

CONGO CHALLENGE  
THE MONTHLY

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

Issue 76 | August 2023

*A precarious socio-economic situation, political tensions in the run-up to the elections, persistent insecurity in the east of the country: what is the outlook for the DRC?*

Kinshasa, DRC



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**THE MONTHLY BULLETIN**

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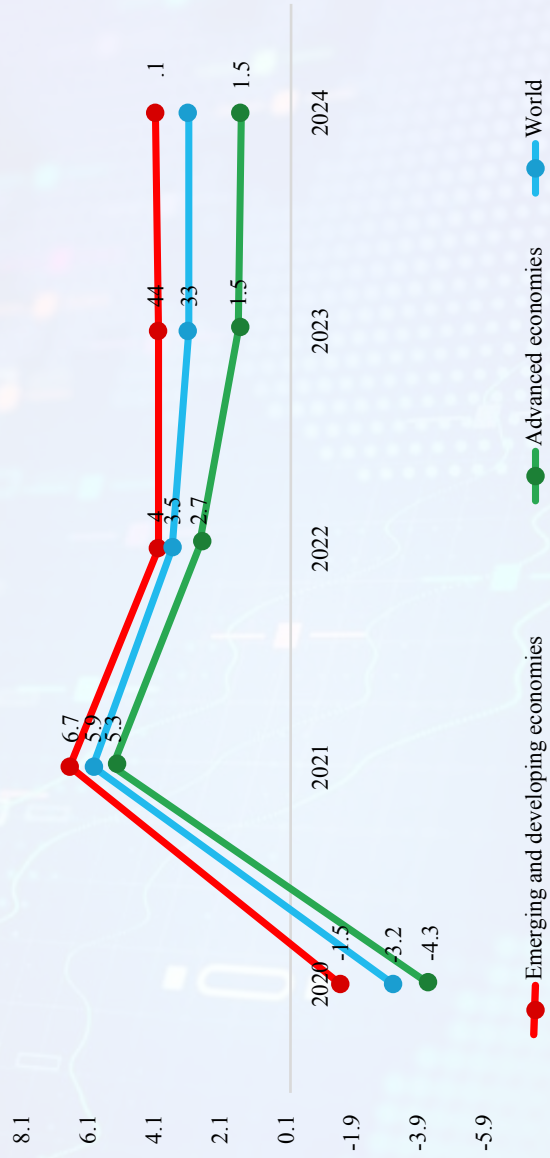
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This monthly bulletin was translated by Congo Challenge staff. The original version is in French. Thus, the translated version may contain some shortcomings without altering the content of the original one.

Kinshasa, DRC

### WORLD ECONOMIC GROWTH PROJECTIONS



# Summary

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Matata Ponyo Mapon

## What I think

### Is Sankarism back in Burkina Faso?

**What I think** is that Thomas Sankara was a leader who left his mark on Africa and the world. He was much appreciated by Africans, particularly young people. Born on 21 December 1949 in Yako (in the north of the country), he became President of the Republic on 4 August 1983. He changed the name of the country (formerly Upper Volta) to Burkina Faso, which means "the country or homeland of men of integrity". When he came to power at the age of 34, he had a vision for his country : to extricate it from underdevelopment. He had specific objectives to achieve this. In the agricultural sector, for example, he was aiming for food self-sufficiency. To this end, he embarked on a vigorous agrarian reform that rapidly produced results. One of the key measures he took was to ban the import of fruit and vegetables. At the same time, he encouraged farmers to produce them locally. In 1986, three years after he took power, Burkina Faso became food self-sufficient. An exceptional achievement. In addition, he implemented a plan to combat illiteracy, raising the school enrolment rate from 6% to 24% in four years. Extraordinary! Politically, Sankara was a revolutionary Marxist close to Soviet power. He was a pan-Africanist and a Third Worldist. He was detached from material possessions and lived close to the people, driving a small Renault 5, known as the R5, and living in a working-class neighbourhood. He said that power belonged to the people, who should benefit from it. He declared himself to be anti-imperialist and criticised neo-colonialism. On 4 October 1984, addressing the General Assembly of the United Nations, he recommended in particular the legitimate revolt of Third World countries exploited by imperialism, which he saw as a structurally unjust and cyclically unbalanced system. In particular, he had stormy relations with France, the former colonial power. Sankara saw France as the main obstacle to Africa's development. He boycotted

France-Africa summits to demonstrate his hostility to the France led at the time by President François Mitterrand. Receiving Mitterrand in Ouagadougou, he did not hesitate to condemn France, in his presence, for its interference and to castigate capitalism. The French president was quick to respond on the spot: "President Sankara is a rather disturbing president". Sankara was also an early ecologist. To counter the advancing desert and recurring droughts, he asked every family to plant trees in their plot and to grow a vegetable garden. He also encouraged the planting of wooded strips crossing the country from east to west. Finally, he was a feminist. He was committed to promoting women's rights. For example, he put an end to the dowry, forced marriages, banned excision, and tried to oppose prostitution and polygamy. In 1983, he appointed three women to his government.

**What I think** is that, overall, the Sankarist revolution was a success. It led to an improvement in the living conditions of the people of Burkina Faso. This significantly increased Sankara's popularity both inside and outside the country. His anti-imperialist and anti-colonialist stance, on the one hand, and his appeals to Africans to free themselves from Western political and economic dependence and to unionise against the payment of foreign debt, on the other, had made him famous among Africans. As a result, several African presidents avoided inviting him to their respective countries. When Sankara travelled to Africa, he sometimes received more applause than the president of the host country. However, Sankara's rigour and integrity did not please everyone. Over the years, his political action had ended up creating frustration and discontent, particularly within the small team of revolutionary companions in power. They decided to eliminate him. And they assassinated him on 15 October



1987. Captain Blaise Compaoré, Sankara's best friend since childhood, had been cited as the main instigator of the putsch. It was Compaoré who succeeded Sankara as President of the Republic. France was also suspected of having supported the operation. Since then, Sankara has entered the pantheon of African heroes alongside such famous men as Mandela and Lumumba.

**What I think** is that Thomas Sankara is still alive in the minds of the majority of Africans. During his four-year reign, he made Africans dream of freeing themselves from Western dependence and getting back on the road to development. Since then, when an African president speaks of anti-imperialism or anti-colonialism in strong terms, it is the image of Sankara that comes to the fore in the minds of the last two generations of Africans. This is also true of President Ibrahim Traoré, who came to power at the age of 34, just like Sankara, and in the same country of men of integrity! Born on 14 March 1988 in Kera (Bondokuy commune), he has a degree in geology from the public university of Ouagadougou. He is a former leader of the Burkina students' association (ANEB). Burkinabés now call him "IB", the man in a hurry. He is a sovereignist who always wears military fatigues with a red beret, as Sankara liked to do. Appointed President of Burkina Faso on 6 October 2022 following a coup d'état against another military officer, he is a virulent anti-imperialist and anti-colonialist like Sankara. He is also an Africanist who advocates the liberation of the continent as a whole, as was also the wish of the fiery Burkinabe revolutionary who was assassinated. Like Sankara, he does not spare France either. In fact, he called for all the agreements signed with France to be re-examined. The whole world discovered Traoré in particular at the last Russia-Africa summit, which took

place on 28 July 2023 in St Petersburg, Russia. In his forceful speech in the presence of his African peers, this guest of honour of President Putin severely criticised Western neo-colonialism, which is said to be the main cause of poverty on the African continent, despite its many riches. Like Sankara, he asked the other African presidents to work hard to make their countries self-sufficient in food, instead of always importing agricultural products from Russia or elsewhere. Following the example of Burkina Faso's father, he advised African presidents to stop siding with Western capitalists, who are pulling the strings, and behaving like puppets in their pay. Africans need to wake up and get back to work," stressed Burkina Faso's strongman. Speaking about his own country, Traoré took offence at Western criticism of the militia-like committees of Volunteers for the Defence of the Fatherland (VDP) set up by his government to fight the terrorism that has ravaged his country for nearly eight years. These groups are made up of civilian auxiliaries trained to support the army in the fight against terrorism. President Traoré considers the attacks by armed groups affiliated to Al-Qaeda and the Islamic State to be the most barbaric and violent manifestation of imperialism. It is even, he says, a form of slavery that the West wants to impose on the people of Burkina Faso. Africans must therefore free themselves from this yoke and believe in victory, whatever the obstacles put in their way by the imperialists. This is why Traoré often ends his speeches with these words, as did Maître Sankara: "Fatherland or death, we shall conquer!"

**What I think** is that Ibrahim Traoré's ideas are almost identical to those of his murdered fellow revolutionary Thomas Sankara. Traoré often pays tribute to Sankara, who was killed five months before he was born. "Kill



Sankara and thousands of Sankaras will be born", Thomas Sankara is quoted as saying a few months before his death. Traoré considers him a role model. He is the African Che Guevara," he likes to say. Beyond his Sankarist ideology, Traoré shares many of the qualities of his idol and distant military predecessor: a clear vision for his country, precise objectives, integrity, patriotism, Africanism, a love of hard work, self-discipline, the desire to achieve political, economic and cultural independence for Africa, the courage to denounce imperialism, capitalism and neo-colonialism, the willingness to take risks and openly confront the West, a commitment to the values and youth of Burkina Faso and Africa, perseverance in the fight for the people, the quest for results, and a clear determination to succeed. What's more, he is as close to Russia as Thomas Sankara was. We can say that Sankarism is effectively back in Burkina Faso. But we have to hope that it lasts ... Sankara only ruled for 4 years and was killed by his own brothers, admittedly with the blessing of his Western enemies. And the Burkinabe dream faded. Traoré should remember: the day you decide to become a leader to change things, that's the day you create your most virulent adversaries and enemies. Leadership at the top of the State for the benefit of the people is an exciting, but difficult and high-risk exercise. Patriotic and anti-colonial rhetoric raises many hopes among the people, but exposes the revolutionary to all possible dangers, including death.

You cannot fight imperialism and ask the imperialists not to fight back! You cannot denounce capitalism and ask the capitalists not to fight you. You cannot want to put an end to neo-colonialism and ask neo-colonialists not to destabilise you. Patrice Lumumba, the Africanist and anti-colonialist, is dead. Colonel Gaddafi, the Africanist and anti-imperialist, paid the price. Thomas Sankara, the ultra anti-imperialist, paid the price. So we need to prepare ourselves accordingly. We need to implement a robust, coherent and practical economic programme to make the dream of all the people a reality. We need strategies to counter the traps and attacks of all kinds concocted from within and without. Because the essence of development is long-term, and only long-term. As much as we dream and make people dream, we must work hard and protect ourselves so that the dream becomes a reality. The best way to fight imperialism and neo-colonialism is to become economically strong and independent. This means having the means to conduct one's own policy and defence. Many of the independent countries that were once colonised have managed to escape from the clutches of their masters by becoming economically self-sufficient and self-secured. And this is possible. There are many examples in Africa and throughout the world. In view of the countless and pressing expectations of the people of Burkina Faso, we can only wish long life to the revolutionary President Ibrahim Traoré. Let us not forget that revolution often eats revolutionaries.

