

CONGO CHALLENGE
THE MONTHLY BULLETIN



**EVOLUTION OF THE ECONOMIC
AND POLITICAL SITUATION IN THE
DEMOCRATIC REPUBLIC
OF CONGO**

Issue 60 | April 2022

Kinshasa, DRC



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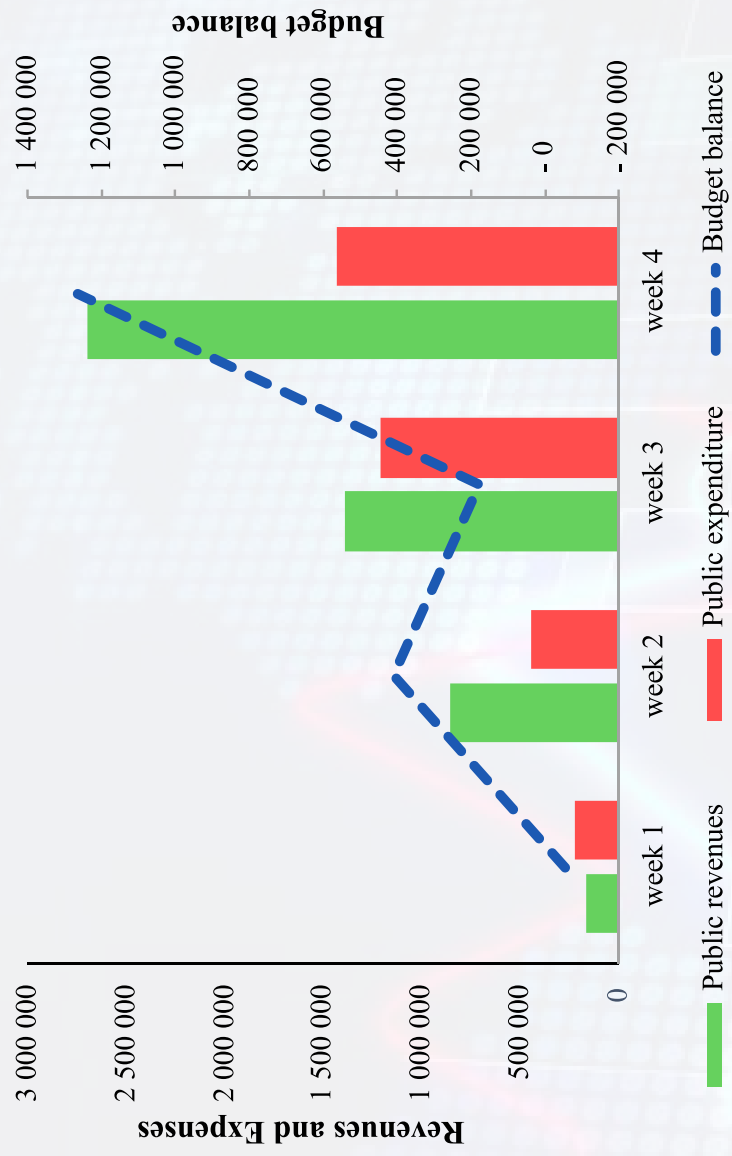
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This monthly bulletin was translated by Congo Challenge staff. The original version is in French. Thus, the translated version may contain some shortcomings without altering the content of the original one.

Kinshasa, DRC

Public Sector Aggregates (in millions of CDF)



Summary

| | |
|--|-----------|
| What I think | 6 |
| Executive Summary | 9 |
| International Context | 11 |
| Economic growth | 11 |
| Inflation | 12 |
| Financial market | 13 |
| Foreign Exchange Market | 15 |
| Market for strategic products | 16 |
| International trade | 18 |
| National context | 21 |
| Evolution of the national economy | 21 |
| Economic activity | 26 |
| Price dynamics | 27 |
| Monetary Market | 28 |
| Exchange rate | 29 |
| Public Finances | 29 |
| Political developments | 30 |
| Political and economic perspectives | 41 |





Matata Ponyo Mapon

What I think

When the Presidents of the Senate and the National Assembly contradict each other!

I think that the situation of the rule of law becomes worrisome when two high officials of the Parliament (National Assembly and Senate) contradict each other on the interpretation and understanding of an article of the Constitution which is the supreme law of the land. This is all the more serious when this contradiction takes place in plenary and live on national television, even if the intervention of the president of the Senate preceded that of the president of the National Assembly by a few months. This becomes dramatic when the controversial article is a pillar of the credibility of the Constitution in terms of its application. Indeed, in December 2021, the Honorable Bahati, to the great astonishment of the majority of the Congolese population, made it clear that the Ruling of the Constitutional Court pronounced on November 15, 2021 on the Bukanga-Lonzo case could not be applied by the Senate. He adds, which is serious, that the High Court has misinterpreted Article 164 of the Constitution, publicly questioning its competence. On the other hand, the Speaker of the National Assembly, Christophe Mbose, during an intervention in plenary by the Honourable Daniel Nsifu, who was questioning a decision of the Constitutional Court in relation to the 2018 presidential elections, intervened on April 24 to remind the latter that the rulings of this Court are non-negotiable and apply to everyone immediately. This is true and in accordance with Article 168, paragraph 1 of the Constitution.

I think that this type of contradiction at the top hides very badly the collusion of large institutions that symbolize power in a country. It shows that the legislative power interferes in the management of the judicial power. It betrays the invisible hand of the executive power over the judiciary, which calls into question the sacrosanct principle of the separation of powers. Developed by Locke and Montesquieu in the 17th century, the theory of the separation of powers aims to separate the different functions of the state in order to limit arbitrariness and prevent abuses related to the exercise of sovereign missions. In the Bukanga-Lonzo case, the Constitutional Court found that the prosecution of Senator Matata was not in accordance

with the Constitution. However, Article 168, paragraph 2 of the Constitution clearly states that acts that do not conform to the Constitution are null and void. How then the President of the Senate, could he support before the hemicycle that a decision of the Constitutional Court did not concern the Senate? According to legal professionals, such an act is qualified as rebellion and deserves to be sanctioned. Unfortunately, the Constitutional Court has remained silent in the face of this flagrant challenge to its competencies and attributions. The Court of Cassation, although seized by an independent, remained indifferent to this legal blunder.

I think that the silence of all the republican institutions on the rebellion of the President of the Senate in the face of the RP 0001 ruling of the High Court is guilty. The Presidency of the Republic had to remind the President of the Upper House of the Parliament that the judgments of the Court are not negotiable. Furthermore, it had to tell him that only the Constitutional Court is competent to interpret the articles of the Constitution. Finally, it was to ask him to apologize publicly. The Constitutional Court, although bound by the obligation of silence in view of its eminently political role, particularly with regard to the interpretation of the articles of the Constitution, had to show the President of the Senate the seriousness of his legal blunder and ask him to make amends quickly in order to avoid a jurisprudence that could prove prejudicial to the whole of the Republic, especially at the time of the publication of the electoral results of 2023. Finally, the Court of Cassation had to challenge the President of the Senate for rebellion. Unfortunately, the complaint introduced at this Court by a Congolese concerned with the application of the right law remained dead letter.



I think that the same causes always lead to the same effects, all other things being equal. If yesterday, the DRC was included in the list of countries where the rule of law is far from existing, it is mainly because of the selective application of the articles of the Constitution and the laws of the Republic. If the DRC is ranked among the bottom countries in the world in terms of business climate, it is partly because of the low quality of legal and judicial governance. If serious businessmen are not interested in investing in our country, it is mainly because of these diffuse signals of uncertainty

received from political, legal and judicial bodies. And this attitude of investors will remain unchanged despite campaigns squandering public money to promote the business climate. If the DRC really wants to join the family of states governed by the rule of law, it must promote legal and judicial governance in all its institutions. No institution, even the upper house, should be above the law. Otherwise, it would be like seeking one thing and its opposite.

Kinshasa, April 26, 2022..

Executive Summary

Economic situation

- **At the international level**, a recession in the world economy is predicted for 2022, mainly due to the Ukrainian war. According to the International Monetary Fund (IMF), world growth is expected to fall from 6.1% in 2021 to 3.6% in 2022, reflecting an acute fragmentation of the world economy.
- Tensions in food and energy prices due to the crisis in Ukraine are expected to contribute to a sustained acceleration in inflation. The risk of inflation forecasts deviating from central bank targets is increasing, prompting policymakers to take more drastic monetary tightening measures than during the pandemic period.
- During the month of April 2022, stock markets have been characterized by downward trends. There are two main causes for this reversal of momentum: (i) the continuing war in Ukraine; and (ii) health restrictions in China. The fall in indices is also being reinforced by expectations of further monetary tightening by major central banks, given the acceleration of inflation worldwide.
- In the international foreign exchange market, the euro and the pound sterling depreciated sharply against the US dollar. Risk aversion linked to the Russian-Ukrainian diplomatic impasse strengthened the position of the greenback. In Asia, the worsening of the pandemic in China led to the tightening of health restrictions, which resulted in a remarkable depreciation of the Chinese yuan. As for the Japanese yen, it continued to depreciate sharply against the U.S. currency, mainly due to the rise in U.S. bond yields.
- In terms of commodities, copper prices fell significantly in April 2022 to below the symbolic USD 10,000 per metric ton mark at the close of the current month as a result of the slowdown in manufacturing and services activity in China. Gold prices fell below the symbolic USD 2,000 per ounce mark during the month of April 2022 as bond yields in the U.S. rose. In the crude oil market, black gold prices stabilized in April 2022 around an average of USD 100 per barrel, following the massive release of U.S. inventories, as recommended by the International Energy Agency (IEA).
- Since the outbreak of war in Ukraine, the outlook for the global economy has darkened considerably. The World Trade Organization (WTO) expects the volume of merchandise trade to grow by 3.0% in 2022, down from 4.7% in 2021. With the conflict between Moscow and Kiev jeopardizing the fragile recovery in international trade, greater diversification of global value chains would help mitigate the impact of future supply shocks.
- **At the national level**, as in the previous month, the macroeconomic framework remained broadly stable. Indeed, the dynamics of the exchange rate remained broadly stable in April 2022 although, compared to its level at the end of March 2022, the exchange rate experienced a slight depreciation of 0.18% on the interbank market and a slight appreciation of 0.09% on the parallel market. On the goods and services market, the weekly inflation rate was 0.18% in the fourth week of April 2022. This resulted in a cumulative inflation rate of 3.37% compared to 1.96% at the close of the previous month. The year-on-year inflation rate stood at 7.22% in the last week of April 2022. At this rate, the inflation rate at the end of December 2022 is expected to be 10.66% compared to 9.56% achieved at the end of March 2022.
- With regard to the money market, it should be noted that the monetary aggregates remained relatively stable compared to March 2022. The monetary base fell slightly by 1.62% and the money supply increased slightly by 0.01%. Net credits to the government fell from CDF 587,909 million to CDF -43,230 million between March and April 2022, while credits to the economy (claims on other depository institutions) rose from CDF 1,327,019 million to CDF 1,442,019 million over the same period.
- On the public finance side, the Treasury recorded a surplus of CDF 1,266,195 million. This balance is the result of a level of expenditure of CDF 1,433,621 million against revenue of CDF 2,699,816 million. On the other hand, capital expenditures fell significantly from last month's level, from CDF 619,921 million to CDF 123,322 million.



Political situation

The dismissal of the Minister of the Economy was met with mixed reviews in national opinion, with some welcoming what they described as an unprecedented move in the country's political history. Indeed, although the Minister is a member of the Sacred Union of the Nation, which has a comfortable majority in the National Assembly, he was unable to resist the pressure exerted on him since the motion was initiated against him. For others, it is neither more nor less than a settlement of accounts cleverly orchestrated by a group of economic operators who have seen their interests pushed aside by the interested party.

Back from his stay in London for appropriate treatment, the Honorable Kabund finally submitted his resignation which led to his replacement made effective by the vote of the Honorable Mbata Mangu André, to the position of Vice President of the lower house.

On the chapter of elections, the discussion on the proposal of the electoral law proposed by the group of 13 personalities, still does not seem to gather the consensus between the tenors of the power and those of the opposition. Indeed, while the camp of the Sacred Union for the Nation suggests that the discussion thus initiated should lead to the long-awaited text for the organization of elections within the constitutional deadlines, the opposition (FCC and LAMUKA) as well as civil society, led by the Catholic and Protestant religious denominations, maintain that a dialogue should be initiated before the revision of this law.

