNESCO world heritage site forecasted a total of 3800 tourists expected to visit the park during 2011.

Latest Trade Developments

- Major exports from DRC: diamonds, gold, copper, cobalt, wood products, crude oil, coffee.
- Major imports to DRC: foodstuffs, mining and other machinery, transport equipment, fuels.
- Main trading partners of DRC: China, South Africa, Zambia, Belgium, Zimbabwe, France.
- SA's exports to DRC in 2009 totaled R4.7 bn; in 2010 they were R6bn; and R5.2bn year to September 2011.
- SA's import from DRC in 2009 totaled R86.7m; in 2010 they were R103.77m; and R95.48m year to September 2011.

Researched and compiled by Nthabiseng Ntuli, economic services – Credit Guarantee Insurance