Kindu, 23 August 2023



# Executive summary

## Economic situation

- **On the international front**, despite efforts to turn the world economy around, estimates from the International Monetary Fund (IMF) point to a decline in global economic growth from 3.5% in 2022 to 3% in 2023. This contraction is due to the effects of the conflict in Ukraine and the implementation of strict macroeconomic policies to mitigate strong inflationary pressures and maintain global economic stability. For a solid and sustainable economic recovery, it is essential to strengthen supervision of the financial system and coordinate economic policies effectively.
- With regard to inflation, according to the IMF, although it has slowed globally in 2023 to 6.8% from 8.7% in 2022, it could remain high or even worsen in the event of additional shocks, notably linked to the escalation of the conflict in Ukraine and extreme weather events. This would lead to further tightening of monetary policy by central banks.
- Financial markets were generally bearish in August 2023, largely due to the continued monetary tightening policies adopted by central banks to counter price rises resulting from the conflict in Ukraine. The ensuing appreciation of the US dollar has reduced demand for equity assets and led to a fall in their value.
- On the international foreign exchange market, the US dollar strengthened against the euro, the pound sterling, the Japanese yen and the Chinese yuan as central banks continued to tighten monetary policy to combat inflation.
- With regard to international trade, the outlook for growth remains uncertain, particularly for the second half of 2023, due to negative factors such as persistent inflation, financial vulnerabilities, the continuing conflict in Ukraine and geopolitical tensions.
- In terms of raw materials, copper prices fell slightly to around \$38,368 per metric tonne in August 2023 due to the slowdown in the global economy. Similarly, gold prices fell in response to the appreciation of the US dollar. On the crude oil market, prices have also fallen as a result of the slowdown in global economic activity. It is important to monitor these prices closely, as they can have an influence on inflation and the global economy as a whole.
- **At national level**, the macroeconomic framework has improved overall. The national currency depreciated by 1.99% on the interbank market and appreciated by 0.61% on the parallel market. During August 2023, the national economy recorded negative variations in inflation rates compared with the previous month. Year-on-year inflation fell by 2.11% to 22.84% in the fourth week of August 2023, compared with 23.33% in the previous month. Annualised inflation varied by 8.80% between July and August 2023.
- In terms of public finances, the Treasury recorded a deficit of CDF 492,351.00 million in the fourth week of August 2023. This deficit was due to expenditure of CDF 1,690,815.00 million (of which 17.63% was capital expenditure), compared with revenue of CDF 1,198,464.00 million (of which 83.72% was tax revenue).
- Finally, the economic news of August 2023 was marked by several notable events. These were (i) the rise in maize prices in the Grand-Kasaï region; (ii) UDECOM's appeal to the government to counter the fraudulent rise in food prices; (iii) the government's appeal to commercial banks to pay back funds from the parafiscal levy on petroleum products; (iv) the DGI's reactions to the government's decision to set up a quality control commission at the DGI; (v) the problem of illegal exports and cocoa smuggling.



## Political situation

In August 2023, three important political events took place: (i) the electoral process, (ii) the round table on the state of siege, and (iii) the proposed constitutional reform.

The President of the Independent National Electoral Commission (Ceni), Denis Kadima, officially called voters to the polls for the elections of provincial deputies and communal councillors on Wednesday 2 August at the Salle Abbé Malu Malu, in the presence of the agents and executives of the electoral centre. This election is of particular importance, as it allows Congolese voters to choose their communal councillors for the first time in over 30 years. Denis Kadima stressed that this election could strengthen local democracy, a key element of a healthy national democracy and development.

The President of the Republic also opened the Round Table on the state of siege in the provinces of Ituri and North Kivu on Monday 14 August in the Salle des Congrès of the Palais du Peuple, as announced by the Prime Minister. This exceptional measure was introduced two years and three months ago because of the persistent insecurity in these regions for nearly three decades.

Finally, the historian Isidore Ndaywel recently presented a proposal for constitutional reform. His proposal envisages a non-renewable presidential term of 9 years, double the current five-year term. The aim of this proposal is to ensure greater political stability by giving presidents more time to implement their programmes and make significant advances in their policies.

# 1. International context

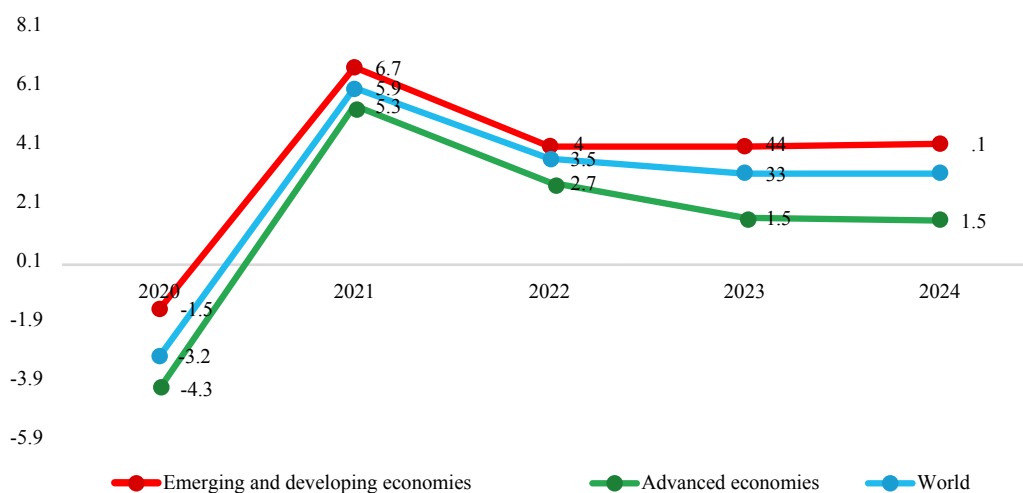
## I.1. Economic growth

Despite the prospect of a global economic recovery, the world economy faces persistent difficulties, but remains resilient in the short term. According to International Monetary Fund forecasts, global economic growth is set to slow to 3% in 2023, from 3.5% in 2022, due to the effects of the war in Ukraine and the application of strict macroeconomic policies aimed at easing high inflationary pressures and maintaining global economic stability. However, energy and food prices have fallen sharply after peaking following Russia's invasion of Ukraine. This has contributed to a faster-than-expected disinflation worldwide. In addition, the vigorous measures taken by the US and Swiss authorities have helped to contain the financial instability resulting from the recent turbulence in the banking sector.

It is important to note that the tightening of monetary policy around the world is translating into higher key rates, leading to a contraction in global demand and, consequently, a reduction in global economic activity. In addition, credit growth in the non-financial sector is slowing, which increases interest payments for households and businesses, creating tensions in the property market.

Against this backdrop, the recovery of the global economy will depend on the preservation of strengthened surveillance of the financial system and effective coordination of economic policies.

Figure 1 » WORLD ECONOMIC GROWTH PROJECTIONS



Source: International Monetary Fund

Figure 1 shows that growth in advanced economies is expected to fall to 3% in 2023, while growth in emerging market and developing economies is expected to stagnate at 4% in the same year. Much of this slowdown is due to tighter macroeconomic policies impacting

global economic activity. In addition, it is important to stress that emerging and developing economies are particularly vulnerable to increased geo-economic fragmentation, as they rely heavily on global economic integration, direct investment and technology



transfers. An ecological transition that is too slow also exposes the poorest countries to increasingly severe climate shocks and rising temperatures, even though they contribute little to global greenhouse gas emissions. In all these areas, multilateral cooperation remains the best way to ensure a secure and prosperous economy for all.

In this particular global economic context, multilateral cooperation remains the best way to ensure a stable and prosperous economy for all. In addition, a coordinated approach between economic players is essential to meet the current challenges and promote a sustainable economic recovery.

### Box 1. The global economy in an era of global warming: challenges, issues and prospects

In recent years, countries around the world have been facing a growing climate crisis that is disrupting the global environment and, consequently, the planet as a whole. Indeed, the issue of global warming is a source of various issues and challenges that the world economy must face in the current complex economic context characterised by a growing slowdown in world economic activity. Several factors need to be taken into account when considering the changes brought about by global warming. These include :

- **changes in the Earth's average temperature** : The Earth's average temperature has risen by around 1.1°C since the beginning of the industrial era. This increase is mainly due to human activities, such as the burning of fossil fuels and deforestation.
- **la variation du niveau de la mer** : Le niveau de la mer a augmenté d'environ 20 centimètres depuis le début du XXe siècle. Cette augmentation est due à la dilatation thermique de l'eau de mer et à la fonte des glaciers.
- **sea-level change** : Sea levels have risen by around 20 centimetres since the beginning of the 20th century. This rise is due to the thermal expansion of sea water and the melting of glaciers.
- **Ocean acidification** : Oceans absorb around a quarter of the CO<sub>2</sub> emitted into the atmosphere. This CO<sub>2</sub> reacts with water to form carbonic acid, which acidifies the oceans.
- **melting glaciers and ice caps** : Glaciers and ice caps are melting at an accelerating rate. This is due to rising temperatures and falling rainfall.
- **the occurrence of extreme weather events** : Extreme weather events, such as heat waves, droughts, floods and storms, have become more frequent and more intense.

These factors show that global warming is a reality and that it is having a major impact on the planet. It is important to take action to reduce greenhouse gas emissions and mitigate the impacts of global warming.

This box presents the main challenges, issues and prospects of the global climate crisis affecting the world in terms of saving the planet.

#### 1. Challenges

The climate crisis facing the world presents a number of challenges :

- **Energy transition** : Reducing emissions requires an energy transition towards clean and renewable energy sources, while reducing dependence on fossil fuels.
- **Urgency and scale of action** : Climate change is an urgent, global challenge that requires immediate, large-scale action. The challenges are to accelerate investment and implement policies that enable a rapid transition to a low-carbon economy.

- **Resistance to change** : Financial actors may be reluctant to fully commit to the Global Financial Compact due to internal resistance, short-term profit motives and the perceived risks associated with climate investments. Overcoming these barriers is therefore crucial to promoting long-term financial commitment to sustainable initiatives.
- **Species displacement** : There is a risk that plant and animal species will migrate to more favourable areas, disrupting existing ecosystems and threatening biodiversity.
- **International coordination** : The major challenge is to achieve effective global cooperation to limit greenhouse gas emissions and mitigate the impacts of climate change.

## 2. Issues

- **Mobilising financial resources** : One of the main challenges of the Global Financial Pact is to mobilise the investments needed for the transition to a low-carbon economy. This means convincing investors and financial institutions to allocate a considerable proportion of their resources to sustainable projects and companies.
- **Transparency and disclosure** : Transparent and reliable disclosure of climate-related financial information is essential. However, this can be a challenge as many companies do not yet have adequate mechanisms to measure and report their greenhouse gas emissions and climate risks.
- **Harmonisation of standards** : There are currently multiple frameworks and standards for assessing investors' climate and environmental activity. One of the challenges is to harmonise these standards and frameworks to make it easier to compare and assess the performance of climate investments.
- **Economic inequalities** : Global warming is likely to exacerbate global economic inequalities. People living in regions that are most vulnerable to climate impacts, such as developing countries, poor communities and indigenous peoples, are often the hardest hit. They often have fewer resources to adapt and recover from climate-related disasters, which can lead to increased poverty and economic inequality.
- **Financial market disruption** : Climate risks, such as investments in fossil fuel industries becoming stranded assets, the devaluation of companies exposed to carbon emissions, and increased insurance costs, can create turbulence in financial markets. Investors are beginning to take these risks into account and are shifting their portfolios towards more sustainable, low-carbon investments.
- **Economic costs** : Global warming is already leading to significant economic costs, such as the damage caused by extreme weather conditions, floods, prolonged droughts, etc. These extreme weather events can disrupt the economy and the economy as a whole. These extreme weather events can disrupt supply chains, destroy infrastructure and reduce agricultural productivity, with a significant impact on the global economy.

## 3. Perspectives

- **Growing involvement of financial players** : More and more financial institutions are recognising the link between climate investments and long-term sustainability. Some major companies and investment funds have already adopted the Principles for Responsible Investment and other similar initiatives. This trend indicates a positive outlook for the growth of climate investments.
- **Integration of climate factors into financial decisions** : The long-term outlook includes the systematic integration of climate factors into financial decisions, including the assessment of climate-related risks and opportunities. This could lead to increased awareness and a redirection of financial flows towards sustainable, low-carbon activities.
- **Financial and technological innovation** : The challenges of global warming require innovative solutions. Prospects include the development of new financial instruments, such as green bonds and climate-related structured products, as well as the use of emerging technologies to facilitate the transition to sustainable economic models.