On the security front, the M23 has been active again in North Kivu since late March. Officially defeated at the end of 2013, the rebel group has taken up arms again in recent weeks and occupied a dozen villages and hamlets in eastern DRC. In this same chapter, it is worth recalling the quadripartite meeting held in Nairobi, with the participation of Presidents Uhuru Kenyatta, Yoweri Kaguta Museveni, Paul Kagame and Félix-Antoine Tshisekedi Tshilombo. The meeting resulted in a commitment to address the thorny issue of insecurity in the region, particularly in the eastern border provinces of the DRC, involving the President of Burundi, Evariste Ndayishimiye, as well as the armed groups still active in that area.

In addition, the decision of the Court of Cassation of April 11, 2022, overturning the decision of the Court of Appeal of Gombe, which had sentenced Vital Kamerhe to 13 years of hard labor, was met with mixed reviews. Supporters of his party welcomed the independence of the judiciary, claiming the innocence of their leader, while other politicians and human rights activists cried foul, calling the decision a major setback in the fight against impunity.

Finally, the case of Vital Kamerhe will be retried in court. His 13-year prison sentence has just been overturned by the Court of Cassation on Monday, April 11, 2022. Billy Kambale, secretary general of the Union for the Congolese Nation (UNC) pays tribute to the president of the republic Félix-Antoine Tshisekedi for the rule of law. He tweeted: "The ruling of the Court of Cassation today totally overturns the judgment of the Court of Appeal. Thank the judges of the High Court, the Congolese people and the lawyers. Tribute to President Félix-Antoine Tshisekedi for the rule of law. Together for a Congo regained". The former chief of staff of the President of the Republic, Vital Kamerhe, was absent from the hearing. He is in France for medical treatment. According to some sources, he has demanded to return to Kinshasa as a free man. Some already see him as Prime Minister.



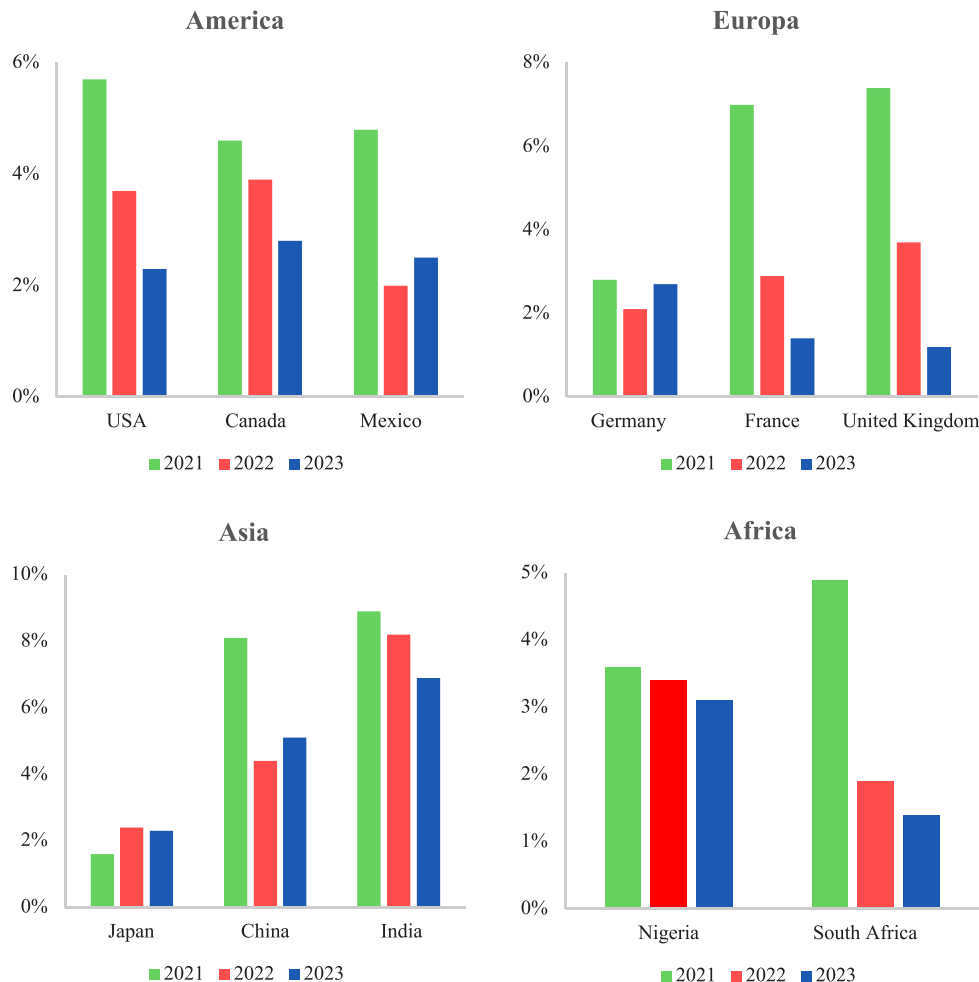
1. International context

I.1. Economic growth

The economic recession that is expected to characterize the year 2022 will essentially be the effect of the war in Ukraine. Indeed, the economic damage caused by this conflict will contribute to a marked slowdown in global

economic activity. According to the International Monetary Fund (IMF), global growth is expected to fall from 6.1% in 2021 to 3.6% in 2022, a decline of 2.5 percentage points.

Chart 1 » GLOBAL ECONOMIC GROWTH PROJECTIONS



Source : IMF.

Chart 1 shows that the economic recovery that began in 2021 was hampered in 2022 in most countries, except Japan. The Ukrainian conflict has triggered a costly humanitarian crisis that requires a peaceful

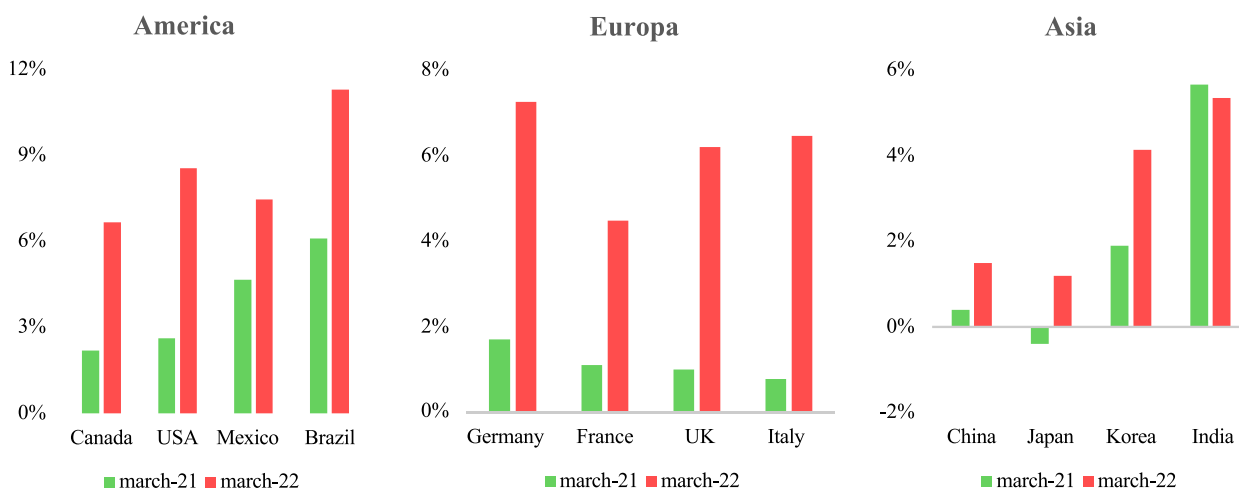
resolution. Multilateral initiatives to address this humanitarian crisis are thus essential to prevent further fragmentation of the global economy.

I.2. Inflation

Tensions in food and energy prices due to the crisis in Ukraine are expected to contribute to accelerating inflation in the long term. Russia's invasion of Ukraine comes at a time when the global economy has not yet fully recovered from the health crisis. Even before the war, inflation had accelerated during the pandemic period in many countries due in part to imbalances between supply and demand, which had led to a tightening of monetary policies. Similarly, the war in

the Ukraine caused a shock to commodity markets that could keep prices at historically high levels. Inflation is now a clear and present danger for many countries around the world. The risk of inflation forecasts drifting away from central bank targets is increasing, prompting policymakers to take more drastic monetary austerity measures than under Covid-19.

Chart 2 » GLOBAL INFLATION RATE PROJECTIONS



Source : OECD.

The war is another in a series of supply shocks that have hit the global economy in recent years. Its effects will spread through commodity markets, trade and financial relationships, and will be felt in many parts of the world. As Russia is a major producer of oil, gas, metals, and, along with Ukraine, wheat and corn, the decline in supply of these commodities has caused their prices to rise sharply. These increases in food and fuel prices will hurt low-income households around the world, especially the vulnerable in poor

countries. Against this backdrop, central banks will need to aggressively adjust their policies to ensure that inflation expectations are anchored over the medium to long term. They will need to communicate clearly and frame monetary policy in a forward-looking manner to minimize the disruption that changes in policy stance could cause.



I.3. Financial market

An analysis of the stock markets at the beginning of 2022 reveals a U-shaped index dynamic. First of all, the months of January and February 2022 were mainly marked by the escalation of geopolitical tensions in Ukraine. As a result of these tensions, the stock market indices had fallen drastically during the aforementioned period, as shown in Chart 3.

During the month of March 2022, the indices had to resume their rise following a calming communication from the Fed. Indeed, the Federal Reserve believed that the chances of the global economy entering a recession in 2023 were quite low. It was this announcement that helped propel the markets, as it is the type of thing that

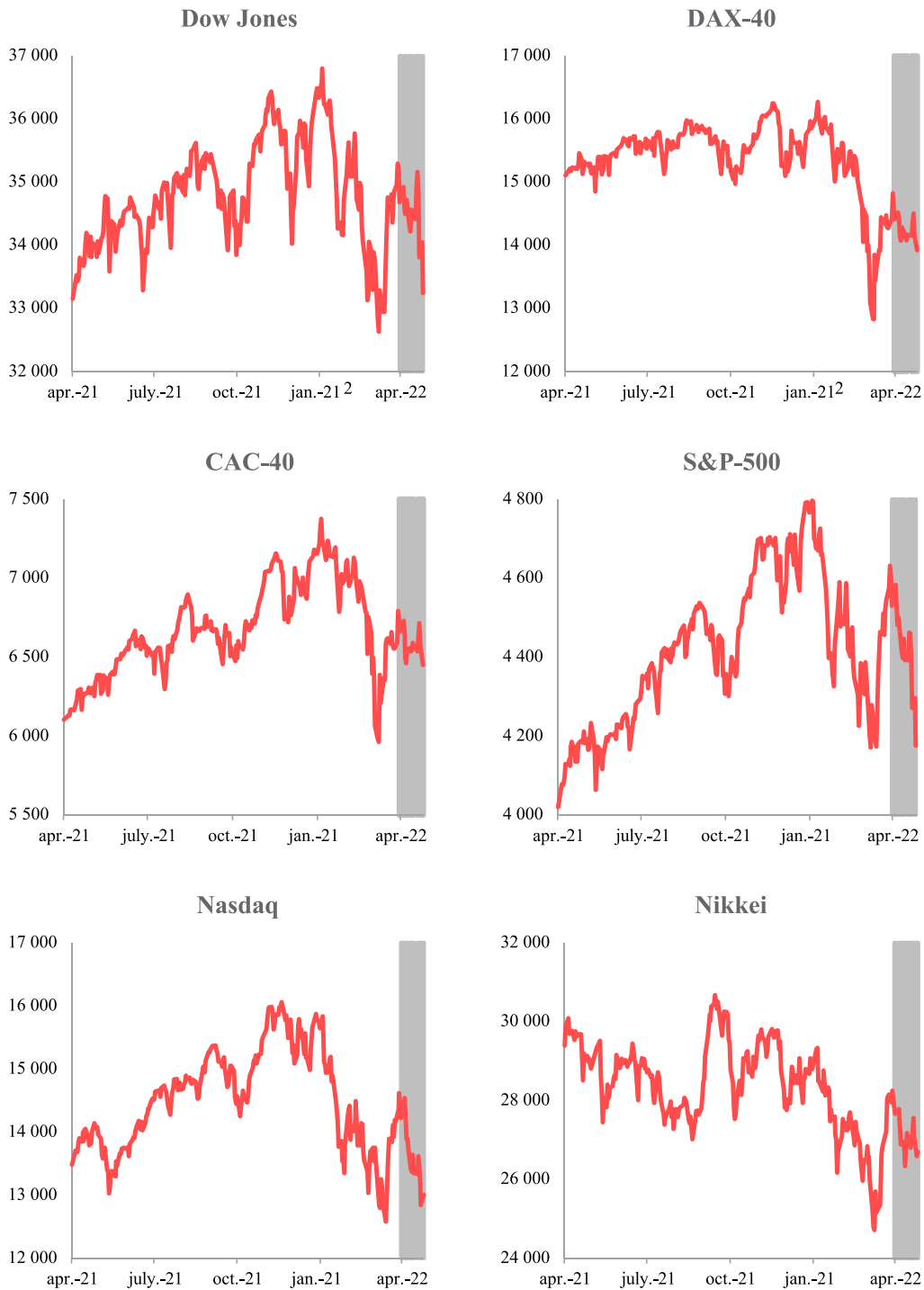
improves financial confidence and creates optimism among private operators.

