

**CONGO CHALLENGE
THE MONTHLY BULLETIN**



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

Issue 58 | February 2022

Kinshasa, DCR

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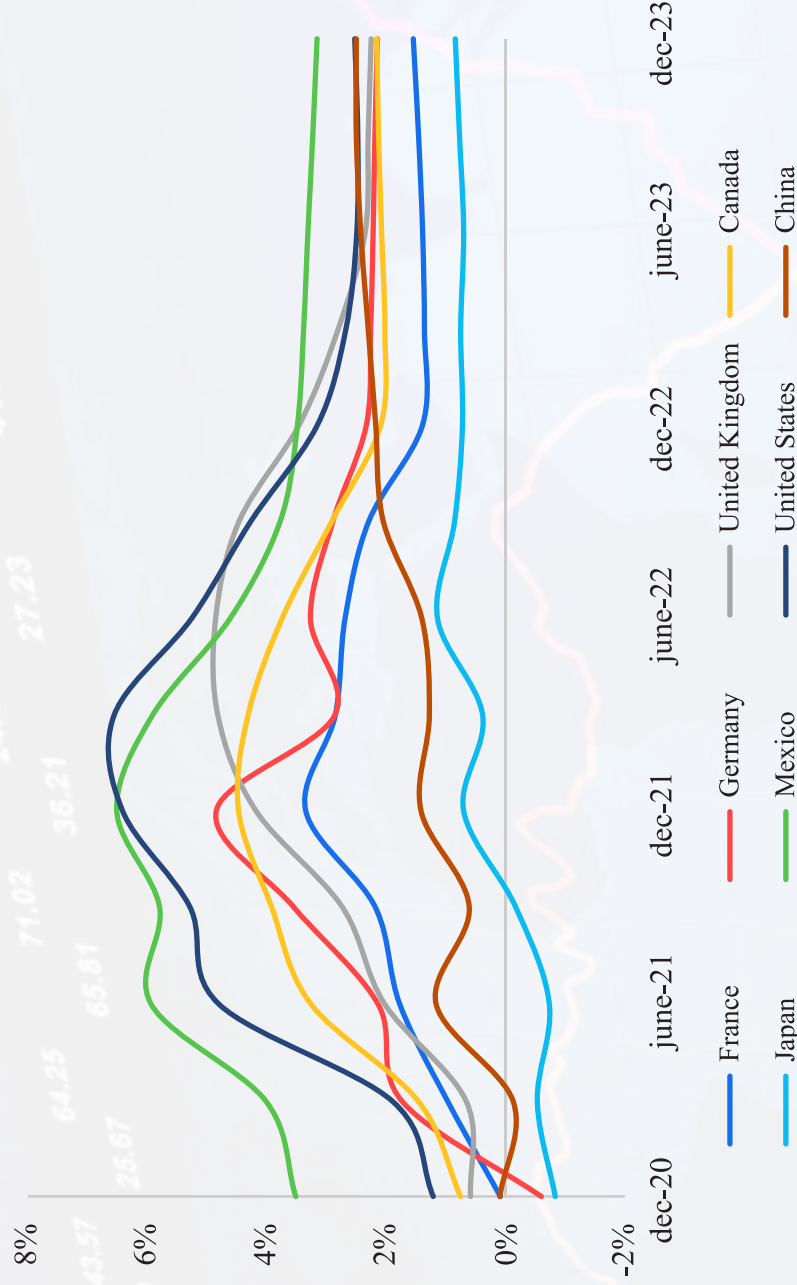
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This monthly bulletin was translated by Congo Challenge staff. The original version is in French. Thus, the translated version may contain some shortcomings without altering the content of the original one.

Kinshasa, DRC

Global Inflation Rate Projections



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- Germany
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Matata Ponyo Mapon

What I think

Professors of University and Politics

I think that teaching at the university is a different job from being a politician. A professor is in charge of teaching, especially at the university, a high place of knowledge. He is a specialist in a specific field of which he is supposed to have a perfect command. Generally, it is someone who has obtained a doctorate degree after a few years of post-graduate studies. In principle, beyond his hourly workload at the university, he does research whose results are published to guarantee the progress of humanity. A politician, on the other hand, makes the management of the city his main job. He can work in the presidency, in the government, in the parliament or in the territory. He works to improve the living conditions of the population through the implementation of several projects. He has therefore the obligation of results for the benefit of the whole country. The politician is different from the politician, or "politician". The latter is often scheming and resorts to tactics aimed at prioritizing his personal goals over those of the community.

I think that a professor of university can be a good teacher without being a good politician. Indeed, to teach is to transmit knowledge to students. It is enough to master one's field, to prepare one's lesson well and to transmit the material well to accomplish one's mission to the great satisfaction of the learners. Is this enough to be a good politician? Not necessarily! Because the field of teaching remains essentially that of theory, research, discussion and debate. It is an environment where there are hardly any restrictions on freedom of thought and expression. Politics, on the other hand, is the realm of the concrete or the practical. It is the place par excellence for the application of knowledge produced by the university or the implementation of the fruits of research, both of which are the crucible of science. It is a place where contradictions and burdens of all kinds are expressed, which hinder the implementation of different theories.

I think that a university professor can become a good politician. All he has to do is to put the theories he teaches at the university or the products of his

research into practice properly. Obviously, with a subtle mix of theory and practice required by the political environment is more than necessary. Professor Raymond Barre, called the best economist in France at the time, was a good Prime Minister in France from 1976 to 1981. Of course, as soon as he was appointed to this position, he expressed his willingness to "exercise his function of prime minister in the fullness of his attributions". Another recent example is that of Angela Merkel, a physics professor who has just led Germany in an excellent way for 16 years. From 2006 to 2021, she was considered the most powerful woman in the world and enjoyed a particularly high popularity rating until the end of her term. We can go back to the history of the DRC to talk about the case of the law professor Marcel Lihau, who held several public offices in an excellent manner, notably that of Secretary of State for Justice from 1961, but who was dismissed in July 1975 from his functions as professor and president of the Supreme Court of Justice for having refused to compromise himself by accompanying President Mobutu in the illegal.

I think that the implementation of a theory taught at the university is more complex than one can imagine. This is why some university professors sometimes become bad politicians. Quite simply, because they are unable to put into practice the theory they teach at university. **In addition to knowledge, you need good leadership and governance.** Thus, a good professor of economics may not be a good minister of finance or, even less, a good governor of the Central Bank; a brilliant professor of political science may turn out to be a mediocre politician at the head of the Ministry of Interior or Territorial Administration; some specialists in international relations may become bad ministers of foreign affairs. We have experienced this in this country, mainly during the Second Republic. To castigate the inefficiency of several university professors who worked alongside him as prime ministers, ministers, cabinet directors, advisors or CEOs, President Mobutu spoke of the Republic of professors. A cynical message to say that the brilliance of some of them was limited to the university. When the Republic offered them the



opportunity to put their skills into practice, they did not succeed. Was the environment conducive?