According to recent studies by the World Bank, climate change could force 216 million people to migrate within their own country by 2050. Indeed, hotbeds of climate migration will appear as early as 2030, a phenomenon that will spread and intensify thereafter.

Climate disruption can reduce agricultural production, particularly in regions of the world that are already suffering from food insecurity. Agriculture, forestry and land-use change also contribute to climate change, accounting for around 25% of global greenhouse gas (GHG) emissions. This is why the agricultural sector is so central to the fight against climate change.

In short, global warming presents issues and challenges such as the mobilisation of resources, the transparency of information and the harmonisation of standards. However, the outlook is positive, with the growing involvement of financial players, states and governments around the world, and the increasing integration of climate factors into financial decisions and government programmes. In addition, there are financial and technological innovations in the pipeline.

## I.2. Inflation

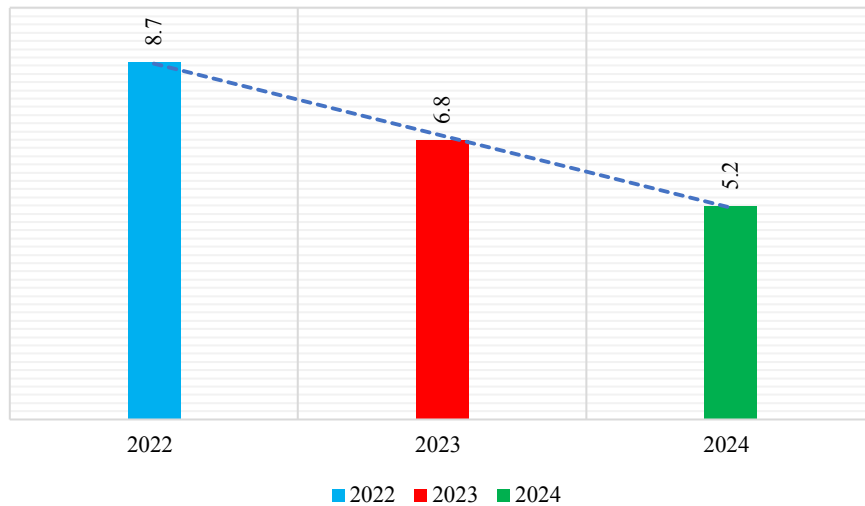
According to the International Monetary Fund's baseline forecasts, although global inflation has slowed in 2023 to 6.8%, compared with 8.7% in 2022, it could remain high or even accelerate in the event of additional shocks, notably linked to the worsening of the conflict in Ukraine and extreme weather phenomena. This would lead to further tightening of central bank monetary policies. Against this backdrop, financial turbulence could reappear as markets adjust to further tightening by central banks.

However, in most countries, the priority remains to reduce prices in the long term while ensuring financial stability. Central banks should therefore continue to focus on restoring price stability and strengthening financial supervision and risk management.

It is therefore essential to note that in order to deal effectively with this situation, it would be imperative to build up budgetary reserves, ensuring that the distribution of funds contributes to targeted support for the most vulnerable populations. In this context, improvements on the aggregate supply side would facilitate the rebalancing of public finances and a more gradual decline in inflation towards the target levels.



Figure 2 » GLOBAL INFLATION FORECAST.



Source: International Monetary Fund

Compared to the upward trend observed in 2022, Figure 2 shows that global inflation should moderate from 2023 onwards, but will nevertheless remain above the targets set by central banks. With this in mind,

monetary policy should aim to maintain price stability, while fiscal policy should seek to alleviate the cost-of-living pressures weighing on the poorest populations, who are seeing their purchasing power shrink.

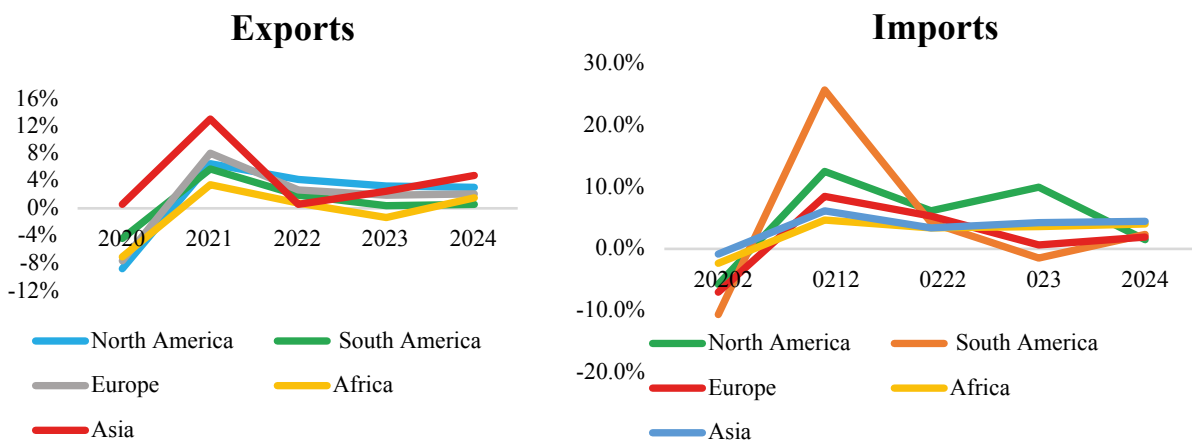


### I.3. International trade

According to the forecasts of the CNUCED, the growth du commerce mondial ralentir en raison de l'incertitude entourant l'évolution conjoncture économique mondiale, notamment en raison de factors such as l'inflation persistante, les vulnérabilités financières, la poursuite du conflit en Ukraine et les tensions géopolitiques. As a result, the outlook for world trade growth remains uncertain, particularly for the second half of 2023, due to a number of negative factors.

However, it is important to note that this slowdown in world trade can be explained by a variety of reasons, including the delayed effects of the appreciation of the US dollar, which has led to a slowdown in trade due to the widespread invoicing in this currency. In addition, growing trade barriers and persistent geopolitical tensions, particularly linked to the conflict in Ukraine, are also playing a role.

Figure 3 » GROWTH IN TRADE IN GOODS



Source: OMC.

The analysis in Figure 3 highlights a reduction in demand for imports due to the slowdown in growth in the major economies. In Europe, higher energy prices due to the Russian-Ukrainian conflict will put pressure on household spending and lead to higher costs in the manufacturing sector. In North America, the continued tightening of monetary policy will have an impact on interest rate-related spending, particularly in the housing, automotive and investment sectors.

In Asia, particularly China, the economic recovery following the reopening of the economy seems to be losing momentum, and there are continuing concerns about the property sector, with implications for the global economy as a whole. Finally, rising food import bills in Africa and Latin America could lead to problems such as food insecurity and excessive debt in these developing economies.





Faced with these major challenges to global trade in goods and services, it is imperative to implement policies to support and stimulate the growth of international trade. In this context, it is important to promote the opening up of markets, improve

trade infrastructures and strengthen international cooperation. Well thought-out and coordinated policies, as well as joint efforts at international level, will be essential to encourage a sustainable recovery in world trade.

## Box 2. The 15th BRICS Summit in Johannesburg: strengthening economic cooperation and promoting multipolarity

### 1. Issues

The 15th BRICS summit, held in Johannesburg, South Africa, from 22 to 23 August 2023, was an opportunity for the five members of the group - Brazil, Russia, India, China and South Africa - to discuss various global issues, including the war in Ukraine, the global economic crisis and decarbonisation.

The main issues at stake at the summit were :

#### **(i) Strengthening economic cooperation**

One of the main objectives of the summit was to strengthen economic and trade cooperation between the BRICS member countries. These countries together account for almost 40% of the world's population and a quarter of global GDP, making them an important group on the international stage. They have therefore sought to exploit their economic potential and strengthen their trade links in order to promote their respective economic growth.

To this end, the BRICS adopted a joint declaration in which they pledged to strengthen their cooperation in the areas of trade, investment, finance, energy and infrastructure. They also announced the creation of a \$500 billion reserve fund to support member countries in the event of economic crises.

#### **(ii) Promoting multipolarity and multilateralism**

Another important issue at the summit was the promotion of multipolarity and multilateralism. The BRICS pledged to defend a fairer and more balanced world order, in opposition to the hegemony of the Western powers. They have therefore called for reform of the system of global governance, in particular the International Monetary Fund (IMF) and the World Bank, to give a greater voice to developing countries.

In this respect, the BRICS adopted a joint declaration in which they called for reform of the IMF and the World Bank to make them more representative of developing countries. They also proposed the creation of a new fund to finance the development of emerging and developing countries.

### 2. Challenges

The BRICS member countries face a number of challenges, including :

#### **(i) The desire to reduce dependence on the US dollar.**

The US dollar is the world's reserve currency, but it is also used as a tool of economic pressure by the United States. Some countries, such as China, want to reduce their dependence on the US dollar to avoid this pressure. However, the de-dollarisation of trade is a complex process that will take time.

#### **(ii) Political differences**

The members of the BRICS have different political orientations. Russia and China are authoritarian powers, while Brazil, India and South Africa are democracies. These political differences can sometimes hinder cooperation between the members of the group.



### **(iii) Economic disparities**

The BRICS members have economies of very different sizes and levels of development. China is the most powerful economy in the group, followed by India and Brazil. Russia and South Africa have smaller economies. These economic disparities can sometimes create tensions between members of the group.

### **(iv) BRICS enlargement**

The enlargement of the BRICS is an initiative supported by all the members of the group. This initiative is motivated by several factors, including :

- The desire to strengthen cooperation between emerging countries: the enlargement of BRICS would enable new emerging countries to participate in cooperation between members of the group. This could help to strengthen the coordination of the BRICS' economic policies and diplomatic initiatives.
- The desire to diversify the group's membership: enlarging BRICS would make it possible to include countries from different regions of the world. This could contribute to strengthening the international influence of the group.

Many countries have expressed an interest in joining BRICS, including Argentina, Egypt, Indonesia, Iran, Saudi Arabia, Turkey and Nigeria. The criteria for BRICS membership are not yet clearly defined, but are expected to include economic, political and geographical criteria.

In addition to the challenges mentioned above, the BRICS also face other challenges, such as :

- The economic slowdown in some BRICS members. China, for example, has experienced a decline in economic growth in recent years, which has had repercussions for the other member countries.
- Security and the fight against terrorism. The BRICS face terrorist threats in their respective regions.

These challenges could have a negative impact on cooperation between BRICS members and on their international influence.

## **3. Opportunities**

The BRICS member countries also present a number of opportunities, including :

### **(i) Economic growth**

The BRICS are engines of global economic growth. By 2023, China will be the world's second largest economy, followed by Japan and Germany. India comes 6th. Brazil, Russia and South Africa are also dynamic economies. Cooperation between the BRICS can help stimulate global growth and reduce poverty.

### **(ii) International influence**

The BRICS are emerging powers that are playing an increasingly important role on the international stage. China is the world's second largest military power, and India is the third. Russia is a nuclear power and a permanent member of the United Nations Security Council. Brazil is a regional leader in Latin America, and South Africa is a leader in Africa. Cooperation between the BRICS can give them greater influence in world affairs.

### **(iii) Development cooperation**

The BRICS have complementary experience and expertise in the field of development. China has experienced rapid economic growth in recent decades and has developed development models that could be useful to other emerging countries. India has experience in the fight against poverty and in infrastructure development. Brazil is a leader in



agribusiness. Russia has significant natural resources. South Africa is a leader in information and communication technologies. Cooperation between the BRICS can help promote sustainable development and reduce inequalities.

In addition to the opportunities mentioned above, the BRICS also present other opportunities, such as:

**(i) Trade and investment**

The BRICS have significant potential for trade and investment. The member countries of the group have complementary needs and skills, which could create mutually beneficial trade and investment opportunities.

**(ii) Technological cooperation**

The BRICS have significant technological expertise. China is a leader in new technologies, India is a leader in information and communication technologies, and Brazil is a leader in agribusiness. Cooperation between the BRICS in the field of technology could help to stimulate innovation and promote sustainable development.