Furthermore, during the month of April 2022, stock markets were again characterized by downward trends. There are two main reasons for this reversal of momentum: (i) the continuing war in Ukraine; and (ii) health restrictions in China. The fall in indices is also being reinforced by expectations of further monetary tightening by the major central banks (Fed and ECB), given the acceleration of inflation around the world.





Chart 3 » DAILY TRENDS IN THE MAIN STOCK MARKET INDICES



Source : Macrotrends.

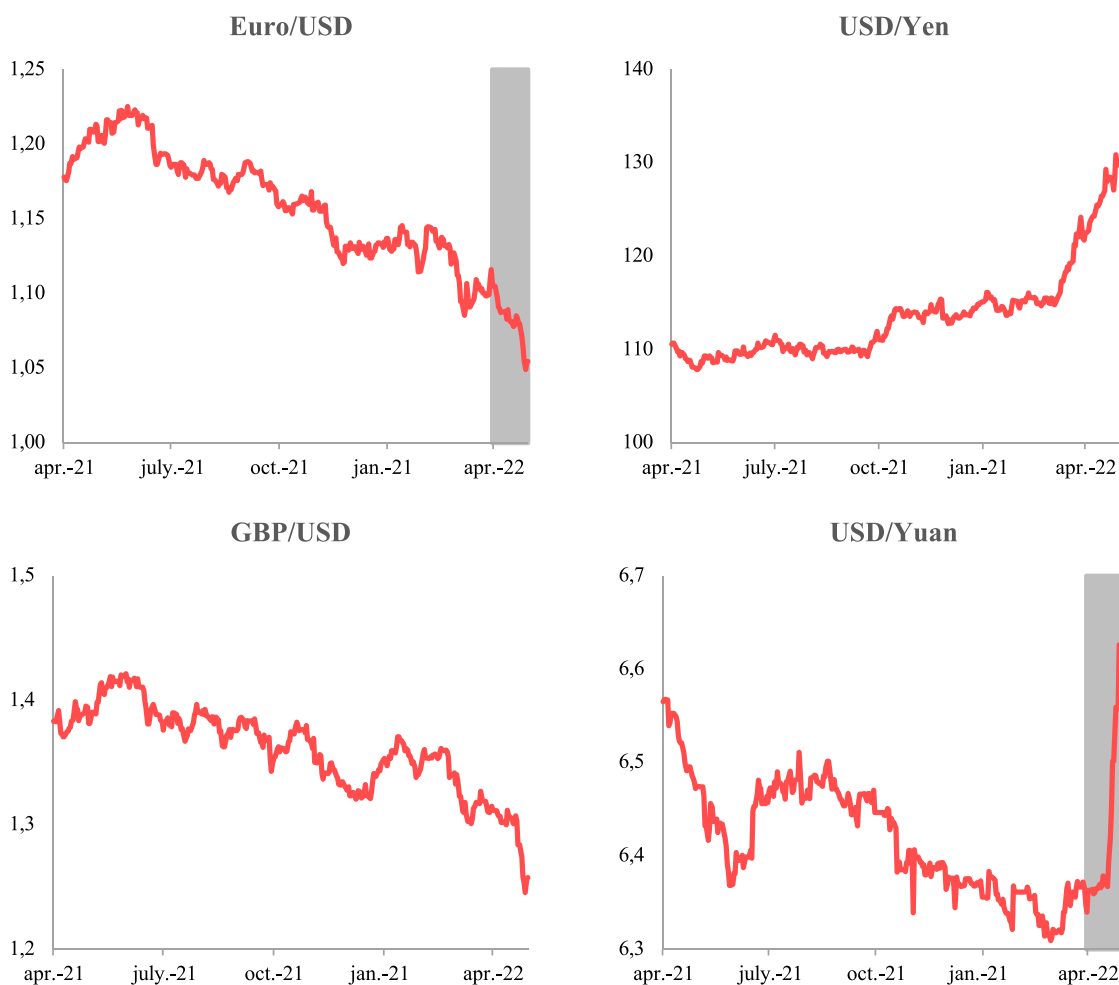


I.4. Foreign exchange market

The hope of a breakthrough in the peaceful negotiations between Russia and Ukraine was not enough to keep the main European currencies in a strong position against the greenback. During the month of April 2022, the euro and the pound sterling depreciated sharply against the US dollar. Risk aversion linked to the Russian-Ukrainian diplomatic impasse has strengthened the position of the US currency, reinforcing its status as a "safe haven".

On the Asian continent, the new cases of coronavirus reported by Beijing raise fears of new large-scale confinements. This aggravation of the pandemic in China has led to the strengthening of health restrictions, which explains the remarkable depreciation of the Chinese yuan during the month of April 2022. As for the Japanese yen, it continued its strong depreciation against the US dollar, reaching its highest level of seven years ago, i.e. more than 130 JPY/USD at the end of the current month. This weakness in the Japanese currency was reportedly accentuated by the rise in US yields.

Chart 4 » DAILY EVOLUTION OF THE MAIN EXCHANGE RATES



Source : Macrotrends.



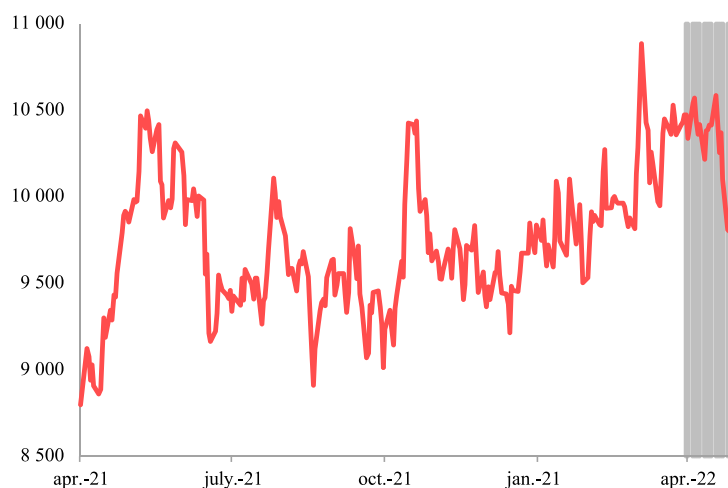
I.5. Market for strategic products

- Copper

After hovering near the USD 11,000 per metric ton mark in early March 2022, copper prices fell significantly in April 2022, to the point where they were below the symbolic USD 10,000 mark at the close of the current month. This drop in prices can be attributed to the slowdown in Chinese manufacturing and services activity. Indeed, since the end of March 2022, China has been facing a severe wave of Covid-19

which forced it to lift new restrictive measures aimed at containing the spread of the disease. As a result of these restrictions, several concerns are emerging about a possible decrease in Chinese copper imports. As China is the world's largest consumer of the red metal, it follows that the price of this commodity could only decline significantly, as shown in Chart 5.

Chart 5 » DAILY EVOLUTION OF COPPER PRICES (IN USD PER TON)

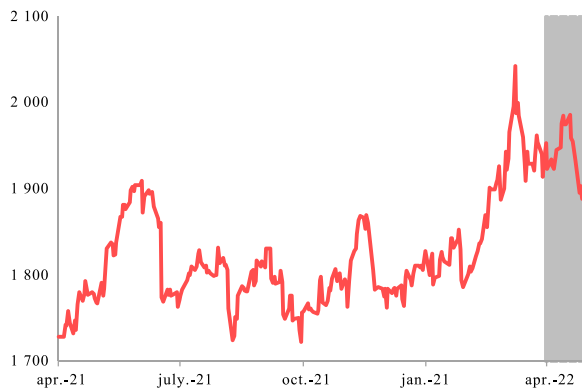


Source : Macrotrends.

- Gold

After breaking through the USD 2,000 per ounce mark last month, gold prices have fallen below this symbolic mark during the month of April 2022. The main factor behind this price drop remains the rise in US bond yields. Intended to combat the pressure on prices, this policy of raising interest rates by the Fed also contributed to the appreciation of the US dollar (see section 1.4), and then caused gold to become less attractive, given the negative correlation between the greenback and the yellow metal.

Chart 6 » DAILY EVOLUTION OF GOLD PRICES (IN USD PER OUNCE)

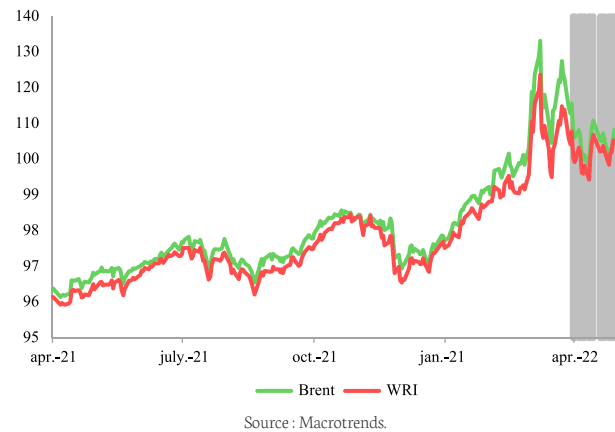


Source : Macrotrends.

- Oil

After a strong upward trend during the first quarter of 2022, crude oil prices stabilized in April 2022 around an average of USD 100 per barrel, as shown in Figure 7. This is the result of several factors, including the massive release of U.S. inventories, as recommended by the International Energy Agency (IEA). The rebalancing of the oil market would also have consolidated this price stability, as the context is one of falling demand for black gold and Russian production that is fairly resilient to Western sanctions. As indicated in previous monthly economic bulletins, the price of black gold will for a long time be a measure of the geopolitical fever between Moscow and Kiev.

Chart 7 » DAILY EVOLUTION OF OIL PRICES (IN USD PER BARREL)



Source : Macrotrends.



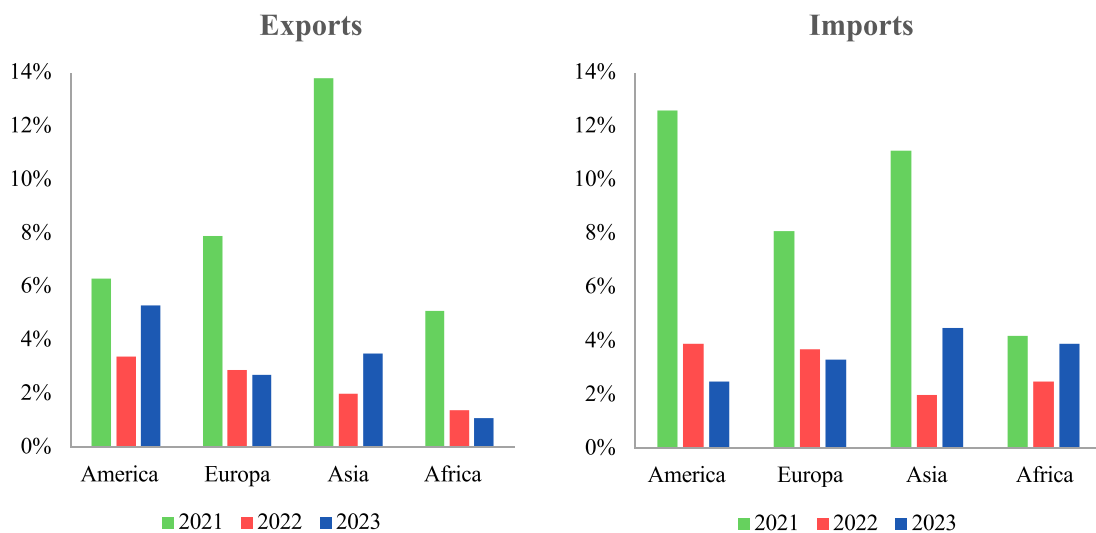


I.6. International trade

Since the outbreak of the war in Ukraine, the outlook for the world economy has darkened considerably, leading the World Trade Organization (WTO) to reassess its projections for world trade over the next two years. As a result, this UN institution expects the volume of merchandise trade to grow by 3.0% in 2022,

compared to 4.7% in 2021. But these estimates remain rather uncertain, given the unpredictable nature of the crisis in Eastern Europe. Clearly, the conflict between Russia and Ukraine is jeopardizing the fragile recovery in international trade.