I think that President Mobutu was not wrong to denounce this flagrant contradiction, because the republic of professors continues to function unfortunately until today. Indeed, some of them are the first, when they teach at the university, to demonstrate how one conceives and implements a policy of health, industrialization, or education; in short, how one develops a country. Moreover, they excel in criticizing the incompetence or bad governance of the policies that are at the root of their country's underdevelopment. This builds their reputation in academic, professional and community circles. But, when they are entrusted with the management of ministries or public institutions, they are sometimes worse than those they criticize. Why? First, because teaching theory is easy, putting it into practice is complex and difficult. Second, because some professors use their degrees as a springboard to power. In fact, they do not come to politics for the general interest, but for their own interests. As a result, they do not know how to apply the theory they teach at the university, unlike their colleagues mentioned above who have made a better combination of theory and practice or have refused to fall into the trap of bad governance.

I think that one can be a good politician without being a university professor, or without having been to university. The most important thing is to have a very good base of knowledge learned at school, which can be supplemented by reading and practical training, self-didactics. Examples of non-academic leaders who have contributed to the economic progress of their countries are legion. Pierre Bérégovoy had only an elementary diploma and a certificate of vocational aptitude (CAP) as a fitter, but he became Minister of Finance and Prime Minister in France. He was nicknamed "Monsieur de la rigueur" or "Monsieur le Franc fort". The most recent and striking case is that of President Lula da Silva who led Brazil from 2003 to 2010. Coming from a very poor family and lacking means, he stopped studying at the age of about 15. He only had a school certificate. He was a shoe shiner, orange and peanut seller before becoming a lathe worker and trade unionist in a metallurgical industry. But when he became President of the Republic in 2003, thanks to his social program Bolsa Familia, Lula da Silva succeeded in reducing by half (from 9.7% to 4.3%) the percentage of the population living in extreme poverty and by 15% the income inequality in the country. The satisfaction rate of the population when he left office was 80%. He was considered one of the most popular left-wing presidents in the world. Former President Barack Obama did not hesitate to call him "the most popular politician on earth. Although he

never went to university, he received several honorary doctorates from prestigious universities in the US and Europe. And the Brazilian population was willing to let him run for another term despite constitutional restrictions. He refused to make the switch.

I think that the political vagrancy of professors who lack leadership and governance and who seek personal rather than community interests is likely to deflate the prestigious function of university teaching and, in the long run, to mortgage the future of the country. How else can one understand how a professor of political science can claim to be a major player in both the opposition and the government? On the one hand, he is an influential member of the think tank of his party, which is in opposition, and on the other hand, he develops strategies to be implemented by the party in power against his own party. How can he at the same time advise the party that seeks to remain in power and his own party that seeks to dislodge the one in power? How can he advise the party in power to defeat the opposition in which he finds himself and which he defends and protects? This is in flagrant contradiction with the political science teachings that he himself continues to give at the university. It is as if he were the advisor of both God and the devil! It is enough to resurrect Nicholas Machiavelli, the famous author of "The Prince". How do you expect students to believe him when "Prof. Dr." is not able to apply what he teaches at the university? Will he say to them, in reference to the Gospel according to Saint Matthew: "Do what I say, but do not do what I do"? Is this not a confirmation of what François Rabelais said in the sixteenth century: **"science without conscience is but the ruin of the soul"**.

Kinshasa, february 13, 2022.



Executive Summary

Economic situation

- **At the international level**, the International Monetary Fund's (IMF) updated economic outlook indicates that the growth rate of the world economy is expected to fall from 5.9% in 2021 to 4.4% in 2022, half a percentage point lower. This slowdown is expected to be due to the downturn in China's real estate sector and a slower recovery in US private consumption.
- As a result of supply disruptions and rising energy prices, inflation rates in several countries around the world are expected to remain at higher-than-expected levels, particularly in the United States and Mexico. However, the Asian economies - China and Japan in particular - remain largely unaffected.
- On the financial markets, stock market indices continued to fall during the month of February 2022. This deterioration in stock market performance can be explained, on the one hand, by the escalation of geopolitical tensions in Ukraine, and on the other hand, by a potential schedule of monetary tightening at the Fed (US Federal Reserve).
- In the international foreign exchange market, energy supply constraints caused by the war in Ukraine led to massive purchases of the US currency, causing the euro and the pound sterling to depreciate against the greenback. In Asia, the Chinese yuan began a phase of sustained appreciation, supported by the use of the cross-border interbank payment system (CIPS) by Russian banks.
- In terms of commodities, copper prices have moved sharply up and down, peaking at over USD 10,200 per metric ton in the second week of February 2022. Gold prices have maintained their upward trend since last January, following the conflict in Ukraine, which weighed heavily on equities and boosted demand for precious metals as a safe haven. In the last week of February, crude oil prices broke through the symbolic 100 USD per barrel level, following the panic generated by the Russian attacks in Ukraine.
- After exceptionally strong performance since the second half of 2020, global goods trade contracted from the third quarter of 2021. Through 2022, developed economies are expected to suffer more from supply bottlenecks according to the World Trade Organization (WTO), which could delay the recovery of trade.
- **At the national level**, as in the previous month, the macroeconomic framework remained stable. Indeed, the dynamics of the exchange rate remained broadly stable in February 2022, although compared to its level at the end of January 2022, the exchange rate depreciated slightly by 0.04% on the interbank market and by 0.16% on the parallel market. In the goods and services market, the weekly inflation rate was 0.09% in the third week of February 2022. This implies a year-to-date inflation rate of 0.79% compared to 0.47% at the end of the previous month. The year-on-year inflation rate was 5.31% in the third week of February 2022. At this rate, the inflation rate at the end of December 2022 is expected to be 6.01% compared to the January 2022 rate of 0.39%. Compared to the situation of the previous year, an acceleration in prices of 18% was observed between the end of December 2021 (5.07%) and the expected inflation at the end of December 2022 (6.01%).
- On the public finance side, the Treasury recorded a surplus of millions 16502 of CDF in the third week of February 2022, compared to a surplus of millions 114849 of CDF in the previous month. However, these figures may change at the end of the month and it is possible that the Treasury will record a deficit, particularly with the payment of salaries.
- Finally, the economic news of February 2022 was marked by several important events: (i) the suspension of the activities of the company EGAL; (ii) the upward revision by the World Bank of the envelope allocated to the DRC; (iii) the revelation of the content of the National Strategic Plan for the



exploitation and certification of the DRC's mineral resources; and (iv) the contradictions surrounding the financing of electoral operations.

- Political situation

Four points made the news in February, namely: (i) the exclusion of Jean Marc Kabund from the Upds and the reactions that followed; (ii) the creation of the Progressive Front by 40 national deputies of the Ensemble pour la république; (iii) the controversy surrounding the publication of the electoral roadmap by the Ceni; (iv) the arrest of the Head of State's Special Adviser on security and the rumors of a failed coup.