**(iii) Security cooperation**

The BRICS face common security threats, such as terrorism and regional conflicts. Security cooperation among the BRICS could help promote regional and global stability.

**4. Conclusion**

In conclusion, the 15th BRICS Summit in Johannesburg was an important milestone for the group.

Member countries reaffirmed their commitment to strengthening economic and trade cooperation, promoting a more equitable world order, addressing economic and security challenges, expanding membership, de-dollarising trade, and exploiting the opportunities offered by their status as emerging powers.

These goals are ambitious, but they are achievable if the BRICS can overcome certain challenges.

The BRICS face political differences and economic disparities. The member countries have different political orientations, and they have different levels of economic development. These differences can sometimes hamper cooperation between the members of the group.

The BRICS also face external challenges, such as the war in Ukraine, the global economic crisis and decarbonisation. These challenges are complex and require international cooperation.

Despite these challenges, the BRICS have the potential to play an important role on the international stage.

The group is made up of dynamic countries with young populations and skilled workforces. The BRICS also have significant natural resources and potential for economic growth.

If the BRICS manage to overcome their challenges and cooperate effectively, they could become a major force on the international stage.



#### I.4. Financial markets

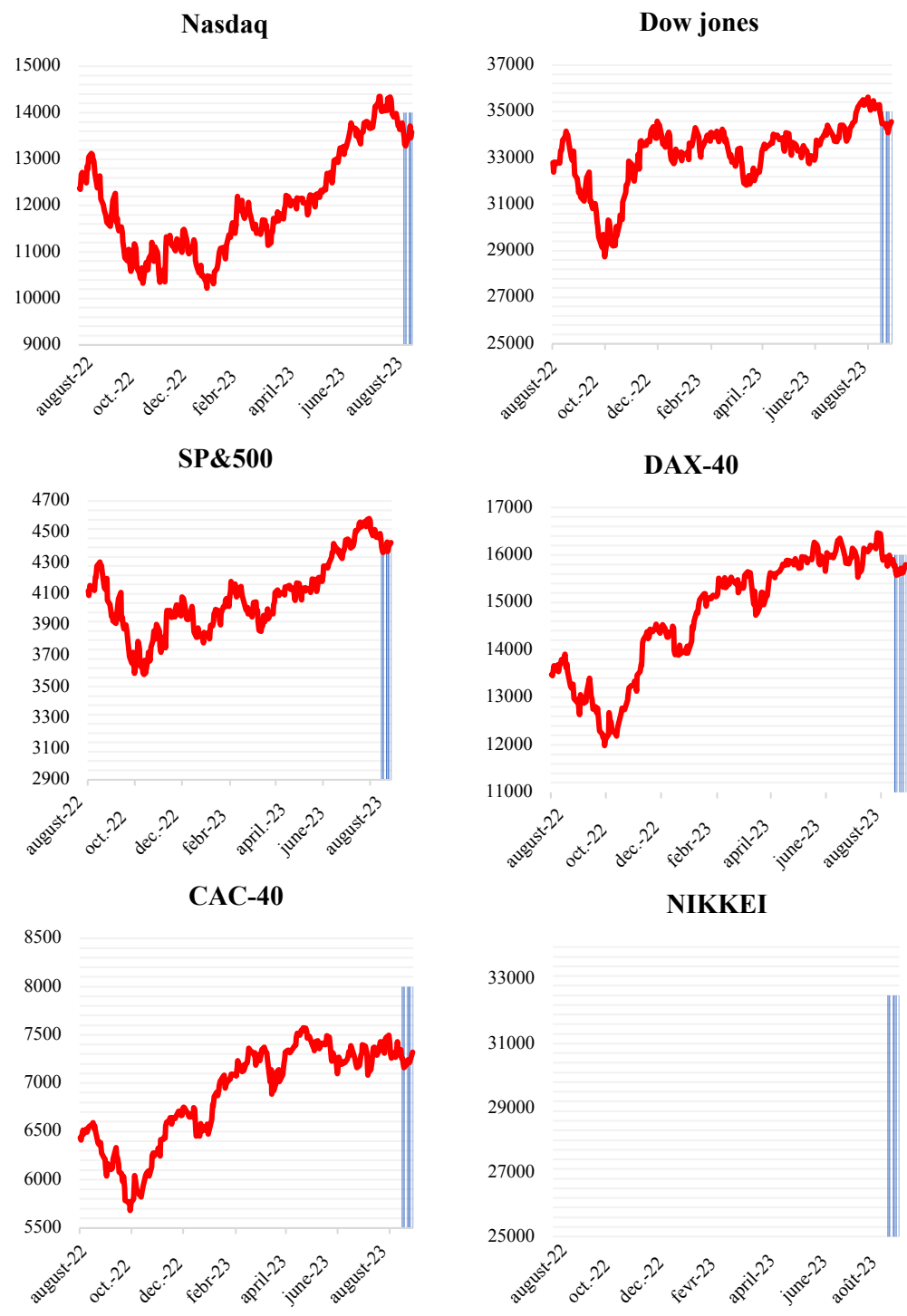
During August 2023, the financial markets followed a generally downward trend, in contrast to the previous month. The main stock market indices, such as the Dow Jones, the S&P 500 and the Nasdaq, closed the month at 34,559 points, 4,433 points and 13,590 points respectively. The European stock markets also followed this trend.

The CAC-40 on the Paris stock exchange fell slightly from 7,497 points to 7,324 at the end of August 2023. In Germany, the DAX-40 index also recorded a decline, reaching 15,792 points at the end of the month. However, the Tokyo Stock Exchange also fell slightly, from 33,172 points in July 2023 to 32,169 points at the end of August 2023.

These stock index losses can be explained by the continuing monetary tightening policies pursued by central banks to counter the price rises seen as a result of the conflict in Ukraine. The resulting rise in the value of the US dollar reduced demand for stock market assets and led to a fall in their value. Consequently, to restore financial confidence, it is necessary to put in place economic conditions favourable to post-war growth, so as to dissuade the quantitative tightening plans envisaged by the central banks to combat inflation.



**Figure 4 » DAILY TRENDS IN THE MAIN STOCK MARKET INDICES**



Source : Macrotrends.



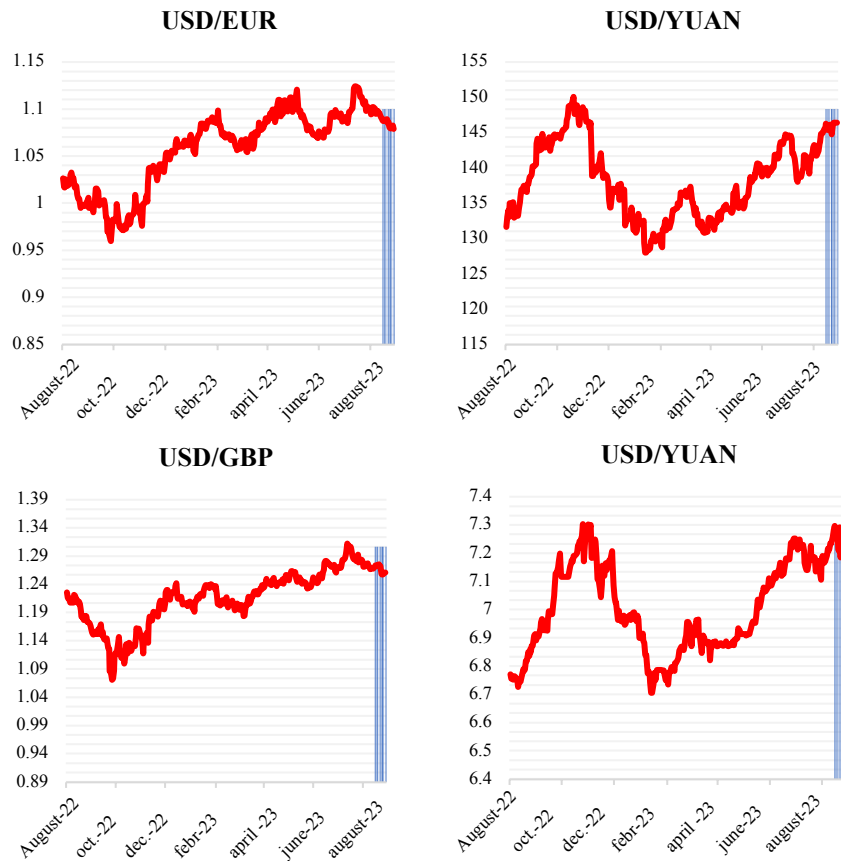
### 1.5. The foreign exchange market

During August 2023, stock market indices fell across the board as central banks continued their restrictive monetary policy. As a result, demand for liquidity as a safe haven increased, leading to a significant appreciation of the greenback against the euro and sterling during August 2023. At the end of the month, the European currency was valued at 1.0792 USD/EUR, while the British pound reached almost 1.2613 USD/GBP.

In Asia, the Japanese yen was on an upward trajectory throughout the month as a result of the depreciation of the Japanese currency against the US dollar, notably due to the rise in US bond yields. In Beijing, the Chinese currency was also affected by the strength of the US dollar. This decline in the Chinese yuan could be exacerbated by the slowdown in the global economy, which could pose a threat to Chinese exports by potentially contracting manufacturing activity in China.



Figure 5 » DAILY TRENDS IN THE MAIN EXCHANGE RATES



Source: Macrotrends.



## I.6. Market for strategic products

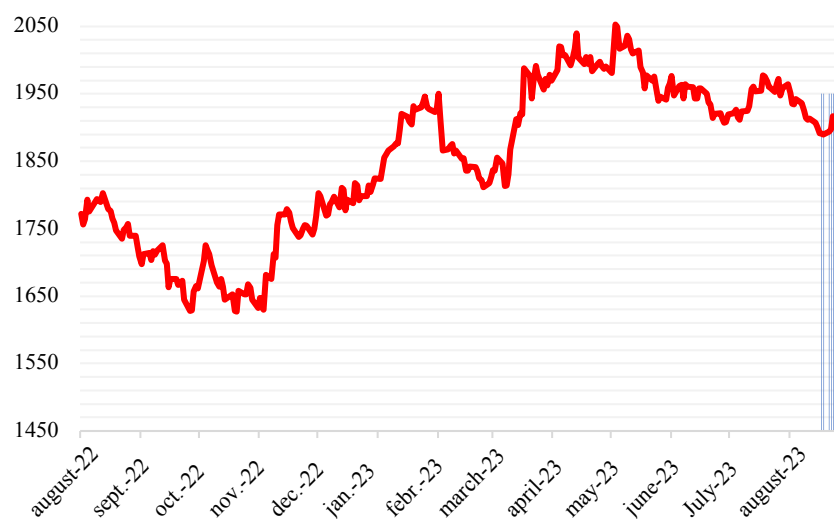
### - Gold

In contrast to the previous month, gold prices fell during August 2023. At the end of the month, gold was valued at around USD 1,935 per ounce. Upward pressure on US bond markets is thought to have reduced the appeal of the precious metal. Indeed, the appreciation of the US dollar has made gold less attractive as a store of value, due to the negative correlation between the US currency and the precious metal. This situation is likely to persist as long as the Federal Reserve (Fed) remains determined to fight inflation by tightening monetary policy.

It is vital to note that the Fed's monetary policy decisions have a significant impact on gold prices. Expansionary measures, such as interest rate cuts, can increase the value of gold by reducing the opportunity cost of holding it relative to other financial assets. On the other hand, a restrictive monetary policy, characterised by an increase in interest rates, can lead to a fall in gold prices because of the reduced demand for safe-haven assets.

Gold is often seen as a safe asset in times of economic and financial uncertainty, encouraging investors to consider it as a means of protecting their capital and diversifying their portfolios. However, gold prices are influenced by many factors, such as interest rates, inflation, currency fluctuations, investor confidence and global macroeconomic conditions.

Figure 6 » DAILY GOLD PRICE TREND (IN USD PER OUNCE)



Source: Macrotrends.