Chart 8 » MERCHANDISE TRADE GROWTH



Source : WTO.

The year 2021 saw a sharp rebound in trade volume after the pandemic-generated slump in 2020, but growth could have been stronger without the recurring waves of Covid-19 during the year. All regions recorded export growth below the global average of 10%, with the exception of Asia, where exports grew by over 13% (see Figure 8). The situation was reversed on the import side, with America recording growth above the 12% mark. However, forecasts for 2022 have been

revised downwards, mainly due to sanctions against Russia, export restrictions, energy costs and shipping disruptions in China. In light of the above, greater diversification of global value chains would help mitigate the impact of future supply shocks by making international trade more resilient to such shocks.

Box 1. Gilbert Hougbo, first African to head the International Labour Organization

The 344th session of the Governing Body of the International Labor Organization (ILO) opened on 14 March 2022. Among the topics discussed during this session, the election of the next Director General of the Organization should be noted. Five candidates competed in the polls: Gilbert Hougbo (Togolese), Kang Kyung-wha (South Korean), Mthunzi Mdwaba (South African), Greg Vines (Australian) and Muriel Pénicaud (French).

After hearings of these five candidates for the position of Director General, the actual elections were held on March 25, 2022. At the end of the voting, the former Prime Minister of Togo, Gilbert Fossoun Hougbo, was elected in the second round by the members of the Governing Body representing the 187 States and employers' and employees' organizations of the ILO. He succeeds former British trade unionist Guy Ryder, who has held the post since 2012, and becomes the first African to hold the position. The term of office of the new Director-General will effectively begin on October 01, 2022.

Gilbert Hougbo, 61, has spent most of his professional career in international organizations, where he is seen as a seasoned senior official. A former UN Under-Secretary-General and Director of the United Nations Development Programme (UNDP), he also served as a member of the organization's strategic team and Chief Administrative and Financial Officer. Between 2013 and 2017, he served as the ILO's Deputy Director for Field Operations. Currently, Mr. Hougbo is the President of the International Fund for Agricultural Development (IFAD) in Rome.

The new head of the ILO will have the difficult task of adapting the organization's standards to a labor market that is changing rapidly as a result of new technologies. Especially since the Covid-19 pandemic has given a boost to telework technologies that allow to abolish geographical barriers and to work in teams at a distance. The new Director-General's ambition is also to preserve the progress made by the ILO in recent decades in the field of social justice, on the one hand, and to focus global solutions to new challenges and opportunities on human, environmental and societal values, on the other.

The main challenges of this 11th Director-General of the ILO can be summarized as follows: (i) to reduce the number of people without access to social protection worldwide; (ii) to increase opportunities for the large mass of unemployed to find employment by encouraging them to create decent jobs; (iii) to find sustainable solutions to child labor; (iv) combat gender discrimination, violence and harassment in the workplace; (v) assist small and medium-sized enterprises facing supply chain disruption due to pandemic, climate change or armed conflict; and (vi) advocate on behalf of all of the Organization's tripartite constituents.

2. National context

II.1. Evolution of the national economy

According to the World Bank in its recently released Commodity Market Outlook report, the war in Ukraine has caused prices to rise, changing global trade, production and consumption patterns. Prices could remain at historically high levels through 2024. Inflationary pressures will be observed over the two years in both the energy and food commodity sectors, of which the two antagonistic countries, Russia and Ukraine, are major producers, and they will be greater than during the 1973 oil crisis.

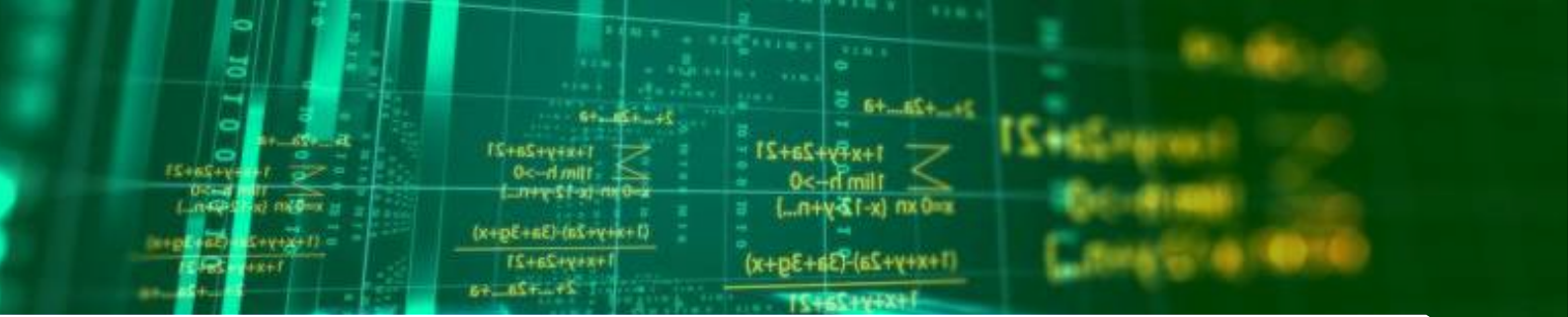
The report expects energy prices to rise by up to 50% in 2022 and then fall in 2023 and 2024. While agricultural and metal prices will rise by 20% in 2022 and then decline in the remaining years. In the event of a prolonged war, commodity prices are expected to remain above the average of the last five years. In this vein, oil prices are expected to average USD 100/barrel in 2022, a level that corresponds to its highest level already reached in 2013. But it is expected to be at USD 92/barrel in 2023, which is higher than its average for the last five years. According to the forecasts, the World Bank expects wheat prices to rise by more than 40% and then reach a record level in nominal terms this year.

The most feasible responses in the short term would be to focus on tax cuts and subsidies that influence supply and put pressure on prices, while in the long term, they would aim to reduce demand and promote alternative sources of supply.

Following this logic, the Congolese government has taken certain appropriate measures to deal with this crisis that is sweeping the world. To counteract the inflationary tensions linked to the Ukrainian war, it was decided: (i) to lower the prices of basic necessities, mainly cereals. Thus, for the implementation, it was decided to freeze the value added tax (VAT) on 38 products considered as basic necessities. This

measure aims mainly to support households facing this meteoric rise in market prices, the concern being to counteract the erosion of their purchasing power. On the side of importers, the government has decided to apply the new rates on unsold stocks but already hit by VAT and reimburse them after verification by appointed services. It should be noted that this measure of suspension of VAT has a duration of 6 months and nothing presages that the crisis would be over at the end of this period. This would lead to the renewal of this order at the appropriate time. (ii) Through the Ministry of Industry, the government has supported the proposal to use cassava flour in the manufacture of bread. This flour is the perfect substitute for wheat flour during this period of the Ukrainian war when the world is experiencing a shortage of it. The government's strategy would be to encourage local cassava producers to increase their production in order to flood the market with this flour and to create jobs. The Minister of Industry has decided to organize a training workshop with several stakeholders where the Interdisciplinary Center for Research and Application in Sustainable Development (CIRADD) will be in charge of training since it already uses cassava flour in several bread and pastry products.

The NGO Global Witness claimed in its latest report that companies like Apple, Tesla and Intel are relying on a supply chain due diligence system to launder conflict minerals from the Democratic Republic of Congo (DRC). According to the report, the companies use the ITSCI system to responsibly source tin, tantalum and tungsten ("3T" metals) from the African Great Lakes region. The evidence available to them indicates that ITSCI has facilitated the laundering of minerals from certain militia-controlled and child labor mines, as well as smuggled minerals. It refers to a serious conflict of interest that points to the failure of this mechanism that was put in place more than 10 years ago. This due diligence system is failing and has



led to tensions between the miners and the mining company that have resulted in deadly violence.

The NGO Global Witness has called for companies to audit their supply chains and take action, and for governments to hold them accountable. It demands improved legislation and enforcement by key jurisdictions along the supply chain. It also urges the United States to revise and enforce its due diligence legislation (Section 1502 of the Dodd-Frank Act), and calls on the EU and its member countries to close the gaps in its conflict minerals regulations and put in place strong corporate due diligence legislation.

In order to play a major role and occupy an essential place in the energy transition that is on the horizon, the Democratic Republic of Congo wants to develop a battery manufacturing industry through the lithium and cobalt ores of which it is the largest producer in the world. It is within this framework that the government has signed a partnership with the Republic of Zambia to set up an electric battery industry, for the development of the regional battery value chain, which will be set up in the province of Haut-Katanga on the Congolese side and in the province of Copperbelt on the Zambian side.

On the sidelines of this agreement, it was decided to set up a regulatory framework called "battery council" which will be jointly led by the two presidents, the UN Deputy Secretary-General, the Executive Secretary of the UN Economic Commission for Africa (ECA) and Afrimex, which will provide technical support and monitoring and evaluation.

The path of energy transition on which the Democratic Republic of Congo wants to embark requires that it develops trades that require creativity, passion, initiative and especially quality. These trades are characterized by R&D, construction, maintenance, engineering, data analysis, etc... And to achieve this, it is necessary to focus on human capital and invest in the creation of new factories that provide employment. The partnership with large international firms operating

in the energy transition sector would be much desired if we want to succeed in creating the value chain of electric batteries.

In order to reorganize the transport sector to take advantage of the opportunities offered by both the networks of natural communication routes and the national land transport networks in a multimodal system, the government is committed to ensuring that the transport and communication sector plays its role as the locomotive of the national economy. Thus, a concession agreement has been signed between the Congolese government and Qatar to revive and modernize the Société commerciale des transports et des ports (SCTP), formerly known as ONATRA. This project concerns the rehabilitation of the port of Matadi as well as that of Kinshasa and is entrusted to the Qatari Mediterranean Shipping Company. It will be financed by the Qatari investment fund, Maha Capital. Taking into account the social liabilities of this company, the government has reassured that the agreement provides for an honorable retirement plan for staff of retirement age and a rejuvenation of the workforce.

With regard to the revival of the SCTP, it would be advantageous to prioritize the environmental, social and governance (ESG) criteria in order to better assess the social responsibility (CSR) of the new dynamics that will be put in place in this company. It should be noted that the strategy that could prevail if a result is expected in this new dynamic, would be to split this company into several companies including one to manage the railroad, another to manage the ports and another to manage the river and lake transport. Given the assets of this company, it would also be possible to create a real estate company that could manage the assets of this company. But first of all, a physical inventory will have to be carried out to determine these assets.

Box 2. Monetary Financing of the State's Public Deficit in the DRC: Analysis by Professor Vincent NGONGA NZINGA

Money creation is an operation to increase one or all of the asset items on the balance sheet of the Central Bank or commercial banks. It leads to an increase in the money supply located in the liability items.

The monetary financing of the public deficit is one of the many forms of monetary creation consisting of the granting of advances by the Central Bank to the State.

At the level of the Central Bank, it is necessary to mention, in addition to the monetary financing of the public deficit, the refinancing of the banks for reason of treasury requested by the customers, the purchases of currencies near the commercial banks whose principal is the customers.

At the level of commercial banks, we can cite the granting of credit to the economy, purchases of foreign currency or securities, the assistance of banks to other banks.

Apart from the monetary financing of the public deficit, all these operations give rise to repayments on time or to a monetary destruction (refinancing of banks, credit to the economy, assistance of banks to other banks).

If the money creation subsequent to the purchases of currencies leads to tensions in the foreign exchange and goods and services markets, the Central Bank can counteract them by selling currencies.