After his removal from the party and the fact that he held the position of First Vice President of the Assembly on behalf of the party, Jean Marc Kabund continued to be pressured by the party, which announced its intention to refer the matter to President Mboso, in order to obtain his ouster from the National Assembly as Vice President, if he did not submit his resignation.

On the side of the party Ensemble pour la République, a group of deputies described as "progressives of Ensemble" called on the leaders of their party as well as its members within the government, to clarify their position in the Sacred Union, considering that there was no reason to be hypocritical, calling on them to draw all the consequences of their refusal to share the balance sheet of management of state affairs as distilled in the opinion.

In the chapter of the elections expected in 2023, the Independent National Electoral Commission (INEC) has released a roadmap of the electoral process, which, according to it, can be respected only if a number of constraints (political-security, financial, ... as well as the reforms) are overcome.

In terms of the country's internal security, the arrest of François Beya, special advisor to the president of the republic, Félix Tshisekedi, by military intelligence agents and his hearing throughout February at the ANR offices, raised the spectre of a failed coup de force, with implications for both the political and military communities, which prompted comments in all directions.

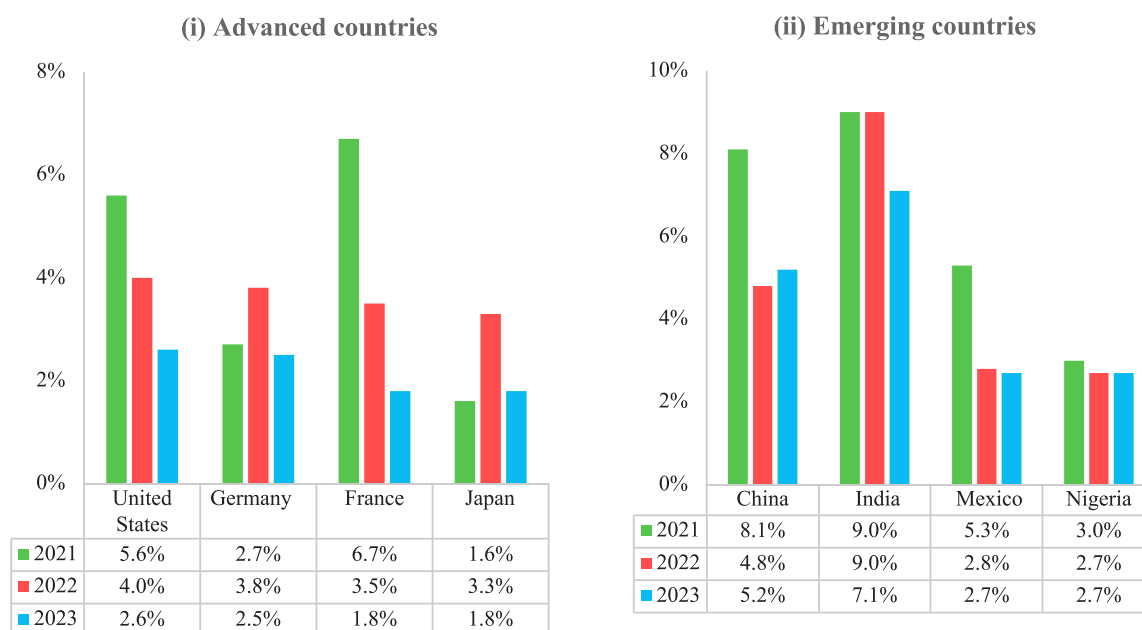
1. International context

I.1. Economic growth

After a strong rebound in 2021, the world economy enters 2022 in a weaker position than expected, especially given the downturn in China's real estate sector and the slower recovery in private consumption. According to the International Monetary Fund's (IMF) updated economic outlook, the global economic growth rate is expected to fall from 5.9% in 2021 to 4.4% in 2022,

half a percentage point lower. On average for the year 2022, advanced countries are expected to grow by 3.9% (compared to 5.0% in 2021) and emerging countries by 4.8% (compared to 6.5% in 2021). As a result, the world economy is not expected to return to its pre-pandemic level until 2023.

Chart 1 » GLOBAL ECONOMIC GROWTH PROJECTIONS



Source : IMF.

As shown in Figure 1, the United States and France are expected to experience recessions in 2022, while Germany and Japan are expected to grow at higher rates in that year. Among the emerging countries, China and Mexico are expected to achieve significantly lower growth rates than in 2021, while India's economy is

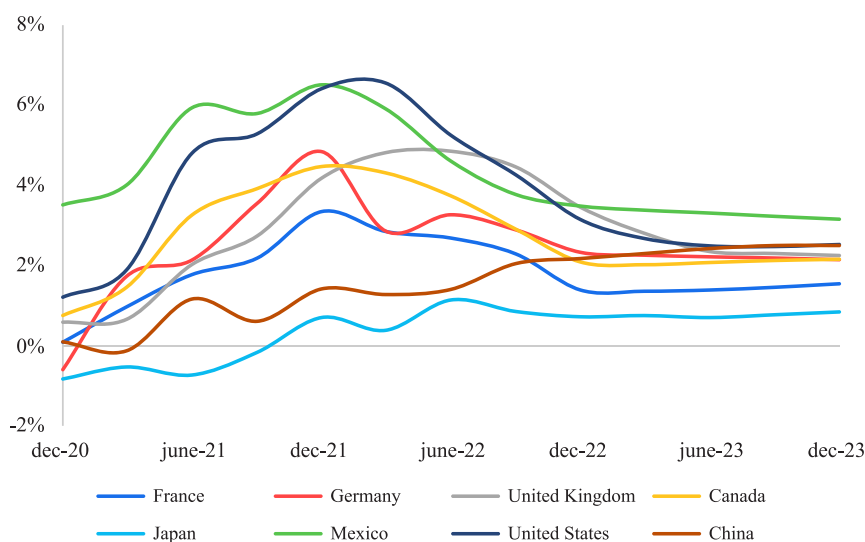
expected to stagnate. This slowdown in global growth is essentially the result of a less vigorous expansion of the American (weak private consumption) and Chinese (downturn in the real estate sector) economies.

I.2. Inflation

Rising energy prices and supply disruptions are expected to keep inflation higher than expected, particularly in the United States and many developing countries such as Mexico, while Asian countries have so far been spared. According to the IMF, this high inflation will persist much longer, as supply chain disruptions and rising energy prices are expected to

continue until the end of 2022 of the year. If inflation expectations remain well anchored, observed rates will gradually decline as supply/demand imbalances ease by early 2023 and monetary policies in major economies take effect.

Chart 2 » GLOBAL INFLATION RATE PROJECTIONS



Source : OECD.