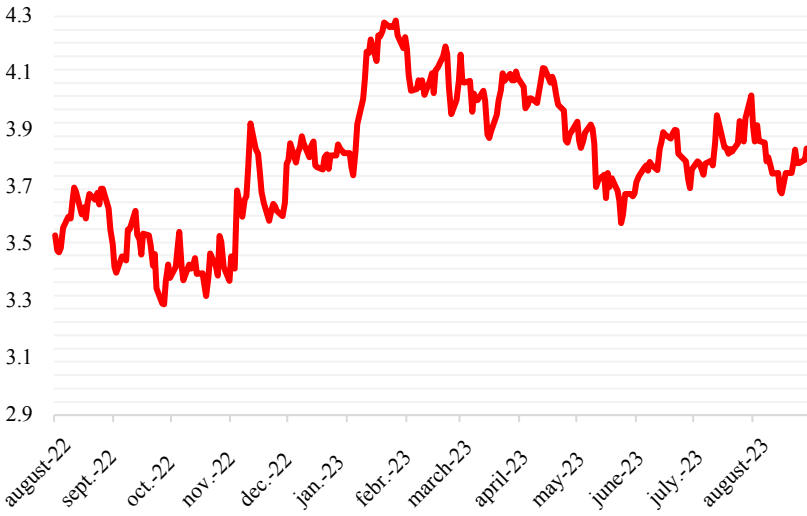


## - Copper

After a temporary increase the previous month, copper prices confirmed their overall downward trend during August 2023. Indeed, at the close of the month, prices for the red metal reached a low of USD 38,368 per metric tonne. This situation can be attributed to the slowdown in the global economy, as the price of this commodity is a reliable indicator of global economic health.

It is therefore essential to keep a close eye on economic, geopolitical and monetary developments in order to assess the outlook for the copper market. Fluctuations in copper prices can have a significant impact on companies, producing countries and investors, and are an important indicator of global economic activity.

Figure 7 » DAILY COPPER PRICE TREND (IN THOUSANDS OF USD PER TONNE)



Source : Macrotrends.

## - Oil prices

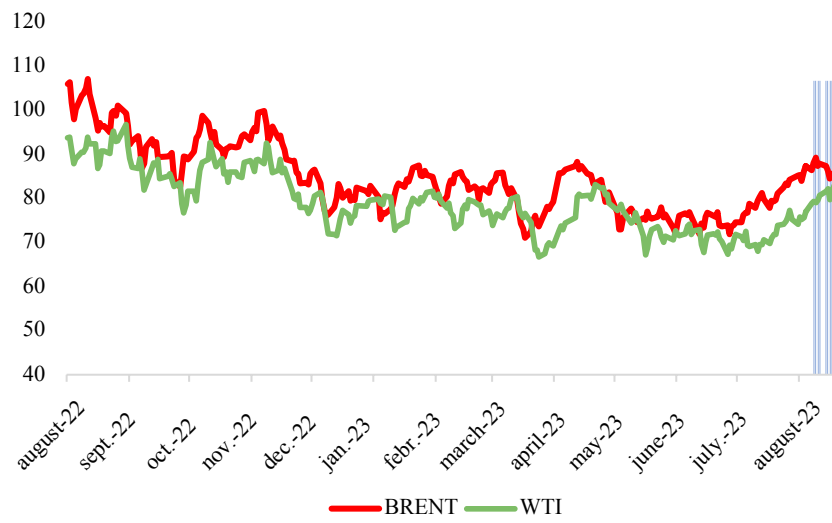
In August 2023, crude oil prices fell slightly on both the US (WTI) and European (Brent) markets, reaching USD 81.37 per barrel for WTI and USD 85.44 per barrel for Brent at the end of the month. This fall is attributed to the slowdown in the global economy. However, the long-term direction of the market will largely depend on the decisions taken at the next meeting of OPEC+ member countries regarding their policy of limiting oil production.

The oil market is subject to uncertainties linked to the global geopolitical and economic situation, as well as OPEC+'s choices regarding oil production. These factors, combined with the economic stimulus measures introduced by governments, will have a significant impact on future market trends. It is therefore essential to monitor these developments closely to understand their influence on oil demand and supply, and consequently on market prices.





**Figure 8 » DAILY OIL PRICE TREND (IN USD PER BARREL)**



Source : Macrotrends.





## 2. The national context

### II.1. Developments in the national economy

The economic news of July 2023 was marked by several notable events. These included (i) the rise in the price of maize in the Grand Kasai region; (ii) UDECOM's appeal to the government to counter the fraudulent rise in the price of foodstuffs; (iii) the government's appeal to commercial banks to pay back the funds from the parafiscal levy on petroleum products; (iv) the DGI's reactions to the government's decision to set up a quality control commission within the DGI; (v) the problem of the illegal export and smuggling of cocoa.

More explicitly, these facts are presented as follows :

#### 1. Rising maize prices in the Grand Kasai region

The staggering rise in the price of maize on the markets of Kananga (Kasai Central), Mbuji-Mayi (Kasai-Oriental) and Mwene-Ditu in the province of Lomami, in central DR Congo, has been causing concern for several weeks.

A month ago, a 3? kilo measure of maize, which used to cost between 3,000 and 3,500 FC, is now trading at 5,000 FC in Kananga and Mwene-Ditu. In Mbuji-Mayi, the price has risen to FC5,500 or even FC6,000.

Some dealers see a direct link between this rise in maize prices and the scarcity of the product on the market. Peddlers on bicycles, commonly known as "Bayanda", who play a crucial role in supplying the markets with grain maize, cassava and cowpeas, are complaining that police harassment on the roads is hampering their ability to supply the markets effectively.

It is important to note that this price increase is not limited to maize alone. Vendors of cassava flour, rice, beans and palm oil are also seeing significant increases in the prices of their products. This trend raises

concerns about the impact on the cost of living for local people, and calls for reflection on the underlying factors contributing to this food price inflation.

#### 2. UDECOM calls on the government to counter the fraudulent rise in food prices

The Union pour la défense des droits des consommateurs au Congo (UDECOM) expresses its concern at the deterioration in consumers' purchasing power, attributed to the depreciation of the Congolese franc, the local currency, and its impact on food prices. In a letter addressed to the Deputy Prime Minister in charge of the National Economy, a copy of which was received by Actu30.cd, this organisation denounces the general rise in the prices of goods and services on the market, orchestrated by unscrupulous economic operators, making basic foodstuffs unaffordable for consumers and worsening their living conditions.

In this context, UDECOM urges the Ministry of the Economy to step up market surveillance to ensure compliance with the law on free pricing and competition, in order to counter any fraudulent increases in food prices.

Law 18-020 on price freedom and competition is designed to establish price transparency, regularity and fairness, and to combat restrictive practices and illegal price rises. Unfortunately, these phenomena are commonplace in today's market. The competent authorities have a responsibility to closely monitor and enforce this law, and to remind everyone that price manipulation is prohibited, as stated in the UDECOM correspondence.

In addition, UDECOM supports the measures taken by the government to alleviate this crisis and encourages economic players to favour the use of local currency rather than the US dollar.



Finally, this organisation of Congolese consumers is also calling on the Central Bank of Congo to comply strictly with the law governing the foreign exchange market. The aim is to strengthen financial stability and protect consumers against foreign currency fluctuations.

### **3. Government calls on commercial banks to pay back parafiscal levies on petroleum products**

The Deputy Prime Minister and Minister for the National Economy, Vital Kamerhe, has issued a directive to commercial banks operating in the Democratic Republic of Congo. The directive requires them to transfer funds generated by parafiscal levies on petroleum products to the central account of the Directorate General of Customs and Excise (DGDA) in a timely manner.

The instruction was issued at a meeting between VPM Vital Kamerhe and bank representatives, held in his office on Friday 11 August.

The VPM emphasised that regular payments into the DGDA's centralising account are essential, as they guarantee the banks' ability to repay the loan that the Congolese government plans to take out in the near future. This approach is in line with an interministerial decree that will define the mechanisms for collecting the funds intended to compensate the oil companies for their losses and shortfalls.

In recent years, the banking system has made it compulsory for banks to manage tax transactions. However, the DGDA has alerted the government to significant discrepancies between the figures it collects when collecting parafiscal levies on petroleum products and those recorded in the DGDA's centralising accounts.

On this subject, VPM Vital Kamerhe has informed the banks of missions he will be supervising from next week to reconcile the figures relating to parafiscal levies on petroleum products.

The banks have welcomed the government's message and have pledged to work closely with the mission to be led by the Deputy Prime Minister to facilitate the repayment of losses and shortfalls by oil companies. Representing the banks, Joe Nkoi Lolonga, Head of Public Sector at Access Bank, responded positively to the VPM and indicated that they would go back to their back offices to request the reconciliation of figures between the DGDA and their operations. This will involve tracing the amounts collected and disbursed to determine what should be paid back to the DGDA, with a view to reconciling the figures.

With regard to the financial arrangement established with the government via Cobil SA for the reimbursement of losses and shortfalls, Joe Nkoi Lolonga revealed that the banks had submitted an offer to the government via Cobil SA to facilitate this financial arrangement. He also assured that the banks have already reserved funds to relieve the oil companies as far as possible. However, the loan arrangements and payments to the oil companies are still being finalised.

According to Joe Nkoi Lolonga, this approach confirms that the government has taken all the necessary steps to enable the banks to make the payments to the oil companies, and the first payment could be made this weekend.

It is important to note that these agreed mechanisms should make it possible to repay the debt contracted by the government with the oil companies as part of the policy of subsidising the price of fuel at the pump. This policy aims to preserve the purchasing power of the Congolese people by covering part of the real cost of each litre of fuel paid by consumers at the pump.

#### 4. The DGI's reaction to the government's decision to set up a quality control commission at the DGI

Tensions are currently running high at the Direction Générale des Impôts (DGI) in the Democratic Republic of Congo, with unions preparing strike action in response to a letter from Nicolas Kazadi proposing the creation of a quality control commission within the DGI.

Nicolas Kazadi has summoned the Director General of the DGI to discuss the proposal. However, the unions consider this initiative to be "scandalous". They believe that the proposal to create such a commission, made up of experts from different government bodies, could jeopardise the DGI's administrative autonomy.

The DGI's Director General, Barnabé Mukadi, responded by recalling the legal provisions governing tax procedures, in particular article 25 of the law of 13 March 2003 on the reform of tax procedures. This article gives the tax authorities exclusive power to verify the accuracy of tax returns. It may call on outside experts only if special technical knowledge is required. According to Barnabé Mukadi, the introduction of a quality control commission, as proposed by Nicolas Kazadi, could lead to disputes on the part of taxpayers and deprive the tax authorities of the possibility of cross-checks in cases of proven tax fraud.

The DGI unions are also critical of this proposal, pointing out that the potential members of the commission do not have the necessary qualifications to carry out tax audits, which could compromise the legal validity of their audit reports.

They see this initiative as interference in the affairs of the DGI, which should enjoy its administrative autonomy. They point out that the DGI can call on

external experts if necessary, but it should be the DGI that appoints them.

These tensions leave the situation at the DGI uncertain and give rise to concerns about the impact on the mobilisation of tax revenues and the legitimacy of the actions envisaged by Nicolas Kazadi.

#### 5. Illegal export and smuggling of cocoa

On 22 August 2023, the Deputy Prime Minister and Minister for the National Economy, Vital Kamerhe, met in his office with members of the Association des Exportateurs du Cacao-Café de la RDC (ASSECCAF) and ESCOKIVU. Discussions focused on issues relating to agricultural products from the DRC and their export.

The exporters expressed their concern about illegal exports and smuggling, which are hampering the development of this sector and the country's economic growth.