In the end, the fundamental problem posed by the monetary financing of the treasury is that of its repayment. Thus, instead of resulting in temporary monetary creation (i.e., followed by repayment or monetary destruction), it leads to definitive monetary creation (in the case of non-repayment). It is thus at the root of the spiral of monetary depreciation =>inflation according to the sequence: money=>exchange=>price.

With regard specifically to the case of monetary financing of productive investments in developing countries, most of the equipment and materials used to make the investments are imported. As a result, most of the monetary financing will flow into the narrow foreign exchange market, increasing the demand for foreign currency in a context of limited foreign exchange supply. The result is currency depreciation and an increase in the general price level.

Thus, given the sensitivity of this mechanism, there are differing views on its effectiveness and the impact it could have on macroeconomic aggregates. These different views are described below :

1. Argument in favor of monetary financing of the public deficit of the State

The die-hard, unsinkable, and indefatigable advocates of monetary financing of the public deficit argue as follows :

- i. the resources from monetary financing will be allocated, by leaders with a qualitatively reformed mindset, to the financing of productive investments, in particular basic infrastructure in terms of transport, logistics, water and electricity supply and agricultural inputs.

- ii. the delta of production that will result from this judicious allocation to productive investments will give rise to a positive cost-benefit ratio as soon as its growth is greater than the increase in the general price level caused by ex nihilo monetary creation.
- iii. this delta of output, based on the above, acts as positive monetary seigniorage. As a reminder, monetary seigniorage ($\Delta M/P$) is defined as the real income produced by money creation or ex nihilo growth in the money supply. ($\frac{\Delta M}{M} \times \frac{M}{P}$). Thus, seigniorage is equal to the product of the growth of the money supply multiplied by the real money supply.
- iv. the State deprives itself of the "available resources" resulting from monetary financing and makes drastic cuts in expenditure because of precepts from elsewhere. It leaves the population in poverty and underdevelopment by mortifying itself in the unrealistic and unproductive search for stability of the general price level.

2. Responses to the argument of the unconditional supporters of monetary financing of the public deficit

This argument, however seductive and enthusiastic, deserves the following responses :

- i. the resources coming from the monetary financing of the public deficit, whatever its allocation and the quality of the leaders, proceed from an ex-nihilo monetary creation (made from nothing). They lead to an excess of unwanted money.
- ii. this excess of money very quickly translates into high inflation (an invisible tax that will burden all incomes indiscriminately). This inflation annihilates all the medium- and long-term benefits expected from the allocation of monetary financing of the deficit to productive investments. In this respect, the history of the DRC reminds us of the ravages of the hyperinflation of the 1990s and 2000s, the scars of which are still visible in the Congolese economy and society: the depreciation of the exchange rate and the rise in the general price level were so vertiginous that the collective memory retains the terrible expansion of the cemeteries during these years, as well as the almost generalized impoverishment. For what gain in real terms ?
- iii. the situation is even more serious when the State does not repay the credit for monetary financing. However, modern states have developed the habit of not repaying the credit for monetary financing of the public deficit on the grounds that they are the sole shareholders of the Central Banks. Given the harmful consequences of inflation on the economy and society caused by the non-repayment of money creation, the States, by mutual agreement, decided to stop using monetary financing of the public deficit and to pronounce themselves for the independence of the Central Banks. HITLER financed the Second World War by printing money (monetary financing of the public deficit that had not been repaid). The resulting hyperinflation precipitated the end of Hitler's regime.
- iv. Monetary seigniorage is positive when the growth of the money supply is greater than that of the general price level, mainly because the government is paying back its debt as it goes along. But when monetary financing is not followed by repayment, monetary growth exceeds inflation and leads to a situation of negative monetary seigniorage.
- v. It is quite worrying, surprising and hardly believable to support monetary financing of the deficit in a country where public revenue mobilization is one of the lowest in the world. The tax burden in the broad sense, measured by the ratio of revenues excluding grants to GDP, is 11% on average in the DRC, compared to an average of 23% for African countries south of the Sahara. Instead of insisting on reforming or even overhauling the tax system in order to mobilize revenue to regain lost ground, the focus is on monetary financing of the public deficit, which has been abandoned by almost all states.
- vi. Rather, it would be wise to encourage and support the efforts of those governments that have turned their backs on monetary financing of the public deficit and are resolutely engaged, as are other countries, in the search for ways to generate sufficient and sound resources for development financing. There is a division of labor in developing countries between monetary and fiscal policy: a focus on macroeconomic stability objectives for the former and a focus on growth and development objectives for the latter.

26.417

31.012

3. Final considerations

Many of these hardliners justify the use of monetary deficit financing by any means necessary by the following facts :

The US deficit is covered by monetary financing.

The government deficit must be distinguished from the external deficit. Instead, the United States finances its external deficit with the domestic currency, the U.S. dollar, as an international reserve and intervention currency. The U.S. government deficit is covered by funds that can be lent on the financial markets.

Since the financial crisis of 2008, the Federal Reserve has been buying up private securities on a regular basis. This is not to finance the US public deficit but rather as part of its open market monetary policy and unconventional quantitative easing interventions.

The best supply of liquidity to the economy is achieved through an increase in credit to the economy and not in claims on the state.

Finally, the recourse to monetary financing of the public deficit is a debate from another age, characterizing a major setback in the dynamics of the reforms to be undertaken today.

Fundamental reforms are crucial in the DRC, notably the reform of the banking and financial system through the development of the public and private securities market for the creation of financial markets, the overhaul of the tax and insurance regime, the revision of laws on trade, on the protection of private property, on investments, on competition and the control of monopolies, the revision of the land law...

The world is currently facing the threat of cost inflation as a result of the rise in energy and food prices following the war in Ukraine.

Do the unconditional supporters of monetary financing of the deficit realize that this would be adding fuel to the fire (adding to inflation by costs the monetary inflation already controlled by the Government since August 2020 to date in view of the remarkable stability of the exchange rate, one of the determining causes of which is the renunciation of recourse to monetary financing of the public deficit ?

With monetary inflation defeated, the government must now turn its attention to combating the two remaining types of inflation :

- Inflation through imported costs by reducing dependence on foreign products, in particular by promoting import substitution through the opening up of production basins, rationalization of energy production, etc. The DRC is capable of doing this with a minimum of organization.
- Structural inflation, by improving national connectivity, through the rehabilitation or construction of transport infrastructure to reduce load breaks and the multiplication of supply chains... The development program of 145 territories falls within this framework.

Therefore, it is not by proposing the return and recourse to monetary financing of the public deficit that the problems posed by cost and structural inflation will be solved.

This inappropriate and anachronistic debate on the monetary financing of the public deficit must be definitively closed, a debate that has no *raison d'être* in an environment such as that of the DRC with inconclusive historical references in terms of monetary financing of the public deficit. To return to it, on the one hand, to ignore the horrors and ravages of the hyperinflation of the 1990s and 2000s, for which the monetary financing of the public deficit is the cause. On the other hand, this mechanism is out of step with the general trends currently observed in the world in terms of financing public spending.

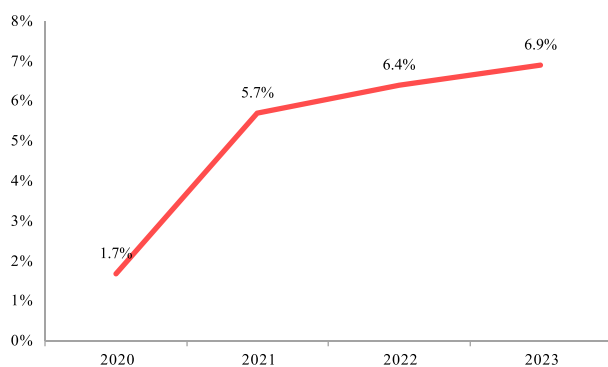


II.1.1. Economic Activity

In September 2021, the International Monetary Fund (IMF) indicated that economic growth in the Democratic Republic of Congo will be 5.7% in 2021, compared with 1.7% in 2020, driven mainly by the mining sector, whose main products are on the rise. This situation is explained by the recovery of global economic activity, after the slowdown observed in 2020, following the emergence of the Covid-19 pandemic.

Furthermore, it should be noted that all projections converge to confirm the recovery of the DRC's economy over the next three years. According to recent IMF projections, the growth rate for the year 2022 will be 6.4% and 6.9% for the year 2023, supported mainly by the mining sector.

Chart 9 » GROWTH RATE PROJECTIONS IN THE DRC



Source : IMF World Economic Outlook Database, April 2022.

As for the prices of the main mining products, of which the Democratic Republic of Congo is a major exporter, there was an upward trend in these prices from January to April 2022. Copper traded at USD 10,390 per ton in the second week of April 2022, 5.99% higher than in January 2022, after peaking at USD 10,729 per ton in early March 2022. Cobalt traded at USD 81,300 in the second week of April 2022, up 16.27% from the

beginning of 2022. As for gold, it traded at USD 1,941 per ounce in the second week of April 2022, a change of 7.42% from its value in January 2022.

On the other hand, on April 20, 2022, a meeting of the Economic Conditions Committee (CCE) was held, chaired by Prime Minister Sama Lukonde and attended by several members of the Government and the Central Bank of Congo. According to the minutes of the meeting, solutions to the negative effects of the Russo-Ukrainian crisis were discussed. Measures to contain and lower the prices of cereal products and other essential goods were announced. For example, the freezing of VAT on certain products (including cement, canned goods, etc.) in order to contain prices and influence them downwards.

This measure of freezing VAT on 38 basic necessities could support Congolese households and businesses that have already lost steam due to the Covid-19 health crisis and, subsequently, the negative effects of the Russian-Ukrainian war. To this end, to materialize this decision, the Congolese Minister of Finance, Nicolas Kazadi, issued a decree on April 15, 2022, suspending the collection of VAT on basic necessities. The duration of this measure is 6 months from the date of signature. According to article 3 of this decree, the duration of this suspension can be renewed according to the evolution of the situation.

However, it should be noted that the aforementioned order contains procedural flaws. Indeed, the VAT was established by a law passed in August 2010 in the National Assembly (Ordinance-Law No. 10/001 of August 20, 2010 on the institution of the Value Added Tax). To this end, the suspension of VAT should be done through a decree of the Prime Minister and not by an order of the Minister of Finance.

II.1.2 Price dynamics

During April 2022, prices generally moved upward in contrast to the two three months of 2022 when price dynamics were stable.

Weekly inflation was 0.18% in the last week of this month compared to 1.41% at the close of the previous month.

As for the year-on-year inflation rate, it stood at 7.22% during the same period, an increase of almost one percentage point compared to that recorded at the close of March 2022 when this rate was set at 6.52%.

The annualized inflation rate is expected to be 10.66% by the end of this year. This forecast is higher than that of the previous month, when annualized inflation stood at 9.56%, a positive variation of more than one percentage point. At the same time, this forecast is higher than that made at the end of 2021, when the rate was 5.28%.

The table below shows the evolution of inflation in April 2022.

Table 1 » INFLATION TRENDS (APRIL 2022)

| | Weekly inflation | Cumulative inflation | Year-on-year inflation | Annualized inflat |
|--------|------------------|----------------------|------------------------|-------------------|
| Week 1 | 0.44 | 2.76 | 6.90 | 10.65 |
| Week 2 | 0.20 | 2.97 | 6.99 | 10.67 |
| Week 3 | 0.21 | 3.18 | 7.11 | 10.71 |
| Week 4 | 0.18 | 3.37 | 7.22 | 10.66 |

Source : CCO, April 2022.

As in its previous monthly reports, Congo Challenge emphasizes that certain important developments may jeopardize the macroeconomic framework. These include (i) insecurity in the east of the country, (ii) political instability fueled by the various controversies within the Sacred Union, (iii) a likely political upheaval with the installation of a new government, (iv) expenses related to the organization of electoral polls in 2023, as well as (v) the upward trend in the price of fuel and other products imported by the DRC as a result of the continuing Russian invasion of Ukraine.

From an economic perspective, it is worth reiterating that the acceleration in prices could be amplified by the inability of the state to mobilize sufficient revenues to meet the state's needs, particularly with respect to the 2023 elections. If the state resorts to money creation or foreign exchange reserves to finance the upcoming elections, the consequences for the macroeconomic framework could be disastrous. In this regard, Congo Challenge is once again sounding the alarm on the need for relevant reforms in public revenue mobilization to finance the needs of the state and ensure macroeconomic stability.