In the face of the uncertainties surrounding inflation dynamics, as described above, higher policy rates by advanced countries could jeopardize financial stability and pose risks to capital flows, currencies and public

finances in developing countries. However, this tightening of monetary policy remains the optimal solution to contain this price pressure.





I.3. Financial market

The fall of the stock market indices, which began in January, continued during the month of February 2022. On Wall Street, the Dow Jones, the S&P-500 and the Nasdaq reached lows of 33,100 points, 4,200 points and 13,000 points respectively. On the European stock markets, the DAX-40 and CAC-40 indices reached lows of 14,050 points and 6,520 points respectively. As for the Nikkei, its trajectory indicates a low of 25,970 points in the last week of February 2022.

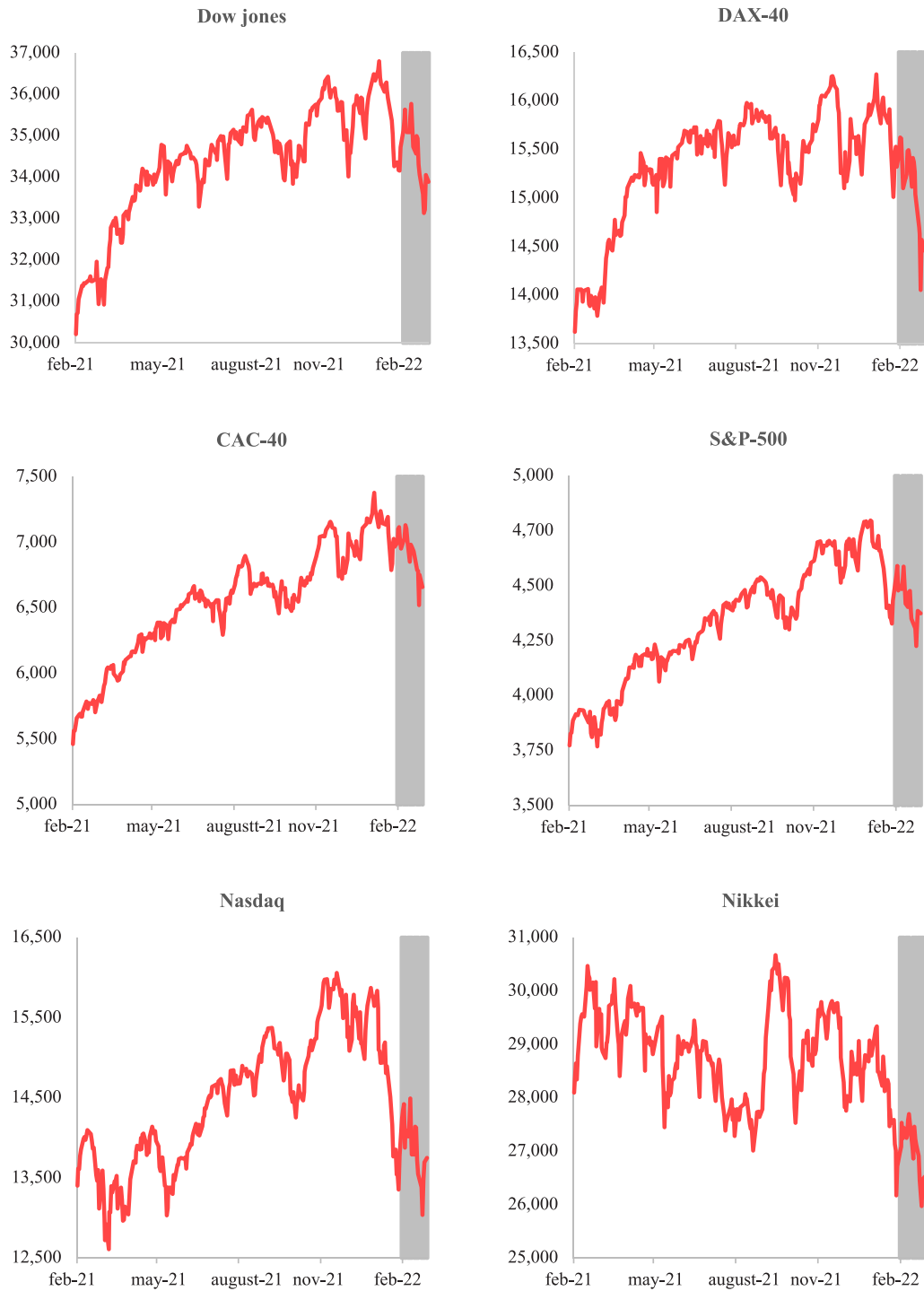
This deterioration in stock market performance can be explained by fears of an escalation of geopolitical tensions in Ukraine and by a schedule of monetary

tightening at the Fed (see subsection 1.2). Indeed, the NATO-Russia dispute over Ukraine is creating a climate of uncertainty that is weakening the level of financial confidence, particularly in the West. Also, the prospect of a much less accommodative monetary policy this year in the U.S. - as part of the fight against inflationary pressures - has reduced the optimism of private investors. As might be expected, this monetary tightening has weighed heavily on stock market valuations.





Chart 3 » DAILY TRENDS IN THE MAIN STOCK MARKET INDICES



Source : Macrotrends.



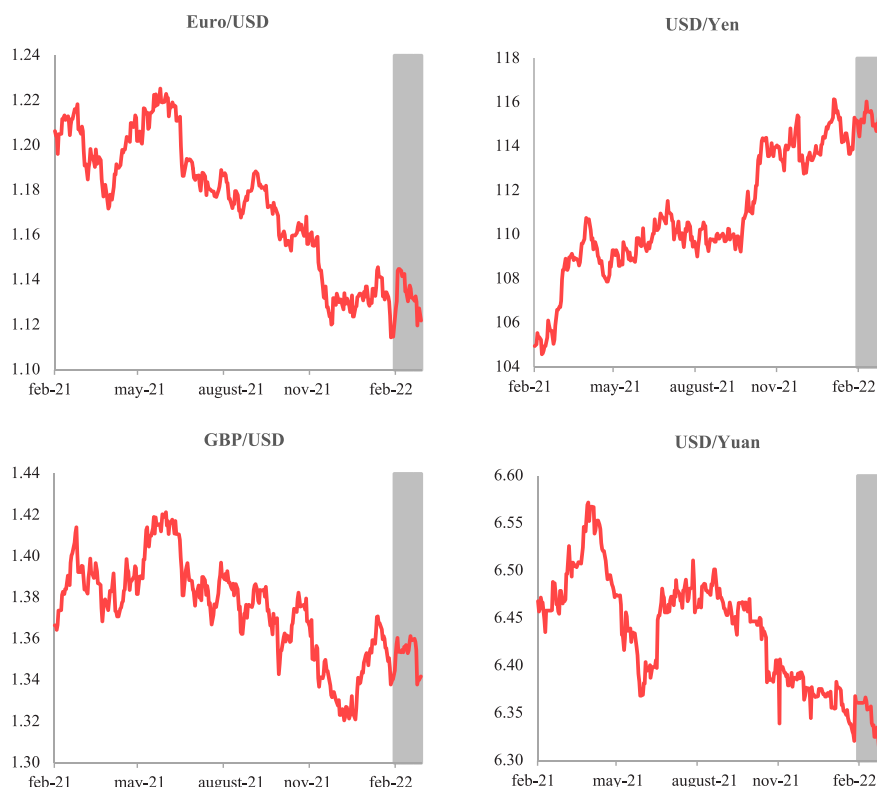
I.4. Foreign exchange market

As a result of energy supply constraints in the European Union caused by the war in Ukraine, the euro reached its lowest level since June 2020. The ensuing massive purchases of the U.S. currency have led the euro-dollar curve to sink during the month of February 2022. The same is true for the pound sterling, whose exchange rate against the greenback remains under pressure from the crisis, causing the US dollar to appreciate.