Mike Ntambwe, Director General of the Agence Nationale de Promotion des Exportations (ANAPEX), said that more than half of North Kivu's cocoa production is lost to fraud. He felt that the government must take strong measures to combat this phenomenon. Philip Betts, Managing Director of ESCOKIVU, also stressed that fraud is a major problem. He pointed out that there are no export taxes on cocoa in Uganda, which makes the country more attractive to fraudulent exporters.

Benjamin Kakule Munzenda, national president of ASSECCAF, denounced the illegal taxes imposed on exporters. He called on the government to take steps to abolish them.



The exporters proposed that the government take measures such as banning the export of cocoa beans to neighbouring countries, as well as encouraging the export of processed cocoa products.

The Deputy Prime Minister, Minister for the National Economy, said he was open to proposals from exporters. He asked them to submit concrete proposals before taking any measures.

Discussions between exporters and the Ministry of the National Economy should continue in order to find appropriate solutions to the problems raised.

### II.1.2. Economic activity

As part of efforts to improve the business environment in the DRC, the National Agency for Investment Promotion (ANAPI) organised a retreat of the Thematic Group of Sectoral Experts on the business climate. The meeting brought together delegates from various government bodies, the private sector and academia to assess the implementation of the roadmap of business climate reforms adopted in 2021.

The Minister for Planning opened the retreat by noting the low rate of implementation of reforms, at just 36%, attributing this to obstacles such as bureaucracy, resistance to change and political and economic developments. The main objective was to update the roadmap to bring it into line with the current socio-economic context and the priorities of the National Strategic Development Programme (PNSD).

More than 100 experts took part in this work, aimed at taking stock of the implementation of government reforms on the business climate before adopting a new roadmap. The main constraints encountered were discussed, and effective strategies were proposed to facilitate their implementation in the future.

The reforms envisaged include simplifying the process of obtaining business visas for foreign investors in order to attract more investment. A revision of the Investment Code was also envisaged to make the Democratic Republic of Congo more competitive and attractive to investors. Finally, it was emphasised that courageous and bold reforms are needed to promote economic development and attract sustainable investment to the DRC, in particular by simplifying taxation and cutting red tape.

In another development, the Extractive Industries Transparency Initiative (EITI) in the Democratic Republic of Congo (DRC) has recommended that the procedures manual for managing the 0.3% contribution from mining companies to community development be disseminated. The aim is to raise awareness among stakeholders of the importance of this manual in the country's socio-economic development process. This follows a three-day workshop in Kinshasa to evaluate the endowment, attended by representatives of the Ministries of Mines and Social Affairs, mining companies, civil society and local communities affected by mining.

The workshop also recommended that sanctions be imposed on mining companies for non-compliance with specifications, as well as strict compliance with the procedures manual on transparency in the management of this endowment. It was emphasised that it is essential for the players involved to have a good grasp of the legal texts if this allocation is to be implemented effectively.

The allocation of 0.3% of the turnover of mining companies in the DRC is intended for community development, in response to the Sustainable Development Goals (SDGs). This initiative aims to improve the socio-economic well-being of local communities affected by mining activities, particularly in areas such as education, health and infrastructure.



The EITI/DRC has welcomed the financial support of partners such as the German cooperation agency GIZ, the European Union, the Carter Center, NRGi and TCC for their efforts to promote community development. It is clear that the rigorous application of these transparency and governance measures in the mining sector is crucial to ensuring that the benefits of the mining industry truly accrue to local populations and contribute to the sustainable development of the DRC. With regard to the issue of subcontracting in the Democratic Republic of Congo, it should be noted that it concerns all sectors of activity and all sectors of the economy, in particular mining, hydrocarbons, buildings and telecommunications, unless there are legal provisions governing certain sectors of activity or certain professions (article 2 of the law on subcontracting). It generally covers so-called related or ancillary activities. Since 08 February 2017, the country has had a new law on subcontracting, which lays down the rules applicable to subcontracting between natural and legal persons. The special feature of this law is that it makes subcontracting of activities ancillary and related to the main activity compulsory, and has reserved it for Congolese companies with Congolese capital, with the aim of promoting the emergence of the Congolese middle class. This law emphasises the protection of the local workforce and encourages job creation. It is a way for the Congolese government to promote small and medium-sized businesses operating in the DRC, in that the company or main contractor will have to pay 30% as a deposit when a contract is concluded, and the said contract is synonymous with a guarantee for the subcontracting company from the bank to which it is applying for credit. The Public Contracts Act 2010 regulates subcontracting in the relationship between public authorities and their private co-contractors.

The Director General of the Autorité de régulation de la sous-traitance dans le secteur privé has reported that nearly eight billion dollars from the subcontracting sector is escaping the public purse. He presented these findings in a report to the Head of State. The aim is to ensure that this money stays in the country to contribute to the national budget and reduce poverty. He also expressed concern about the low number of Congolese subcontracting companies in Kinshasa. He would like to encourage more local companies to participate in subcontracting, and plans to increase surveillance of this sector with the help of inspectors. He pointed out that some companies, such as telecoms and breweries, had initially ignored the importance of subcontracting, but had now embraced the practice. He also noted that subcontracting was already regulated in some provinces, particularly in the mining sector.

### II.1.3. Price dynamics

During August 2023, prices moved downwards overall compared to July 2023. As the table below shows, the rate of price change slowed in August 2023.

The weekly inflation rate stood at 0.20% in the fourth week of August 2023, a fall of 96.60% compared with the rate recorded at the end of July 2023, when it was 5.79%. The cumulative inflation rate stood at 0.68% in the fourth week of August 2023, compared with 16.46% a month earlier, a negative variation of 95.86%.

Year-on-year inflation stood at 22.84% in the fourth week of August 2023 versus 23.33% a month earlier, a fall of 2.11%. At this rate, inflation is expected to reach 27.58% by the end of 2023, compared with 13.13% a year earlier (2022).



The table below shows inflation in August 2023

**Table 1 » INFLATION TREND (AUGUST 2023)**

	Weekly inflation	Cumulative inflation	Year-on-year inflation	Annualized inflation
Week 1	0.16	0.16	23.25	29.50
Week 2	0.15	0.32	23.08	28.77
Week 3	0.17	0.48	22.95	28.13
Week 4	0.20	0.68	22.84	27.58

Source : BCC, august 2023.





## II.1.4 Exchange rate and foreign exchange reserves

During August 2023, the exchange rate deteriorated slightly on the interbank market where it stood at 2 476.09 in the second week of August 2023 compared to 2 427.85 at the end of July 2023, i.e. a depreciation of 1.99%.

On the parallel market, the exchange rate stood at 2 456.25 in the second week of August 2023 compared with 2 471.25 a month earlier, an appreciation of 0.61%.

**Table 2 » EXCHANGE RATE TRENDS**

	Closing July 2023	August 2023			July-August 2023 variation
		Week 1	Week 2	Week 3	
Interbank market	2 427.85	2 416.57	2 476.09	-	1.99%
Parallel market	2 471.25	2 470.63	2 456.25	-	- 0.61%

Source : BCC.

Foreign exchange reserves increased slightly compared with August 2023. Foreign exchange reserves stood at USD 4.76 billion in the second week of August 2023, an increase of 1.49% compared with the previous month, when they stood at USD 4.69 billion. In terms of

months of imports, the coverage of imports by foreign exchange reserves rose from 2.54 months to 2.57 months between the end of July 2023 and the second week of August 2023, a slight increase of 1.18%.

**Table 3 » CHANGES IN FOREIGN EXCHANGE RESERVES**

	Closing July 2023	August 2023			Change July-August 2023
		Week 1	Week 2	Week 3	
In billions of USD	4.69	4.77	4.76	-	1.49%
In months of imports	2.54	2.58	2.57	-	1.18%

Source : BCC.

### Box 3. The monetary policy of the Central Bank of Congo in the light of the increasing surge in the prices of goods and services on the domestic market in the DRC

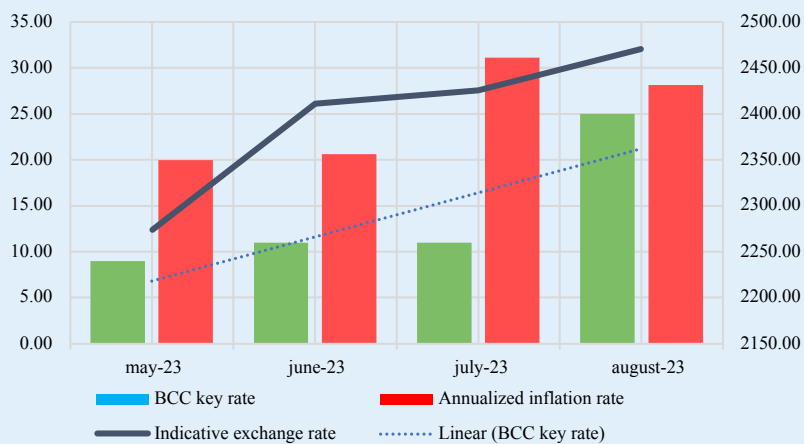
During the second quarter of 2023, the economy of the Democratic Republic of Congo (DRC) saw a sharp rise in the prices of goods and services on the domestic market. This upward trend, observed over the last four months of the current year, has intensified, bringing the annual inflation rate to 28.12% in August 2023, compared with 19.96% in May of the same year.

In response to this rising inflation, the Central Bank of Congo has taken action by adjusting its key rate from 9% in May to 25% in August 2023. This decision is aimed at controlling high inflationary pressures by encouraging banks to raise interest rates on personal loans and mortgages, which has the effect of discouraging borrowing and spending, thereby helping to mitigate inflation.

The key rate also plays a vital role in setting the benchmark for interest rates between financial institutions. Commercial banks and other financial institutions use this rate to determine the interest rates on the personal loans, mortgages and other loans they offer.

It is important to note that the effects of key rate adjustments on the economy can take time, generally 18 to 24 months, before they are fully felt. In this context, the impact of the increase in the Central Bank's key rate from 9% to 25% on the inflation rate will only be visible in the future and will not have an immediate effect on the inflation rate observed at the time of the decision.

**Figure 9 » JOINT CHANGE IN THE KEY RATE, ANNUALISED INFLATION RATE AND INDICATIVE EXCHANGE RATE. (MAY TO AUGUST 2023)**



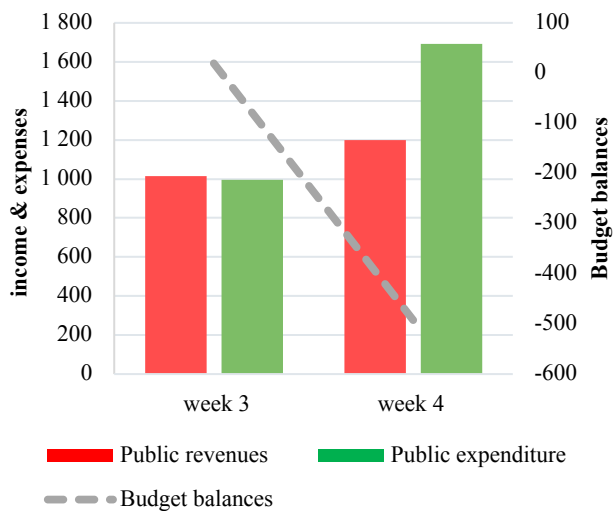
Source: Congo Challenge database

The figure above shows that despite efforts to control inflation by adjusting the BCC's key rate, the annual inflation rate and the indicative exchange rate have continued to rise, from 19.96% and USD 2,411 in May 2023 to 28.12% and USD 2,471 in August 2023 respectively. This highlights the challenges facing the Congolese economy in the fight against inflation.

## II.1.5 Public finances

In the fourth week of August 2023, the operations account showed a deficit of 492 351 million CDF. Government revenue amounted to CDF 1,198,464 million, while expenditure was estimated at CDF 1,690,815 million. The cumulative balance to date is therefore negative by 1,854,159 million CDF.