II.1.3 Money market

During this month of April 2022, the monetary aggregates were characterized by relative stability compared to the previous month. The monetary base fell slightly by 1.6% and the money supply increased slightly by 0.01%. The decline in the monetary base is explained by the decrease in commercial banks' current account holdings at the Central Bank, and the increase in the money supply by the increase in currency in circulation.

On the counterpart side of the money supply, net credits to the government showed a negative balance in April 2022, a drop of more than 100% compared to its level in March 2022. This state of affairs reflects a significant decline in advances from the issuing institution to the Treasury account. Loans to the economy (claims on other depository institutions) rose from CDF 1,327,019 million to CDF 1,442,019 million between March and April 2022. This increase in lending to the economy is the result of a refinancing policy applied by the

BCC to enable commercial banks to finance various investment projects.

Tableau 2 » KEY INDICATORS OF THE MONETARY SECTOR (IN MILLIONS OF CDF)

| | March-22 | April22 | Change |
|---------------------------------|-------------------|-------------------|-----------------|
| Monetary base | 5 507 496 | 5 418 093 | -1.62% |
| Fiduciary circulation | 3 018 598 | 3 022 067 | 0.11% |
| Mandatory reserves | 2 496 553 | 2 496 817 | 0.01% |
| Money supply | 26 484 524 | 26 487 995 | 0.01% |
| Currency (M1) | 22 308 517 | 22 311 987 | 0.02% |
| Quasi-currency | 4 176 007 | 4 176 007 | 0.00% |
| Net credits to the State | 587 909 | -43 230 | -107.35% |
| Credits to the economy | 1 327 019 | 1 442 019 | 8.67% |

Note : Data for April 2022 is for the first two weeks only.
Source : CCO.

II.1.4 Exchange rate

Throughout April 2022, the time profile of the exchange rate remained stable, as it has since the beginning of the year, both on the interbank market and on the parallel market. However, compared to its level at the end of March 2022, the exchange rate experienced a very slight depreciation of 0.18 percent on the interbank market, where it fell from 2,000.78 CDF at the end of March to 2,004.40 CDF in the fourth week of April 2022.

On the other hand, on the parallel market, the exchange rate appreciated slightly between the end of March 2022 and the last week of April 2022, from 2,031 CDF to 2,029 CDF (a negative variation of 0.09%).

Tableau 3 » EXCHANGE RATE TRENDS

| | Closing march 2022 | avril 2022 | | | | Variation march – avril 2022 |
|----------------------|--------------------|------------|----------|----------|----------|------------------------------|
| | | Week 1 | Week 2 | Week 3 | Week 4 | |
| Marché interbancaire | 2 000.78 | 2 002.91 | 2 003.79 | 2 003.82 | 2 004.40 | 0.18% |
| Parallel market | 2 031.00 | 2 035.00 | 2 032.00 | 2 032.17 | 2 029.17 | -0.09% |

Note : The data for the last two weeks are obtained by projection.

Source : Department of Finance (CTR).



II.1.5 Public finance

CTR (Ministry of Finance) statistics show that in the fourth week of April 2022, the Treasury recorded a surplus of 1,266,195 million CDF. This surplus is the result of an expenditure level of 1,433,621 million CDF against revenue of 2,699,816 million CDF. The

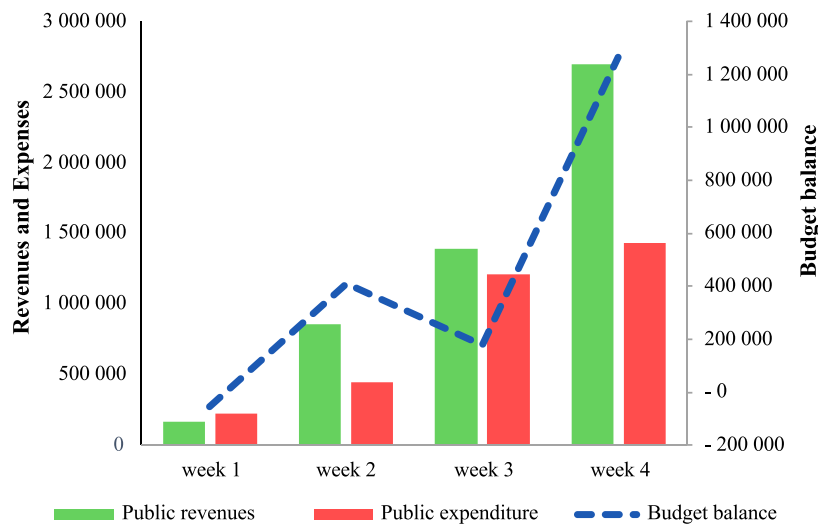
cumulative balance for the month of April shows a surplus of 511,606 million CDF. It should be noted that capital expenditure in April fell compared with last month. They fell from 619,921 million CDF to 123,322 million CDF. This indicates that the government



has not made sufficient efforts to increase capital investment. The Congolese authorities must always keep in mind the need to increase capital spending if they want strong and sustained growth.

At the end of April 2022, spending on salaries accounted for 37.8% of total spending. Since the payroll operation for civil servants begins near the end of the month, there may be changes in this data.

Chart 10 » PUBLIC SECTOR AGGREGATES (IN MILLIONS OF CDF)



Source : Department of Finance (CTR).

The Directorate General of Taxes (DGI) reported that it has achieved a historic performance of 3,023,319,980,688, 92FC, or nearly 1.5 billion U.S. dollars in revenue at the end of this month of April 2022. There is an increase of 44.8% compared to the fiscal year 2021, while the annual revenue projected in the 2022 budget is estimated at 6,881,487,873,447 CDF, or nearly 3.3 billion USD.

Regarding the feat of this month of April 2022, it should be noted that this performance is closely related to the tax deadline of April, including the tax on profits and profits (30%); all taxpayers pay the difference between the calculated tax and the estimated installments already paid during the previous year.

II.2. Political developments

The month of April was particularly marked by: (i) reactions after the dismissal of the Minister of Economy; (ii) the resignation of the Honorable Kabund as 1st Vice President of the National Assembly; (iii) the debate on the electoral law; (iv) the negotiation process in Nairobi between the government and the armed groups; (v) comments on the ruling of the Court of Cassation overturning the decision of the Kinshasa/Gombe Court of Appeal which had sentenced Vital Kamerhe; (vi) the first year of the Sama Lukonde government.



1. The reactions after the dismissal of the Minister of Economy.

The dismissal of the Minister of the Economy from the government following the no-confidence motion voted by a majority of deputies on Wednesday, March 30, was seen as a first in the political history of the DRC since 2006. As a reminder, Jean-Marie Kalumba Yuma, Minister of the National Economy, was accused of "incompetence", particularly following the increase in the price of basic necessities for more than a year, and the mismanagement of 20 million dollars disbursed by the central government for the purchase of chintzes. This unprecedented event has provoked comment among political actors.

In a statement signed by its spokesman Patrick Muyaya, the Government said it respected the democratic exercise that took place in the lower house of Parliament. He reassured that "all the usual administrative formalities were in progress", in order to facilitate the outcome of the procedure that had individually targeted one of the members of the Government. Moreover, the government of Sama Lukonde said it remained committed to parliamentary control in order to strengthen its action. It said it was prepared to continue its close collaboration with the two Houses of Parliament on this point, as on others, "until its programme is fully implemented", approved on 26 April 2021 by the National Assembly.

Several reactions were recorded, the most important of which are those noted among the political actors of both the Sacred Union and the opposition.

Indeed, Eliezer Tambwe, one of the deputies who initiated this motion of no confidence against Jean-Marie Kalumba, maintained that: "The dismissal of the Minister of Economy is the victory of the Congolese people. The practices of the Sacred Union are not the same as those of the FCC where there are instructions from the moral authority, the Minister of Economy could not convince people.

Marie-Ange Mushobekwa, a national elected representative of the opposition (FCC), said that "now

that the bureau of the National Assembly is letting the deputies exercise parliamentary control freely, the first results are there tonight: the Minister of Economy has just been stripped of his duties," she tweeted.

For her part, Henriette Wamu said she was satisfied, for once, with the democratic game. The elected representatives of the people have met the expectations of the population.

As for Steve Mbikayi, leader of the Labour Party (PT), the fault lies with the moral authority of the AFDC, which takes responsibility for the dismissal of the Minister of the Economy in the National Assembly. Without going into detail, Steve Mbikayi said that Jean-Marie Kalumba is "partly a victim of the antagonistic behavior" of the Senate President. According to him, the setback suffered by the AFDC is a prelude to the fall of Bahati Lukwebo. "The Minister Kalumba, crushed today by the national deputies is partly a victim of the antagonistic behavior of his moral authority, national rogue, in conflict with the majority of the political class and deputies. This is a prelude to his own downfall that is on the horizon," he warned.

In the wake, the initiator of the Patriotic Front 2023 points out to Bahati who has always boasted of his political weight that "no member of parliament among the 41 claimed loudly, has defended the minister during the debate" despite his call. For Steve Mbikayi, this is a "proof of his unpopularity in the Sacred Union and that the figures put forward to get the lion's share of the vote are false.

For his part, Jerry Lubala, national president of the Nkita political party, denounced the amateurism, clientelism and theatrics of the institutions of the Republic shown by the National Assembly following the dismissal of the Minister of the Economy. Indeed, in a statement to the press on March 31, Mr. Lubala recalled that "any action taken by a minister is approved in the council of ministers. This shows that it is the President of the Republic and the Prime Minister who are at the head of this incongruous and unhealthy show. For him, "The evil is deep. It is not a matter of removing a man, a minister, but a whole government.



For the actions that characterize them, prove enough their scheme to lead the country into an indescribable chaos. Unfortunately, "while these elephants [authorities] are fighting to [hijack and attempt to slip into the 2023 elections], it is the grass [the population] who are paying the piper" he denounced.

As the only way to empower the state authorities, the Nkita chairman calls on the population to "closely scrutinize the actions of the faltering Sama Lukonde government. If they are not able, as they have not been since the beginning, to satisfy your needs, let them at least organize the elections within the deadline. Already vomited by the population, Jerry Lubala demands that Prime Minister Sama Lukonde "not look for scapegoats and resign for the good of the Congolese," he concluded.

Senator Francine Muyumba Nkanga called on the government to get down to basics, referring to the preparation of the 2023 elections, after the dismissal on Wednesday of the Minister of National Economy in the National Assembly. For this executive of the FCC, the current regime which works under the vision of the sacred union of the nation (USN) seeks to blind the people, by creating scapegoats to justify its failure. Ms. Francine Muyumba stressed that the dismissal of the Minister of Economy Jean-Marie Kalumba, is part of a well calculated plan in the run-up to the 2023 elections. According to her, the grievances of the deposed Minister of Economy have been discussed and adopted in the Council of Ministers. So, his failure must be shared by the entire government. In addition, this member of the PPRD also blames the elected representatives of the sacred union of the nation, the refusal to sanction the Minister of Posts, Telecommunications and New Technologies of Information and Communication (PTNTIC), Augustin Kibassa Maliba, for the irregular tax RAM (Register of Mobile Devices). "To blind the people, the Minister of Economy is dismissed. It is not a minister because the one of RAM is still in office, the evil is deeper, do not create scapegoats to justify the chaos of the Sacred Union of the Nation. Let's go to the essential, let's prepare the elections. The Minister of National Economy is not the Head of Government, nor

the Head of State. The grievances he is accused of, for the most part, are passed on to the Council of Ministers and approved. It is necessary to understand the game they want to bring us to on the eve of the elections, everything is well calculated," she added.

For Serge Kadima, a member of the People's Party for Reconstruction and Democracy (PPRD), the sanction imposed on the Minister of the National Economy is proof of the failure of the government as a whole: "the dismissal of the Minister of the Economy shows the failure of the "Warriors" and the vision of the Sacred Union. A failure noted, according to him, even within the Sacred Union for the Nation expressed by the absolute votes of the deputies of this same platform created to support the government. For him, it is the withdrawal of confidence in this government. "How to understand that the majority with several tools to force the resignation of one of its ministers when it considers necessary has decided to go through a parliamentary sanction? It is clear that this inelegance assumed consists, de facto, in a pure and simple withdrawal of confidence in the entire Sama Government," he said. He continued his remarks by recalling that one of the files at the root of the eviction of the Minister of Economy, namely that relating to the purchase of horse mackerel in Namibia, was carried and defended by the entire government of the Sacred Union for the Nation. Therefore, the failure of this initiative is to be blamed on the whole government. "The initiative was indeed carried by the entire government Sama and it was even the subject of firm promises by the President of the Republic. Therefore, in the success as in the failure, it is struck by the principle of government solidarity," he said. He continued: "Especially since it is an action validated in the Council of Ministers and has been the subject of several meetings in the government's Ecofin Committee and even in the Economic Committee headed by the Prime Minister himself ... there is no doubt that under these conditions, the Prime Minister has largely engaged his prerogative of coordination of government action and is therefore exposed.