On the Asian continent, the Chinese yuan has been in a sustained appreciation phase since the last half of January 2022. This surge of the Chinese currency has been reinforced by the recourse of Russian banks to the cross-border interbank payment system (CIPS)¹, following the eviction of the SWIFT system imposed

on them by the Western countries. If this offensive by the yuan continues structurally, it could challenge the hegemony of the US currency in the short term and make the Chinese currency an international reference in the long term. Finally, the Japanese yen depreciated slightly against the U.S. dollar during the month, posting an exchange rate above the USD/JPY 115 mark.

Chart 4 » DAILY EVOLUTION OF THE MAIN EXCHANGE RATES



Source : Macrotrends.

1. The CIPS payment system was developed by China in 2015 and is mainly used to settle international credits in yuan, thus acting as an alternative system to SWIFT.



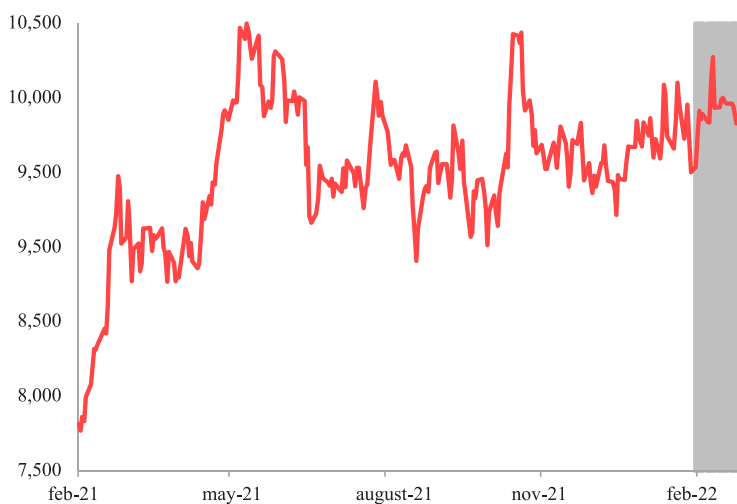
I.5. Market for strategic products

- Copper

Throughout the month of February 2022, copper prices have moved sharply up and down as shown in Figure 5. Within this dynamic, a peak of more than USD 10,200 per metric ton should be noted during the second week of the current month. This upturn is

likely to be explained by tensions in the supply of the red metal as well as by the drastic increase in Chinese imports since December 2021. The resulting price surge is expected to last for a long time, undermining current energy transition efforts.

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

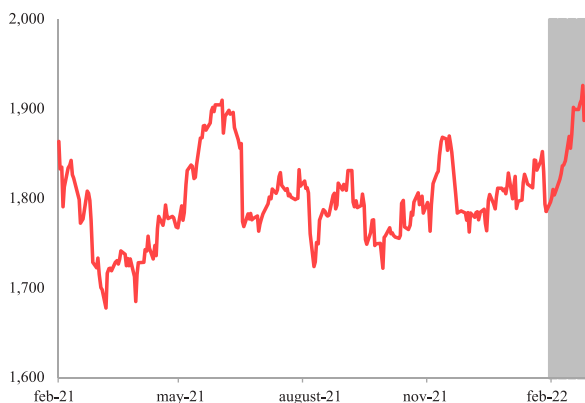


Source : Macrotrends.

- Gold

During the month of February 2022, gold prices have maintained the upward trend that began in January. As predicted by Congo Challenge in its previous monthly economic newsletter, gold prices have surpassed their October 2021 level of more than USD 1,850 per ounce and are heading towards the symbolic USD 2,000 mark. The main factor behind this price rally remains the escalating conflict in Ukraine, which has weighed heavily on equities and boosted demand for precious metals as a safe haven. Thus, gold prices will remain dependent on geopolitical tensions in Eastern Europe in the near term.

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



Source : Macrotrends.

- Oil

Crude oil prices were particularly volatile during the month of February 2022, but solidly maintained their upward trend as shown in Figure 7. In the last week of February, prices broke through the symbolic USD 100 per barrel level, following the panic generated by the Russian attacks in Ukraine. Since the consequences of this Russian-Western conflict on energy supplies are still rather uncertain, Russia being the third largest oil producer in the world, the price of black gold is therefore considered a measure of the geopolitical fever that is raging.

Moreover, the Ukrainian crisis comes at a time when oil prices were already on the rise due to a lack of supply and a strong recovery in global demand caused by the lifting of health restrictions imposed to fight the pandemic. We should therefore expect a continued lull in crude oil prices in the coming weeks, especially if the OPEC+ countries maintain their decision not to increase production volume, despite the fact that prices are rising.

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



Source : Macrotrends.





I.6. International trade

After exceptionally strong performance since the second half of 2020, global goods trade has been contracting since the third quarter of 2021. During 2022, the supply chain disruptions discussed above are expected to remain strong. Indeed, developed economies are suffering more from supply bottlenecks than from demand difficulties. According to the World Trade Organization (WTO), nearly three-quarters of the current contraction in international trade volumes

is due to the inability of firms to produce because of a lack of inputs and raw materials, with the remainder attributed to longer transportation times. However, the outlook for freight transportation is expected to improve in the near future, as new shipping capacity ordered by industry operators is expected to be operational before the end of this year, and increased U.S. spending on port infrastructure is expected to help smooth shipping traffic.

Box 1. War in Ukraine: Between Russian attacks and Western sanctions

1. Introduction

The Russia-Ukraine conflict emerged following the Mayan revolution of February 22, 2014. This revolution was marked by strong violence and protest movements against the Ukrainian government's decision to sign an association agreement with Russia, at the expense of the European Union (EU). It was because of these protests that the Russian-speaking leaders in Ukraine were overthrown, in order to favor an alliance with Western countries (especially the EU and the United States).