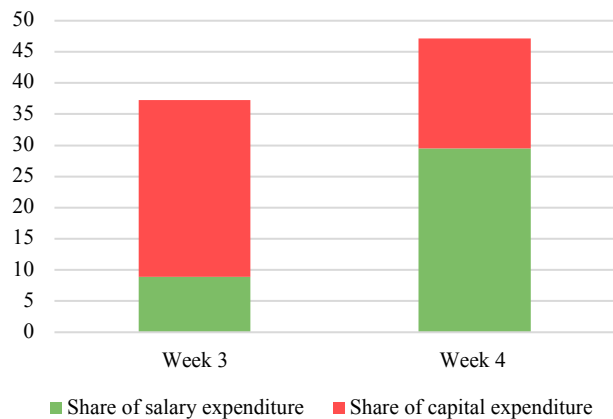
**Figure 10 » EVOLUTION OF PUBLIC REVENUES AND EXPENDITURE DURING THE MONTH OF AUGUST 2023 (IN MILLIONS OF CDF)**



Source: Ministry of Finance, CTR.

Government spending in August 2023 was relatively low compared with the previous month, at CDF 1,690,815 million compared with CDF 2,858,189 million. Government spending continued to focus on operating costs and the payment of civil servants' salaries, with the remainder going on capital investment.

**Figure 11 » CHANGES IN THE BREAKDOWN OF PUBLIC SPENDING (IN %)**

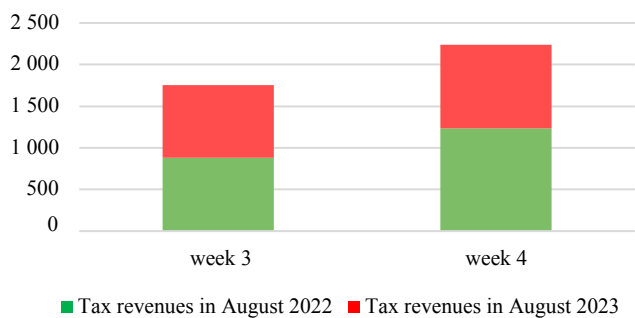


Source: Ministry of Finance, CTR.

It should be pointed out that the largest share of public expenditure was devoted to the running costs of the State. This could justify the government's efforts to restore peace at a time of aggression by the M-23 rebels with the support of the Rwandan army. Despite this, the government is not allocating sufficient resources to improve the living conditions of the population through basic infrastructure.

**Figure 12 » EVOLUTION OF TAX REVENUES (IN MILLIONS OF CDF)**

### Comparison of tax revenue levels



Source: Ministry of Finance, CTR.



Revenue mobilisation in August 2023 was lower than in August 2022. The financial authorities raised CDF 1,003,394 million in 2023 compared with CDF 1,233,436 million in 2022.

It is important to note that during the auction of index-linked treasury bills in August 2023, with a maturity of six months, the government managed to borrow USD 50 million to offset the budget deficits caused by low revenue collection. It is essential that the government redouble its efforts to mobilise public revenue in order to meet the needs of the Congolese people.

## II.2 Political developments

The month of August 2023 was very eventful with much tension between stakeholders around the following highlights:

### 1. The electoral process

In the Abbé Malu Malu hall, the chairman of the Independent National Electoral Commission (CENI), Denis Kadima, officially called the electorate to the polls for the elections of provincial deputies and communal councillors on Wednesday 2 August, in the presence of the agents and executives of the electoral centre. For the number 1 of the CENI, this ceremony is of particular importance, as Congolese voters are being called upon to choose their communal councillors for the first time since 1987. Denis Kadima added that this election could promote a vigorous local democracy, which is fundamental to a healthy national democracy and development.

CENI is also expecting a greater number of candidates for the election of provincial deputies and commune councillors to turn up at the various offices where candidatures are received and processed. Denis Kadima expressed the hope that the elections in the Democratic Republic of Congo would this time be a celebration of

democracy. From Thursday 3 August, the doors of the candidate reception and processing offices will be open throughout the country.

It should be noted that following the publication by CENI of the provisional list of candidatures declared admissible and inadmissible for the election of national deputies, the Fayulu camp, which had refused to submit the files of its members, reacted. The coordinator of the Lamuka-Fayulu coalition, Professor Matthieu Kalele, reassured the Congolese people of his political family's decision not to submit the candidatures of its members. However, he made it clear that this decision should not be interpreted as a boycott of the elections. "Lamuka reaffirms that it has its lists ready, but is waiting for the independent audit to be announced before submitting them", he explained.

According to this political grouping, the audit report produced by the experts mandated by CENI is considered superficial and does not reassure the stakeholders, with the exception of Mr Tshisekedi's political family. Lamuka also firmly denounced "CENI's stubborn lack of transparency throughout the electoral process, from the call for tenders for the award of contracts to the production of the electoral roll".

Lamuka insists on the need for transparent elections to establish legitimate institutions, and warns CENI officials against any attempt to disrupt the electoral process. They declare that they will hold these officials, as well as the government in power, responsible for any political crisis that may result from their actions. Lamuka calls on the Congolese people not to accept manipulated elections aimed at legitimising previously chosen candidates. They also encourage the international community to support the Congolese people's desire for democracy by refusing to support such a process. Finally, they urge the population to resist the fear, pressure, intimidation and promises



of the current regime, stressing that it is time for the Congolese people to fight for their sovereignty with a view to building a free, strong, dignified and prosperous Congo.

In the same context, the Electoral Observation Mission of the National Episcopal Conference of Congo and the Church of Christ in Congo (MOE CENCO-ECC) plans to audit the electoral register. In a memorandum entitled "Transparency and inclusion as levers for peace and stability in the DRC before, during and after the next elections", the Catholics and Protestants propose a sampling method called Sample Based Observation (SBO) to the Independent National Electoral Commission (CENI). This method involves using a sample to check whether the people in CENI's database match those on the ground. A second phase will involve bringing back another sample from the field to verify the CENI database. This observation mission is working closely with CENI.

It should be noted that CENI had previously rejected the opposition's request for a new audit of the electoral roll, which led some political players to temporarily boycott the process.

Some, like Steve Mbikayi, believe that the joint request from CENCO and the ECC could delay the elections and lead to the illegitimacy of the institutions, which raises questions about their authority to conduct such an audit. Others wonder whether these churches would maintain the same position if their candidate were in the running.

As for Denis Kadima, the chairman of CENI, he reaffirms his determination to organise the elections in accordance with the electoral timetable, even if certain political parties choose not to participate. He recalled that the electoral process is inclusive, with the participation of over 900 political parties, and the absence of a few will not affect its integrity.

The chairman of CENI reacted to the lack of response to his request for a meeting with the former head of state, Joseph Kabila. Its first vice-president, Bienvenu Ilanga, made the statement during an information day on electoral disputes for Congolese journalists. He explained that CENI was waiting for a response before organising such a meeting, but had not yet received one.

At the end of June, CENI chairman Denis Kadima began meetings with a number of opposition leaders, including Martin Fayulu, Delly Sesanga, Matata Ponyo and Moïse Katumbi's representative. He had also sent an invitation to Joseph Kabila, president of the Front Commun pour le Congo (FCC), who did not respond.

The United States continues to insist on the need for "transparent and fair" elections in the Democratic Republic of Congo (DRC). At a meeting between Congolese President Félix Tshisekedi and US Under Secretary of State for Political Affairs Victoria Nuland on 3 August 2023, the general elections scheduled for December were at the centre of discussions. The United States reaffirmed its position in favour of transparent and fair elections and plans to meet with the CENI and neutral election observers.

The electoral process in the DRC is marked by tensions between the ruling power and the opposition. Some opposition parties, including those of Joseph Kabila and Martin Fayulu, have refused to submit the candidacies of their members, accusing President Tshisekedi's political family of preparing electoral fraud in collusion with the CENI. They are calling for the CENI to be reconstituted, for an external audit of the electoral roll and for the Constitutional Court to be restructured to guarantee the credibility of the elections.

In the same context, opponents Augustin Matata and Moïse Katumbi condemn the attack on the motorcade of Delly Sesanga, a declared candidate in the 2023 presidential election. They called on MONUSCO to provide adequate security for the presidential candidates in view of the growing insecurity against them.

Presidential candidate Augustin Matata Ponyo, president of the Leadership and Governance for Development (LGD) party, also presented his vision of society entitled "Renewing our destiny of greatness". The 5-year programme aims to transform the DRC from a poor country into a middle-income economy. Augustin Matata Ponyo believes that this vision is ambitious but realistic, and that it can be achieved through quality leadership and governance.

He outlined the four priorities of his programme as follows:

(a) Priority to national defence, peace and internal security: security spending will rise from 6% to 15% of the national budget, i.e. double the budget allocated to the welfare of the military.

(b) An emergency infrastructure plan for investment and growth: allocation of 20% of the national budget for the construction of roads linking Kinshasa to the cities of Kisangani, Lubumbashi, Goma and Mbandaka by 2028. The project includes the construction of 2,600 km of provincial roads and the acquisition of 4,000 buses to reinforce Transco and the "Spirit of Life" programme.

(c) Revitalising industry by devoting 15% of the national budget to rebuilding the industrial sector, in particular by creating 03 agro-industrial mini-parks, setting up 07 free zones for industry, building 1,000 km of agricultural roads, finalising 12 key hydroelectric projects and starting civil engineering work on the Grand Inga and Tshopo 2 hydroelectric projects.

(d) Reforming and strengthening the State to improve the delivery of public services, by strengthening the conduct of fiscal policy and coordination with monetary policy to ensure exchange rate and domestic price stability, and by placing human capital at the centre of the drive towards emergence.

CENI confirms that general elections will be held in December 2023. There are 24,802 candidates for national deputation, including more than 5,500 women. CENI is advising parties to check whether they are on the list of selected candidates.

However, some parties and political groupings have not reached the 60% admissibility threshold, which provisionally excludes them from the ballot. Five parties meet this condition, including the MLC, ALDEC, UDPS-Tshisekedi, Ensemble pour la République and LGD. There are also 36 political groupings.

CENI recommends that candidates for national deputation check whether their party is on the list of selected candidates before embarking on any political action related to their candidacy. Some parties, such as the PPRD and Ecidé, have boycotted the current electoral process.

CENI is extending the period for filing and processing candidacies for the provincial deputation and the election of communal councillors by five days, from 23 to 28 August, due to the absence of candidacy files in some offices and logistical challenges.

Cenco stresses the importance of strengthening the population's confidence in CENI to avoid a possible crisis after the elections. Monsignor Donatien Nshole warned that if the elections were held in a climate of mistrust, the country could experience a crisis that would be regretted by all.

## 2. The round table on the state of siege

In accordance with the Prime Minister's letter of last week, entitled "Information on the convening and organisation of the Round Table on the state of siege in the provinces of Ituri and North Kivu/Invitation", sent to the presidents of the two parliamentary chambers and the chairmen of the defence and security committees of the National Assembly and the Senate, the President of the Republic opened the proceedings of the Round Table on the state of siege in the provinces of Ituri and North Kivu on Monday 14 August in the Congress Hall of the Palais du peuple.

In his speech, Félix Antoine Tshisekedi recalled that the state of siege had been in force for two years and three months in these provinces because of persistent insecurity for nearly three decades. He stressed that this state of emergency was not intended to last forever, in accordance with the Constitution.

Prime Minister Jean-Michel Sama Lukonde Kyenge also recalled the reasons behind the President's declaration of a state of siege. He had organised several itinerant missions to the provinces to gather the views of the population on the evolution of the state of siege, summarising the opinions in three categories: maintaining, requalifying or lifting the state of siege. The work of the Round Table, which lasted three days, brought together members of the government, national and provincial elected representatives, religious leaders and other social and economic players from Ituri and North Kivu. The majority of participants expressed their support for lifting the state of siege at the close of the meeting on Wednesday 16 August, putting forward the option of lifting the state of siege, which received a majority of 195 votes in favour out of 196 participants.