In a statement released on April 2, the Congolese Association for Access to Justice (Acaj) noted the dismissal of the Minister of National Economy and



called for legal proceedings to be initiated against him. The Association welcomed the exercise of parliamentary control, which it considers a strong signal to members of the government compromised in acts of corruption and misappropriation. It believes that the competent judicial authorities must now take up the case once the political authorities have pronounced the sanction. "Given that the sanction imposed on the Minister of National Economy by the National Assembly is of a political nature, it is essential to investigate without delay the grievances against him in order to take the appropriate legal action. In addition, the ACAJ believes that national deputies must extend their sphere of parliamentary control to all ministers whose calamitous management has recently been pinpointed, particularly by the General Inspectorate of Finance. The realization of this approach would augur a turbulent future for the members of the Sama Lukonde government, who are not without reproach in public opinion. For some, this would precipitate the end of a team whose installation had raised many hopes for the improvement of living conditions.

The generalization of parliamentary control to all ministers would strengthen the credibility of the National Assembly in the eyes of both national and international opinion. "This would avoid giving the impression that the National Assembly's assessment would be discriminatory in that its sanctions would be swifter with regard to certain ministers and soft for others who have been in the hot seat for several months because of unorthodox management of public resources.

On the other hand, in a reaction diametrically opposed to the position of the majority of political actors, a fringe of deputies has given their support to the deposed minister, in that they have criticized the irregularities that have plagued the process that led to this disqualification.

Indeed, after the dismissal of the Minister of Economy, Jean Marie Kalumba, some members of his political party continue to assert that he will not leave his

post, given "certain irregularities in the approach of parliamentarians.

In this group, the deputy Papy Nyango, argued that the motion of no confidence against the minister was tainted by a forgery. According to him, there will be no resignation of the minister until the court of cassation, already seized by the minister, has pronounced its verdict. The deputies, authors of the motion of disqualification, for their part, evoked article 147 paragraph 2 of the Constitution.

According to Deputy Crispin Mbindule, based on this provision of the law, "the minister is not required to submit his resignation because he is already deemed to have resigned. He added that "only the Prime Minister is called upon to resign if his government falls", according to the first paragraph of the same article.

2. The resignation of the 1st Vice-President of the National Assembly

After his dismissal from the Union for Democracy and Social Progress (UDPS) following the disputes and contradictions that occurred in January 2022, Jean-Marc Kabund, who has held the post of first vice president of the National Assembly since the fall of the office Mabunda in late 2020, eventually submitted his resignation to the office of the lower house of parliament, thus giving up his duties, for reasons of political conviction.

In the race for his succession, intense activity was observed at the beginning of April insofar as the choice fell within the discretionary power of President Félix-Antoine Tshilombo Tshisekedi, the moral authority of the UDPS, which saw a "war" of management of ambitions emerge. The resignation of Jean-Marc Kabund opened the door to a kind of speculation fair. Many tongues were wagging about a competent elected representative of the people.

Also, taking into account the political stakes of the moment in view of the next elections, the national deputies of the Union Sacrée parliamentary majority

had asked the UDPS to select a competent candidate, whose task should not be easy. In addition, relying on Article 35 of the internal rules of the National Assembly, which stipulates that "the first vice-president is responsible for legislative matters, relations with the parliamentary groups and external relations, these deputies demanded that the criterion of loyalty to the President of the Republic and the presidential party be taken into account. Because he replaces the president in case of absence or impediment. According to them, the lower house of parliament needs for this election a rare bird legally, politically and diplomatically "strong. Also, they drew the attention of the UDPS to ensure the selection of a suitable human capital, rejecting the mediocre who can be an obstacle for the vision advocated by the head of state, and insisting on the fact that the legal criterion is an asset no less negligible that, laid on the foundation of work ethics in compliance with the rules of good governance (Transparency, Accountability, Justice, Human Rights, International Standards, Stakeholders' Interests), would produce expected, if not acceptable, results.

To fill this vacancy, Professor André Mbata was elected first vice-president of the National Assembly, after a vote that gave him 402 votes against 19, 12 deputies abstained and 4 invalid ballots during the plenary held on Wednesday, April 27. Before his election to the office of the National Assembly, Professor Mbata was chairman of the Political, Administrative and Legal Committee (PAJ) of the legislative chamber.

3. The negotiation process in Nairobi between the government and the armed groups

Since late March, the M23 has been active again in North Kivu. Officially defeated in late 2013, the rebel group has taken up arms in recent weeks and captured a dozen villages and hamlets in eastern DRC. In March, a UN helicopter was shot down in fighting, killing eight peacekeepers. The Congolese army and the M23 blame each other. It is worth recalling that during their last quadripartite meeting at State House in Nairobi, Presidents Uhuru Kenyatta, Yoweri Kaguta Museveni, Paul Kagame and Félix-Antoine Tshisekedi Tshilombo made a commitment to meet again within two weeks

their discussions on the thorny issue of insecurity in the region, particularly in the provinces bordering the eastern DRC.

Clearly, in view of the need to stabilize the region within the framework of community objectives, the Democratic Republic of Congo intends to play a full role. All eyes were on State House in Nairobi, where the final communiqué of the mini-summit was expected to come out on Thursday, April 21, with strong decisions and resolutions. In addition to the five EAC Heads of State, other strategic partners of the DRC, including the USA and France, are involved in this process. The decision was already taken at the quadripartite summit in April 2022, but it should be formalized at the end of the mini-summit of five presidents in Nairobi, which will bring together Presidents Uhuru Kenyatta (Kenya), Félix Tshisekedi (DRC), Yoweri Museveni (Uganda), Paul Kagame (Rwanda) and Evariste Ndayishimiye (Burundi) around a table on Thursday 21. Tina Salama, the deputy spokesperson of the Head of State announced on Twitter that with the involvement of partners, crucial options are expected to stabilize the region. Which she did not say. Ouragan.cd has learned from sources that it is back to square one. The idea of creating a regional force had been issued since 2019.

The famous creation of an integrated staff had caused a general outcry within Congolese opinion before being put on ice. But today it is back on the table and now benefits from Kenyan facilitation. Kenyatta appears to be Tshisekedi's reliable ally, supporting him from the electoral campaign until today. Burundi has been involved in this new dynamic. However, it was not present at the quadripartite summit. The leaders of the region want a global solution. The rebels of the Resistance for the Rule of Law in Burundi (RED-Tabara) are reported in the highlands of South Kivu. In the analysis of the Kenyan facilitator, he had to be involved to solve the problem once and for all.

In short, the Congolese, Rwandan, Ugandan and Burundian armies are going to clean up all the armed groups in the eastern DRC with a kärcher. The heads of state believe that this spiral, which has repercussions on



the development of the region, must be stopped. More seriously, they say, these armed groups are causing bereavement among peaceful Congolese families.

Why this regional force ?

The rebels operating in eastern DRC are both national and foreign. The breach found in the establishment of this force is to allow these three neighboring countries of the DRC whose rebels operate in the East and also threaten their stability, to intervene in the Congo but within a framework of pooling forces. Thus, Rwanda will participate to neutralize the FDLR, Uganda the ADF and Burundi the RED-Tabara rebels. On paper, the option seems better, but in terms of feasibility in case of stalemate, the answers are not yet provided. For how long will these foreign forces be on Congolese soil? asks a Western diplomat with reservations about the idea.

“Is a regional force a solution?”, asks a key civil society actor based in eastern Congo. According to experts interviewed by Ouragan.cd, the idea is not so bad, but there are still doubts about certain aspects. In this coalition, there are countries that are accused of maintaining insecurity in eastern DRC. So how can the same countries that are charged in the Mapping Report be transformed into a peacekeeping force today? Moreover, they are at odds with Monusco.

Rwanda, for example, always points to Monusco for not having produced any results for more than a decade already with enormous financial means. In this case, how will the new force, which should in principle build bridges with Monusco, completely bypass the blue helmets on the ground? Another question is whether the M23, which boasts of holding positions in Rutshuru, will be considered a movement to be eradicated, even though it enjoys the support of some countries in the region. The issue is becoming more complex. It is up to the heads of state to examine the situation in all its details before formalizing this force.

On the NGO side, Acaj warned President Félix Tshisekedi at the Nairobi summit not to accept any idea of integrating the M23 into the ranks of the Congolese army. In order to comply with the Constitution,

this proposal to open our borders to foreign armies must pass through Parliament to obtain approval. Otherwise, there is a fear of all kinds of findings.

For Martin Fayulu, Félix Tshisekedi's main opponent, there is no reason to hold any kind of dialogue with the armed groups. The leader of Lamuka says no to any dialogue between Kinshasa and the armed groups that threaten the security of the DRC from the eastern part. He accuses Tshisekedi of delivering the country into the hands of instrumentalized armed groups. "It is inadmissible that Mr. Felix Tshisekedi is allowed to deliver the country into the hands of instrumentalized armed groups. The notorious incompetence of those who have usurped the power of the people is weighing heavily on the future of our country," he wrote on his Twitter account.

In the same vein, national deputy Juvénal Munubo said that "I don't really encourage direct meetings between leaders of the region and armed groups, which are very similar to negotiations. That would be a replay of the old methods of the past that did not lead to peace. The solution is military pressure and DDR. But for the "Standing Parliament" of the UDPS/Bandal, called "Red Bic", "Felix Tshisekedi is a fine strategist. In the same way that he destroyed the FCC, he will reduce the M23 to nothing. He is pretending to fold in order to bounce back later. For the Union for Democracy and Social Progress, the President of the Republic is right to talk with these rebels, but stresses that this is not a matter of negotiations.

"For President Félix Tshisekedi, it is therefore clear that this hand extended to his compatriots engaged in an armed struggle against their country is not a round table of negotiations or compromises," notes the presidential dispatch. This process should be in line with the DDR-CS program, which defines the limits of what is tolerable.

In addition, the Congolese Head of State left a working group of experts in charge of conducting these consultations under the leadership of President Uhuru Kenyatta. To ensure the implementation of all decisions, a technical secretariat was set up, co-chaired



by the Special Envoy Serge Tshibangu, the Special Envoy of President Uhuru Kenyatta and delegates from each member country of the East African Community. The same ultimatum was also issued to foreign armed groups, who must surrender to their respective states or face the firepower of the regional military force. In addition, before flying to Kinshasa, President Felix Tshisekedi had a second tête-à-tête with his Kenyan counterpart Uhuru Kenyatta at State House during which he presented the condolences of the Congolese people following the death, this Friday, of the former president of the republic of Kenya Muai Kibaki.

For him, it is clear that this outstretched hand to his compatriots engaged in an armed struggle against their own country is not a round table of negotiations, nor of compromises, and that this process should be in line with the DDR-CS Program. To ensure the implementation of all decisions, a technical secretariat was set up, co-chaired by the Special Envoy, Serge Tshibangu, the Special Envoy of President Uhuru Kenyatta and delegates from each EAC member country.

However, the government side, which is conducting consultations under the leadership of Kenyan President Uhuru Kenyatta with the armed groups, has demanded and obtained the expulsion of the M23 delegation, because this armed group has resumed hostilities. This is what the presidency of the republic said on its twitter account on Saturday, April 23. "In the midst of consultations, the participants were surprised by the resumption of hostilities by the M23/Makenga. The government side has therefore demanded and obtained the expulsion of the said armed group and the continuation of consultations with the other groups," the presidency said.

In an interview with Media Congo Presse on Saturday, April 23, 2022, Jonas Tshiombela, coordinator of the New Congolese Civil Society (NSCC), spoke about the talks between the government and the armed groups in the eastern part of the country. He said that the only outcome of these talks should be the social integration of these armed groups and not their mixing into the

army. "The NSCC encourages any dialogue that can lead to a cessation of hostilities. At the end of this dialogue, there will never be any question of integrating the terrorists into the army. There will be no question of brassage and the like. The only way out for them is to lay down their arms and integrate into society. To do otherwise would be treason," he said.