In response to this lost battle, Russia annexed Crimea as of March 18, 2014, a Ukrainian peninsula on the Black Sea. Since then, Ukraine has been divided into two blocs: (i) the western regions (Kiev especially) controlled by the pro-European party; and (ii) the eastern regions (Donbass especially) controlled by the pro-Russian party. It took almost eight years, on January 10, 2022, for negotiations to begin between the East (Russia) and the West (EU and U.S.) to preserve peace in Ukraine. Unfortunately, these negotiations did not succeed, and President Vladimir Putin launched an offensive deployment in Ukraine on February 23, 2022 in a speech in which he recognized the independence of the Donbass Republics (Donetsk and Lugansk).

2. Causes of Russian attacks

As a result of the Kremlin's offensive rhetoric, deadly fighting broke out between the Russian and Ukrainian armies on February 24, 2022, from the eastern border to the gates of Kiev, the country's capital. As a result of these clashes, the Chernobyl nuclear power plant was taken, after the Russian army launched a massive air, sea and land attack against Ukraine. These destructive and devastating attacks have caused more than a dozen deaths, and this number could increase if the struggles continue.

What Russia blames the West for are the attempts to extend the North Atlantic Treaty Organization (NATO) to the East. The geostrategic interest of Russian control of Ukraine lies in the economic importance of the two Donbass republics. Indeed, they are home to numerous coal mines, and it is through their territories that Russian pipelines supply Europe with oil and gas. It is therefore not unreasonable to think that European resistance is likely to threaten the continent's energy supply. However, this energy issue carries a double dependence, as Russia's GDP is 30% dependent on oil and Europe imports 40% of its gas from Russia.

3. Nature of the Western intervention

Given this real possibility of a war breaking out in the heart of the European continent, is the Ukrainian army sufficiently equipped to deal with Russian forces? Military statistics seem to indicate otherwise, as Table 1 shows.



Table 1 » Comparaison des forces militaires ukrainienne et russe

Military endowments	Ukraine	Russia	Power ratio
Troops	1 100 000	2 900 000	2.63
Active workforce	200 000	900 000	4.50
Reserve Staff	900 000	2 000 000	2.22
Assault aircraft	98	1 511	15.42
Assault helicopters	34	544	16.00
Combat ships and submarines	1	83	83.00
Battle tanks	2 596	12 240	4.71
Towed artillery	2 040	7 571	3.71
Armoured vehicles	3 309	15 957	4.82

Note : The power ratio indicates the relative size of the Russian military force compared to that of Ukraine. It is obtained by dividing each Russian endowment by the corresponding Ukrainian endowment.

Source: Global Firepower, IISS Military Balance

Table 1 shows that (i) the number of Russian troops is more than double that of Ukraine, (ii) the Ukrainian air force is one-tenth that of Russia, and (iii) the Russian ground force is more than three times that of Ukraine. These evidences of the military superiority of the Russian army attest to the necessity for Ukraine to have the support of foreign powers, especially the American army, without which it would be utopian to stand up to Russia.

However, U.S. President Joe Biden has made it clear that the U.S. does not plan to send combat troops to Ukraine. Instead, it has offered Ukraine advisers, weapons and field hospitals. In addition, the Western alliance is warning Putin of a series of draconian economic sanctions against Russia. Among these sanctions imposed on the Russian economy are :

- The disconnection of the network of Western financial institutions from all Russian government transactions. With this measure, the United States is targeting high-ranking Russian elites ;
- The adoption by the EU of broad sanctions against all members of the European Parliament who supported the "illegal" decision of Russia to recognize the independence of the eastern regions in Donbass in Ukraine ;
- The closure of the airspace of the 27 EU member states to Russian airlines and to all traffic of aircraft registered or controlled by Russia ;
- The suspension of the approval of the Russian gas pipeline project Nord Stream II by Germany. This project represents a major investment for Russia, but also for European companies ;
- UK targeting of five major Russian banks and three billionaires ;
- Suspension of the issuance of visas by the Czech Republic to Russian citizens as well as the closure of the Czech consulate in St. Petersburg.

Ultimately, the Western alliance is calling on the entire international community to isolate the Russian banking system from the international payment system SWIFT. The objective of this economic-financial sanction is to dissuade Russia from continuing these bloody armed struggles, and thus to defuse this potential crisis while it is still possible.



4. Conclusion

As mentioned above, Europe and the United States have decided on new economic sanctions against Russia in order to deter it from continuing the war in Ukraine. However, history shows that this economic-diplomatic weapon is rarely effective. Already following the annexation of Crimea, Russia was hit with an arsenal of sanctions from the West. According to the IMF, Russia subsequently lost only 0.2% of its GDP. Moreover, according to the Swiss institute "Targeted Sanctions Consortium", only 22% of the countries that have been subjected to economic sanctions in recent years have changed their policies. It is therefore not unreasonable to speculate on the limited effectiveness of the measures taken by the Western alliance to suffocate the Russian economy.

In order to put an end to this impending war, the diplomatic route remains a possible way out. But this cooperation between diplomats is only possible at the price of enormous sacrifices on the part of both Russia and the Western alliance in terms of transparency. The cooperation could consist in the establishment of a modus vivendi between the great powers of the planet in order to preserve a climate of peace in the world, thanks in particular to arms control, the limitation of missiles and especially the non-use of nuclear weapons.



2. National context

II.1. Evolution of the national economy

The economic news of November 2021 was marked by several notable facts, including (i) the suspension of the activities of the company EGAL; (ii) the upward revision by the World Bank of the budget allocated to the DRC; (iii) the revelation of the contents of the National Strategic Plan for the exploitation and certification of the DRC's mineral resources; and (iv) the contradictions surrounding the financing of electoral operations. More explicitly, these facts are presented as follows:

1. Suspension of the activities of the company EGAL

Since February 1st, 2022, Entreprise Générale d'Alimentation et de Logistique (Egal SARL), the main supplier of fresh food and other food products in Kinshasa and other cities in the DRC, has suspended its activities.

Indeed, in its press release, the company states that this decision is the result of the multiple operating difficulties it has been facing for several months. This halt in the marketing of fresh food and other food products is in addition to the decision taken in December 2021 concerning the closure of its agricultural activities in Kanga in the province of Central Kongo.

Opinion is divided on this issue. Some people think that the exemptions and other advantages obtained by Egal at the importation were necessary for a supply of fresh food at relatively accessible prices for the population. Others believe that EGAL SARL has been involved in tax evasion and fraud for several years, as well as in the manipulation of its price structures. For those who rely on the second opinion, it is the regulation of prices and the suspension of customs exemptions from which EGAL benefited that led to the cessation of activities of this firm.