In his speech at the end of the forum, Prime Minister Jean-Michel Sama, on behalf of the Head of State, welcomed the proposals put forward by the various commissions to inform Félix-Antoine Tshisekedi's decision on whether to maintain, lift or reclassify the state of siege.

After the closing ceremony, two trends emerged in the room. One group held up placards reading "maintain", while a strong demand was heard for the immediate lifting of the state of siege.

It is important to note that some civil society actors opposed to the state of siege criticised the process, particularly in Ituri where unrecognised individuals were added to the civil society list.

Some elected representatives, such as national deputy Kiro Tsongo Grégoire, are arguing in favour of lifting the state of siege in the provinces of North Kivu and Ituri, arguing that this measure has failed to resolve security problems and that the military should concentrate on military operations.

Corneille Nangaa criticised the state of siege as a hasty decision that has had negative consequences, pointing out that insecurity has increased in the provinces concerned.

Delly Sesanga, national deputy and presidential candidate in 2023, has also called for an end to the state of siege, describing it as a risky decision and a strategic failure.

The Minister for Industry, Julien Paluku, put forward proposals for a diplomatic, political and military approach to resolving the problems in the east of the DRC, stressing the need to provide financial support for initiatives such as the PDDRCS rather than limiting themselves to declarations of intent.

On the military-political front, Julien Paluku simply advocates an end to the state of siege, allowing civilians to return to all levels of territorial administration. He is also proposing the creation of an advanced General Staff in Beni to manage operations in Ituri and North Kivu, with an extension of Beni airport and direct command by the Supreme Commander. The aim is to avoid red tape and interference from the traditional military echelons.

He also suggested setting up an Army Defence Reserve to prevent the proliferation of armed groups known as "Wazalendo".

He stressed the importance of the President taking a decision that would bring peace to the population of the east of the country.

Willy Mishiki supports maintaining the state of siege because of the persistent threats to security, even though the majority of delegates at the round table are in favour of lifting it.

Patrick Muyaya insists on preserving the gains of the state of siege, particularly in Ituri where progress has been made.

Prime Minister Sama Lukonde announces that the conclusions of the round table will be forwarded to President Tshisekedi.

President Tshisekedi emphasised that decisions had been taken, notably in the context of the Nairobi and Luanda processes, and that observation on the ground would determine the next steps to be taken.

Victoria Nuland, acting US Under-Secretary of State, believes that the best solution to the crisis in the east of the DRC is diplomatic and welcomes the commitment of regional leaders to the Luanda and Nairobi processes.

### 3. The proposal on constitutional reform

Isidore Ndaywel recently proposed a reform of the country's constitution, suggesting major changes to the length of electoral mandates at different levels of government. According to his proposal, presidential terms would be extended to 9 years, non-renewable, i.e. double the current five-year term. The aim is to promote greater political stability, enabling presidents to implement their programmes over a longer period. At national legislative level, the draft proposes 7-year terms, renewable only once, to ensure continuity in legislative action while avoiding excessive entrenchment of MPs.

For regional legislatures, Isidore Ndaywel suggests 5-year terms, renewable once only, to encourage representation that is closer to regional interests.

A major consequence of this reform would be the holding of elections at different times, every two years, to avoid a major electoral crisis. This would avoid institutional paralysis in the event of electoral problems.

It is important to note that this proposal for constitutional reform is still at the initial stage and has not yet taken the form of a formal bill. However, it is giving rise to significant debate on the length of terms of office, political stability and the challenges associated with elections in the DRC.

At the same time, the Vent d'avenir party has called for a constitutional revision to reduce the presidential term to 10 non-renewable years and abolish the primacy in favour of a vice-presidency. This proposal has also given rise to debate within the Congolese political class. Some see it as a necessity, while others criticise it, but it is fuelling discussions about the country's political future.



Firstly, we need to question the idea of postponing elections in anticipation of an electoral crisis. The electoral cycles since 2006 have all seen irregularities, but this has not led to a paralysis of the state. The argument in favour of holding elections at different times remains to be proven.

Secondly, shortening the length of electoral mandates to two years would entail high costs for each electoral cycle. This approach could lead to violations of the Constitution and would have a negative economic impact.

Thirdly, the proposal for a nine-year presidential term lacks coherence, and the idea that the first year would be devoted to learning is not supported.

Fourthly, the nine-year term is atypical of other African countries. The DRC does not seem to justify such a long term compared with its African peers.

Fifthly, long presidential terms tend to be detrimental to economic development, inflation and the quality of institutions. The DRC, as a young African state, could be particularly vulnerable to these negative effects.

Secondly, elections are an important institution for ensuring a country's positive performance, particularly by promoting political competitiveness. Electoral changes have a positive impact on a country's trajectory.

In conclusion, there are many reasons to question the proposal for a single nine-year presidential term, in addition to the six reasons listed here.



## Box 4. Coups d'état<sup>1</sup> in sub-Saharan Africa in 2023: a step backwards?

Sub-Saharan Africa saw an upsurge in coups d'état in 2023, with at least five countries affected, including Niger, Burkina Faso, Gabon and Mali. These events have caused great concern in the international community, which fears that the continent's democratic gains could be set back.

### 1. The causes of coups d'état

The causes of coups d'état in sub-Saharan Africa are many and complex. They may be linked to political, economic or security factors.

Politically, coups d'état are often motivated by popular discontent with corruption, ineffective governments or the lack of prospects for change. In the case of Niger, Burkina Faso and Gabon, coups d'état have been triggered by challenges to the legitimacy of elections or election results.

On the economic front, coups can be the result of frustration with poverty, unemployment and inequality. In the case of Mali, the coup was triggered by the failure of the democratic transition and the deteriorating security situation.

In terms of security, coups d'état can be a response to the jihadist threat or to other armed conflicts. In the case of Niger, Burkina Faso and Mali, the coups were motivated by the army's desire to regain control of the security situation.

### 2. The consequences of coups d'état

Coups d'état have significant political, diplomatic and socio-economic consequences.

Politically, coups d'état undermine the legitimacy of democratic institutions and the democratisation process. They can also lead to political instability and the fragmentation of countries.

Diplomatically, coups d'état can lead to the suspension of diplomatic relations with the countries concerned and the imposition of economic sanctions. They can also damage the image of sub-Saharan Africa on the international stage.

In socio-economic terms, coups d'état can lead to a deterioration in the economic situation, an increase in poverty and inequality, and a slowdown in growth. They can also encourage violence and social instability.

### 3. What does the future hold for sub-Saharan Africa?

The coups d'état in sub-Saharan Africa in 2023 are a serious blow to democracy on the continent. They raise important questions about the future of governance in Africa and the ability of African countries to consolidate their democratic gains.

To prevent coups from becoming a lasting trend, it is necessary to strengthen democratic institutions, fight corruption and inequality, and address security challenges. It is also important to promote international cooperation and strengthen conflict prevention mechanisms.

The next few years will be decisive for sub-Saharan Africa. The continent will have to demonstrate that it is capable of overcoming the current challenges and continuing its democratisation process.

1. According to the Africa Center for Strategic Studies, there have been 108 successful coups d'état in Africa since 1950. This represents more than half of all the coups d'état that have taken place in the world during this period. The countries most affected by coups are the Central African Republic (20 coups), Chad (17 coups), Somalia (16 coups) and Burundi (11 coups).

# 3. Political and economic outlook

## Political outlook

The political outlook for the Democratic Republic of Congo (DRC) is uncertain. The country faces a series of challenges, including insecurity in the east, attempts at destabilisation by neighbouring countries and the weakness of the state.

Against this backdrop, the constitutional review is a divisive issue. Some analysts believe that the revision is necessary to strengthen democracy and governance in the DRC. They argue that the current Constitution is flawed and offers opportunities for corruption and nepotism. They call for a reform that would guarantee more balanced power and better protection of human rights.

Other analysts believe that the constitutional review is a distraction. They point out that the DRC has other more urgent priorities, such as security and economic development. They fear that the revision will be used by the government to consolidate its power and extend its mandate.

As things stand, it is difficult to say which perspective will prevail. Félix Tshisekedi's government has announced its intention to submit a constitutional reform proposal to parliament. However, it is unlikely that the reform will be adopted without a national consensus.

The DRC's political prospects are therefore linked to the ability of the various stakeholders to find a compromise and work together to meet the country's challenges. If discussions on constitutional revision can be constructive and lead to a reform that meets the needs of the population, they can help to improve the country's political prospects. On the other hand, if the discussions are confrontational and do not lead to a solution, they could exacerbate tensions and make it even more difficult to resolve the problems facing the DRC.

The following are some elements that could help to improve the DRC's political prospects:

- greater participation by the population in the political processes, in particular the constitutional review
- Reform of the electoral system to ensure free and fair elections.
- Improved governance and the fight against corruption.
- regional cooperation to combat insecurity and destabilisation.

If the DRC succeeds in meeting these challenges, it will be able to build a more stable and prosperous future.

## On the economic front

The economic outlook for the Democratic Republic of Congo (DRC) is marred by a number of socio-economic and political challenges. The continuing impoverishment of the population, political tensions in the run-up to the elections, poor governance of public finances and persistent insecurity in the east of the country are all obstacles to the country's economic development.

Despite these challenges, the DRC's medium-term economic outlook is considered favourable by international financial institutions. The World Bank forecasts GDP growth of 8% in 2023 and 7.2% in 2024, driven by the extractive sector. The budget deficit should fall to 2.6% of GDP in 2023 and 2.2% in 2024, and the average debt ratio should stabilise at 24.1% of GDP between 2023 and 2024. The current account should record a deficit of 4.0% of GDP on average between 2023 and 2024.



To achieve these objectives, the DRC will have to overcome a number of challenges. Political stability is essential to attract investment and stimulate the economy. The government must also tackle corruption and poor governance of public finances. The development of infrastructure and public services is also necessary to create a favourable environment for business.

The economic outlook for the DRC is therefore mixed. On the one hand, the country has significant economic potential, particularly in the extractive sector. On the other hand, the DRC faces a number of socio-economic and political challenges if it is to capitalise on this potential.

The government must therefore take appropriate measures to improve the DRC's economic prospects. These include :

- ♦ strengthening security in conflict zones, particularly in the east of the country
- ♦ reducing corruption and improving the transparency of public finances
- ♦ Investing in infrastructure, particularly transport, energy and education.
- ♦ Strengthen the capacity of public institutions.
- ♦ promote inclusive growth and poverty reduction.

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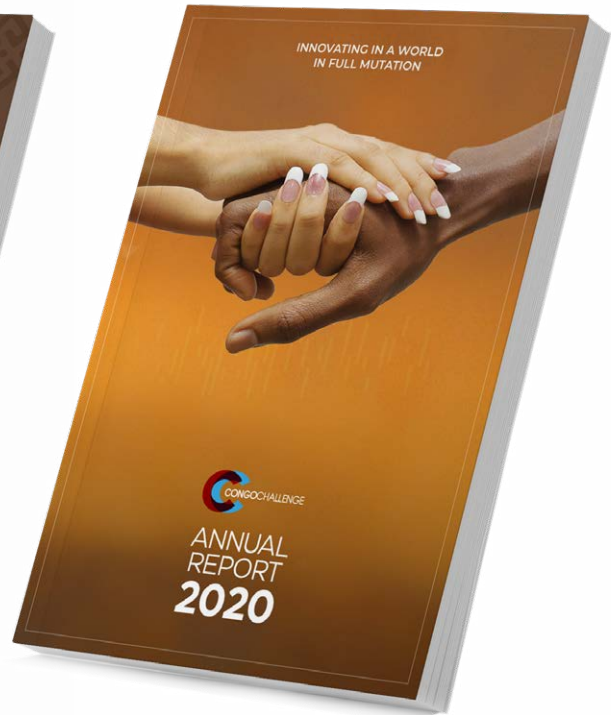


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**Dixit Machiavel**

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

**The monthly bulletin Issue 76**

**Published in September 2023**

September 2023. Copyright©CongoChallenge2023  
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