Burundian rebels refuse the demands of the Nairobi mini-summit. At the mini-summit on security in the eastern Democratic Republic of Congo on Thursday, April 21, in Nairobi, the heads of state of Burundi, Kenya, Uganda, the DRC and Rwanda decided to support Kinshasa in its fight against the armed groups operating there. The Burundian president called on the Burundian armed groups, whom he had described as "criminals," to lay down their arms and return home. This message did not go down well with Burundi's main rebel group, the RED-Tabara. The group Resistance for a State of Law (RED) - Tabara denounced, in a press release dated April 24, "insulting language" and "contemptuous remarks" towards "the thousands of Burundians who have fled the terror of the CNDD-FDD party" of President Evariste Ndayishimiye. This was before he and his peers in the Community of East African States were told not to respond. The group says it "will only lay down its arms when the right to free and credible elections (...) is fully restored" in Burundi, according to its spokesman Patrick Nahimana.

For Serge Tshibangu, "the Congolese government is not negotiating with the armed groups, but encouraging them to stop fighting. The clarification was given by Serge Tshibangu, special representative of the President of the Republic and head of the delegation of the Presidency of the Republic at these talks. "The idea is that as the process continues, all the other armed groups will surely be consulted. Let's say that we are not talking about negotiations. However, according to the will of President Felix Tshisekedi, we are talking about talking to them and listening to them. And talk to pass the clear message: that it is time to lay down arms, that it is time to surrender unconditionally," said Serge Tshibangu. Meanwhile, consultations between local armed groups in the



DRC and the Congolese government, represented by experts from the Congolese presidency, continued on Monday, April 25, in Nairobi, Kenya, according to the President's special representative. Serge Tshibangu said that until Monday, April 25, Makenga's M23 is still excluded from these consultations for having resumed fighting on the ground. "The meetings are continuing, after having timidly started on the first day, that is Saturday. We had seven armed groups who are mainly from South Kivu who arrived on Sunday and we expect to have a representation of armed groups from North Kivu as well as Ituri," he said. On the number of participants, Tshibangu said: "You must first know that this is a process that has started and has stages. For the moment, we have the few groups that are unfortunately the most violent that are organized.

Freddy Mulumba warned of the Rwandans settling in eastern DRC after the M23 incursion and called on the Congolese to defeat the balkanization plan. The Congolese army recently claimed to have arrested two Rwandan soldiers amid renewed fighting against the M23. These are Warrant Officer Jean-Pierre Habyarimana and Private John Uwajenzeza Muhindi. What is behind the resurgence of the March 23 Movement (M23)?

Political scientist Freddy Mulumba Kabuayi has done a careful analysis and is surprised that for several months, this rebel group-which was defeated by the Congolese army in 2013-has been experiencing a worrying resurgence of activity in North Kivu, fuelling suspicions of foreign support. Several attacks have been recorded since last November, but tensions increased on March 27, with an increase in clashes between the movement and the Congolese army in the localities of Chanzu and Runyoni, in Rutshuru territory. In a video posted on social networks, this media professional directly accused the Rwanda Defense Forces (RDF) of supporting the M23. According to him, this rebellion movement belongs to the Rwandan military on the orders of Paul Kagame for the staging of the plan to balkanize the Congo.

"In reality, it is not the M23 rebels but rather Rwandan troops. Mr. Paul Kagame is playing with time because every time the Congolese are attacked, Hutu populations from Rwanda are being installed. This war of attrition will one day lead to what is called the balkanization of the Congo, so don't be naive. This war must challenge us to put order in the East. There was a meeting in Oyo where Mr. Kagame was absent. There was an ICGLR meeting in Kinshasa where Mr. Kagame was conspicuous by his absence and delegated his Minister of Foreign Affairs at the last minute. Curiously, President Tshisekedi was invited to Aman, they were together with other presidents including Kagame and they talked about the fight against terrorism. But what is strange is that two days after this meeting, the M23 reappeared in the east of the country and attacked our population. And during the operations, the FARDC captured two Rwandan soldiers," he said.

He continued: "It is easier to understand that Mr. Paul Kagame is in a pattern of war of attrition to wrest a piece of land from us. He cannot do otherwise. This is how our army must be cleaned, organized and equipped. Only after we have put our FARDC in order in the East can we start talks with Kagame. Without this, he cannot give up and accept any negotiation because this war benefits him and depends on the stability of his country. It is up to the Congolese to take their destiny into their own hands, we can have friends who can help them, we can listen to them and it is up to them to decide. What are the interests of the Congo and how to defend them?

It is worth recalling that Paul Kagame, the Rwandan president, has categorically denied any support for the M23 rebels in the Democratic Republic of Congo. Accused by Kinshasa, the UN and the European Union, the head of state denied everything in an exclusive interview with BBC last weekend.



4. The Court of Cassation overturns the decision of the Court of Appeal of Kinshasa/Gombe which had sentenced Vital Kamerhe

The case of Vital Kamerhe will be retried in court. His 13-year prison sentence was overturned by the Court of Cassation on Monday, April 11, 2022. Billy Kambale, secretary general of the Union for the Congolese Nation (UNC) pays tribute to the president of the republic Félix-Antoine Tshisekedi for the rule of law. "The ruling of the Court of Cassation today completely overturns the judgment of the Court of Appeal. Let us thank the judges of the High Court, the Congolese people and the lawyers. Tribute to President Félix-Antoine Tshisekedi for the rule of law. Together for a Congo recovered," he tweeted. The former chief of staff of the president of the Republic, Vital Kamerhe was absent from the hearing. He is in France for medical treatment. According to some sources, he demanded to return to Kinshasa as a free man. Some already see him as Prime Minister.

The decision of the Court of Cassation to overturn the decision of the Kinshasa/Gombe Court of Appeal, which had sentenced Vital Kamerhe to 13 years in prison, continues to provoke reactions. His political party, the Union for Congolese Nation (UNC), welcomed the "clear progress" in the effectiveness of the rule of law in the DRC. In a statement released on Monday, April 11, 2022, just hours after this decision of the Court of Cassation, the secretary general of the UNC Billy Kambale, however, invites the members and supporters of his party to refrain from any attitude of triumphalism. According to him, there is no winner or loser at this stage. The party of Vital Kamerhe says it is grateful for the work done by the judges of the Court of Cassation and the lawyers of its president.

"The UNC gives thanks to God Almighty, master of time and circumstances, for having answered its many prayers by making justice triumph. The UNC thanks the judges of the Court of Cassation for having spoken the law by rehabilitating its national president before

the law, which he respects, and before his people, whose servant he remains. It notes that the same justice that condemned its national president is the same one that validated his appeal today.

In the process, Vital Kamerhe's party paid tribute to the President of the Republic for his "high sense of state duty. For this political party, the President of the Republic has remained throughout the procedure "above the fray", guaranteeing the independence of justice.

The Secretary General of the UNC was not indifferent to the support that Vital Kamerhe continues to receive from the Congolese people and the servants of God. For him, his party remains committed to the struggle for the emergence of "a true" rule of law, and "will spare no effort" to participate in any action aimed at restoring total peace in the east of the country, and improving the living conditions of the people.

Noting multiple irregularities, the Court referred the case to the Court of Appeal of Kinshasa/Gombe, which will have to rule again, but this time with another composition.

For Prince Epenge of Lamuka, the annulment of the conviction of Vital Kamerhe pronounced by the Court of Appeal constitutes the promotion of corruption, argued Tuesday, April 12, Prince Epenge, one of the communicators of the opposition platform LAMUKA. In a statement made to Radio Okapi, he said that the decision of the Court of Cassation is "political".

Indeed, Vital Kamerhe, former chief of staff of the Head of State, will be tried again before the judges of the Court of Appeal of Kinshasa-Gombe. In its ruling handed down on Monday, April 11, the Court of Cassation decided to overturn the ruling of the Kinshasa Court of Appeal that sentenced the UNC president to 13 years of hard labor, citing procedural defects. A decision that Prince Epenge condemns. He believes that justice has not correctly said the law,



assuming that the decision of the Court of Cassation is a first step towards the final acquittal of Vital Kamerhe. "We say that this is the theater of the sacred union. In the Congo, provisional freedom is synonymous with final freedom. If they say that the conviction of Vital Kamerhe has been overturned, it implies that it is final," said Prince Epenge of LAMUKA.

He recalled that the material organization of this trial cost the Republic more than 400,000 USD, and in the end, "all those who had been convicted were released. "The President of the Republic had promised the population a state of law. But what we have seen here is a state of lawlessness," Prince Epenge laments. Vital Kamerhe was sentenced in the first degree to

20 years in prison. His sentence was reduced to 13 years at the appeal court. The president of the Union for the Congolese Nation (UNC) is being prosecuted as the intellectual author of the embezzlement of nearly US\$57 million, in complicity with Jammal Samih, a Lebanese subject. Jammal is accused of not having carried out or finalized the project of acquiring prefabricated houses intended for the housing of soldiers and their dependents at Camp Tshatshi. "These 57 million USD could have helped in the construction of roads and hospitals in Mbandaka, and even in the creation of jobs. Let this money go back into the state coffers," suggests Prince Epenge.

3. Political and economic perspectives

On the political level

Political analysts believe that the Nairobi summit, which brought together the EAC heads of state, could only half achieve its objective of bringing peace to the eastern region of the Democratic Republic of Congo. For the Head of State of the Democratic Republic of Congo, it is time for the compatriots of the East to breathe the smell of peace, hence the signing of an agreement with the various rebel groups. The objective has been half-achieved, given that Rwanda, which serves as a rear bastion for the rebel groups that carry out exactions in the East, such as M23, has not shown a favorable attitude toward committing itself to this peace process. Aware of this attitude, the Congolese side does not cease to denounce the hypocrisy of its neighbor in the search for peace in this region.

However, it is important to remember that the debate on the revision of the electoral law and the innovations added to it are causing controversy in national opinion. Some people are calling for a consensus to move towards peaceful elections in 2023 and for each political camp to participate in the debate on this revision. The Catholic and Protestant churches have made a plea to certain influential political leaders to reach a consensus on these electoral reforms.

All political analysts agree that the revision of the electoral law is the crucial step that requires the contribution and commitment of all parties if the Democratic Republic of Congo, through the CENI, intends to organize good and uncontested elections in a climate of serenity.

On the economic level

In April 2022, the global economy experienced a rise in inflation as a result of rising energy prices. Despite the economic sanctions imposed on Russia by the United States, Canada and the European Union bloc, Russian military hostilities on Ukrainian soil have only intensified. These sanctions, while having weakened the Russian economy, have had a negative impact on the European and global economy via the stock market, the currency market, the energy market, etc. Also, in response to the significant depreciation of the ruble as a result of the range of economic sanctions to which Russia is subject, the Russian government has required importers of its gas to purchase energy in rubles. A decision that has added to global inflation. All else being equal, this situation could further disrupt the global economy as well as the economies of African countries, most of which are extroverted and vulnerable to external shocks.

Internally, as in previous months, the DRC's economic outlook remains worrisome in light of rising domestic prices, primarily for food and gasoline. All of these factors could negatively influence the trajectory of the national economy, especially with the upcoming elections, which require significant financial resources.

There are also other factors that are likely to disrupt economic activity, including (i) corruption and the systematic misappropriation of funds during the execution of various projects initiated by the government; (ii) the perpetuation of differences within the Union Sacrée; and (iii) insecurity and the multiple military confrontations in the east of the country.



To this end, it is essential to implement relevant and courageous reforms to reverse this trend and support the stabilization of the macroeconomic framework. It is therefore necessary for the government to rethink the governance of public finances in order to provide the government with the necessary means to implement its policy.

It is with this in mind that Congo Challenge once again calls on the government to combine its efforts to implement the structural reforms that are essential

for the country's development. This will necessarily involve cleaning up public finances, whose governance is currently very weak and deficient. Thus, the control mechanisms should be strengthened and operationalized in order to allow the achievement of development objectives during the execution of the various projects.

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**EVOLUTION OF THE ECONOMIC
AND POLITICAL SITUATION IN THE
DEMOCRATIC REPUBLIC OF CONGO**

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