However, regardless of the logic, these two decisions taken by EGAL SARL are likely to accentuate the slope of food insecurity and loss of purchasing power of the population. Indeed, if we consider the fish market as an illustration, in spite of its enormous halieutic potential estimated at 700 000 T per year, the production of the DRC is very weak (approximately 250 000 T per year) against a demand estimated at 450 000 T per year. Consequently, the country is obliged to import 200,000 tons of fish per year, including the famous horse mackerel fish, which are accessible to all segments of the population. A few years ago, ORGAMAN was one of the leading producers of fresh food in the DRC. Unfortunately, the operating difficulties and the political constraints it faced led it to interrupt its initial activity to focus on other agri-food sectors.

The suspension of the activities of Egal SARL will have negative consequences, as it was the case for ORGAMAN, on the supply of fresh food, the purchasing power as well as on employment since the workers of this company will be added to the important number of unemployed people that the country already had.

Thus, it is necessary for the government to take balanced measures to satisfy both the suppliers and the demanders. At a time when Covid-19 has already weakened our economy, it is necessary to put in place relevant reforms to reduce food insecurity, notably through (i) the development of our fisheries, (ii) better regulation of food prices that takes into account market laws, (iii) the establishment of an attractive framework for investment in agro-industry as well as the continuation of the development of agro-industrial parks, in particular with the re-launch of the Bukanga-lonzo Park.

2. World Bank's allocation to DRC revised upwards

The World Bank has announced, through Mr. Jean-Christophe CARRET, Director of Operations, an increase in the envelope allocated to the DRC to support the improvement of governance.

According to this announcement, the envelope allocated to the DRC would amount to 1 billion US dollars per year. According to Jean-Christophe CARRET, these funds would be of public and private origin. The Director of Operations of the World Bank also specified that the recourse to private funds is explained by the immensity of the country. Indeed, he said that, given the vastness of the DRC, the size of the population, it is not possible to finance all infrastructure with public money, hence the use of private money. He added that it was a common practice within the World Bank to use the funds made available to the Republic to reassure private investors, to ensure that there is a leverage effect with public money than private money.

More specifically, Jean-Christophe CARRET indicated that in 2022, two new infrastructure projects will be presented to the Board of Directors of the World Bank including: (i) the continuation of certain segments, the tarring of national roads 1 and 2, those that cross the Kasai, then those that go up along large lakes from Bukavu to Bunia; and (ii) the improvement of access to water and electricity in most of the major cities of the DRC.

All these projects are important and can contribute to the improvement of the socio-economic situation of the populations. However, the problem lies in the leadership in the management of these projects and in financial governance. Indeed, recent developments have shown that the funds received by the DRC to finance several infrastructure projects have not reached the expected objectives. Significant sums have been misappropriated and projects have not been completed due to insufficient leadership and poor management of the funds intended for these projects. It is therefore important to eradicate this scourge upstream to allow the realization of the above-mentioned projects.

3. Revelation of the content of the National Strategic Plan for the exploitation and certification of the DRC's mineral resources

On February 5, 2022, the Minister of Mines, Antoinette N'samba Kalambayi, presented, during the 39ème meeting of the Council of Ministers, the content of the National Strategic Plan for the exploitation and certification of the mineral resources of the DRC.

This document has four main objectives including (i) acquisition, centralization and improvement of geoscientific infrastructure; (ii) identification of new mineral occurrences; (iii) discovery of new deposits; and (iv) estimation of mineral resources.

She specified that taking into account the economic interest of the mineral substances and the accessibility of the zones available for exploration, some selected priority squares were divided into six (6) blocks covering respectively the provinces of Kasai, Ituri, Tanganyika, Grand Equateur, Grand Kivu, Kongo Central and Kwango. She stressed that it is by starting a mining exploration campaign that the DRC will be able to highlight economically profitable deposits whose mineral reserves would be subject to certification.

Thus, this Plan was adopted by the Government and it is the responsibility of the latter to valorize (in particular by transformation and creation of added value before marketing) and to protect the mining assets constituting an adequate mining portfolio with the aim of boosting the national economy and supporting the financing of the construction and modernization of infrastructures.

4. Contradictions around the financing of electoral operations

On February 12, 2021, the President of the Independent National Electoral Commission (CENI), Mr. Denis KADIMA, denounced the attitude of the Congolese government, which, according to him, had not disbursed the funds planned for the organization of the elections scheduled for 2023. Denis KADIMA declined responsibility for any probable postponement of the elections.

He also said that he is considering involving the diaspora in the upcoming elections, which requires additional financial efforts given the significant cost of organizing the electoral polls, which is in the order of US\$600 million. At present, where no funding has been received, it may not be able to insert the diaspora into the electoral base, he said.

In response to these statements, the Minister of Finance, Mr. Nicolas KAZADI, indicated on February 14, 2022, that nearly 39 million U.S. dollars had already been paid to CENI, including 2.9 million U.S. dollars for the installation and operation of the new management team of the electoral center, USD 10 million for the settlement of all salary arrears of CENI staff, USD 4.5 million paid in December 2021 and USD 21.7 million paid on February 11, 2022 to finance electoral operations.

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II.1.1. Economic Activity

The world economy has already been experiencing for several months a galloping and generalized rise in inflation in several advanced countries, but also in the so-called emerging countries or still developing countries, and it is once again confronted with the rise in the price of oil and certain foodstuffs. The price of oil has crossed the one hundred US dollar mark for the first time since 2014 and other commodities have also seen their prices soar. The tensions between Russia and Ukraine are not without consequences for the world economy, since Russia is a major producer of energy (gas and oil) and raw materials, and both countries are producers of wheat. This confrontation has not spared the international financial markets, with several stock markets closing down.

After the shock of the Covid-19 pandemic, it is observed that raw material prices continue to rise and demand remains increasingly strong, which corresponds to an increase in the capacity of producers to respond favorably to this pressing demand. Indeed, the energy transition plays a major role in the demand for raw materials, as many low-income households spend a significant portion of their income on energy consumption.

While oil prices have been on an upward trend, reaching 104 USD/barrel at the end of February 2022, other commodities such as nickel have reached an all-time high of 25,135 USD/ton due to tensions between Russia and Ukraine. The price of zinc has risen by 31% to USD 3,657.30. This could be very advantageous for the DRC, which is a producer of zinc, and because of the probable resumption of zinc mining by Gécamines and Ivanhoe Mines.

For its part, the Congolese government is reassured about the stability of the country's macroeconomic framework, which results from good coordination of macroeconomic policy actions and external conditions. Indeed, as part of its three-year program with the IMF, the Congolese government is scrupulously implementing the structural reforms set out in the program. Thus, within the framework of the extended credit facilities, the DRC has benefited from an amount of 455 million US dollars from the IMF. An amount of US\$90 million will be disbursed directly. This disbursement is intended to support the balance of payments and increase the country's reserves.

II.1.2 Price dynamics

Price dynamics during February remained stable. It should be noted that this stability in domestic prices has been observed since the beginning of the year 2021. Compared to the price trajectory of the previous month, a slight deceleration is observed this month.

Weekly inflation was 0.09% in the third week of this month compared to 0.472% at the close of the previous month. As for the year-on-year inflation rate, it stood at 5.440% during the same period, an increase of 13.68% compared to that recorded at the close of January 2022.



The annualized inflation rate is expected to be 6.011% at the end of this year. This forecast is relatively lower than the previous month's annualized inflation rate of 5.39%, a negative change of 11.52%. Although this rate has increased slightly compared to the inflation rate of 5.28% observed at the end of 2021, this forecast remains very optimistic and its realization should consolidate this stability. The table below shows the evolution of inflation in February 2022.

Table 2 » INFLATION TRENDS (FEBRUARY 2022)

	Weekly inflation	Cumulative inflation	Year-on-year inflation	Annualized inflation
Week 1	0.12	0.59	5.29	6.28
Week 2	0.11	0.69	5.30	6.17
Week 3	0.09	0.79	5.31	6.01

Source : BCC.

As in its previous monthly reports, Congo Challenge reminds us that certain important upcoming events may compromise the stability consolidated since the beginning of the year. These include (i) the political instability that could prevail, particularly with tensions within the Sacred Union; (ii) the insecurity in the east of the country; (iii) the significant expenses that must be incurred in preparation for the 2023 elections; and (iv) the probable escalation of the war between Russia and Ukraine and its implication for the increase in fuel prices.

From an economic point of view, it should be recalled once again that this stability will be confronted with the constraint of low mobilization of public revenue against significant unmet needs. Thus, Congo Challenge insists on the need for relevant reforms in the area of public revenue mobilization in order to finance the needs of the State and establish this stability.



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II.1.3 Exchange rate and foreign exchange reserves

Throughout February 2022 the time profile of the exchange rate remained stable, as has been the case since the beginning of the year on both the interbank and parallel markets. However, compared to its level at the end of January 2022, the exchange rate depreciated slightly by 0.04% on the interbank market, from 1 999 at the end of January 2022 to 1 999 in the third week of February 2022.

On the parallel market, the exchange rate also depreciated slightly between the end of January 2022 and the third week of February 2022, from 2 027,50 to 2 030,67 a positive change of 0.16%.

Table 3 » EXCHANGE RATE TRENDS

	Closing January 2022	February 2022			Change january – february
		Week 1	Week 2	Week 3	
Interbanking market	1 999.09	1 999.11	2 000.82	1 999.86	0.04%
Marché parallèle	2 027.50	2 045.00	2 032.00	2 030.67	0.16%

Source : BCC.

Foreign exchange reserves were almost identical to those of January 2022. In fact, foreign exchange reserves stood at USD 3 400 million in the third week of January 2022 compared to USD 3 482 million at the end of January 2022, a negative variation of 2.35%. In terms of months of imports, the Congolese economy maintained its capacity at the end of January 2022, i.e., three months of imports. The table below shows changes in foreign exchange reserves between January and February 2022.

Table 4 » CHANGES IN FOREIGN EXCHANGE RESERVES

	January 2022	February 2022			Variation janvier – février
		Week 1	Week 2	Week 3	
In millions of USD	3 482	3 400	3 400	3 400	-2.35
In months of importation	3.03	3.03	3.03	3.03	0.00

Source : BCC.

However, it is necessary to emphasize the need for the government and the BCC to consolidate the foreign exchange reserves, in particular by implementing the necessary reforms to support the growth of economic activities in order to avoid perverse effects on the foreign exchange market as well as on domestic prices.



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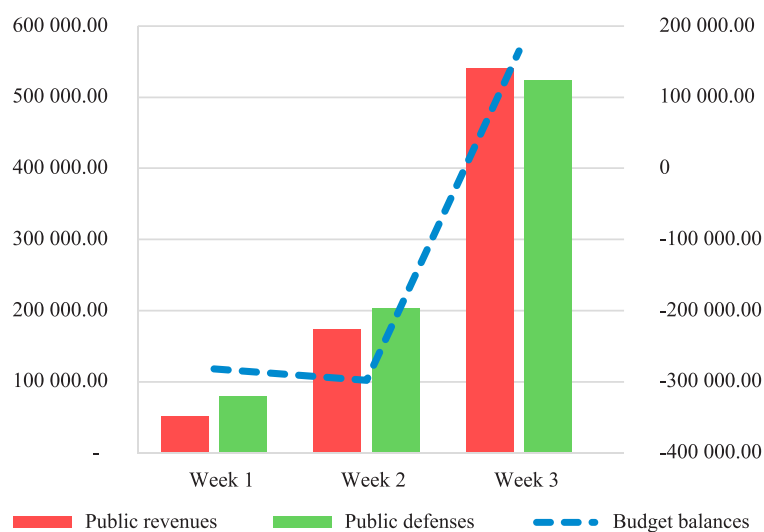
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II.1.4 Public finance

CTR (Ministry of Finance) statistics show that in the third week of February 2022, the Treasury recorded a surplus of 16,502 million CDF. This surplus is the result of an expenditure level of 524,505 million CDF against revenue of 541,007 million CDF. Capital expenditures in February were higher than in the previous month. They increased from 81,310 million CDF to 122,178 million CDF. The government continues to make efforts to comply with the stability pact signed with the central bank in August 2020, respecting the financing of expenditures on a cash basis.

On the public expenditure side, expenditure fell by 42.24% compared to the end of January. In the third week of February, wages accounted for almost 12.25% of total expenditure. However, these figures may be subject to significant changes, especially with the payroll operations of civil servants.

Chart 8 » PUBLIC SECTOR AGGREGATES AS OF JANUARY 2022 (IN MILLIONS OF CDF)



Source : Ministry of Finances, CTR.

In order to optimize public revenues, the Ministry of Finance has launched a computer application, "FinAlerte", which can help any individual or legal entity to easily denounce all attempts at fraud or harassment. Through this application, the government intends to promote the tax culture and good governance within the Congolese society. A commission has been set up within the Ministry of Finance to follow up on the various complaints received from the public or companies.

According to the Association of Certified Fraud Examiners (ACFE) report on the state of fraud in the world, whistleblowing is the most used means of detecting fraud cases. In fact, the report states that nearly 43% of fraud cases detected worldwide are detected through whistleblowing and 33% of cases were reported through a telephone hotline and email².

2. ACFE, Report to nations: global study on internal fraud and professional abuse, 2020, French version.

Some believe that the implementation of this application will not have a significant impact in the Congolese context given that the evil of tax or customs fraud and other forms is rooted in the Congolese people. On the other hand, it is necessary to put in place very restrictive measures and to exercise repetitive control by appointed bodies such as the Court of Auditors, the

General Inspectorate of Finance and parliamentary missions. It should be noted that training on fraud is very important for all members of the public administration and members of the government. Moreover, it should be accompanied by an intense awareness campaign on fraud among the population taking into account all social categories.

Box 2. Increase in DRC's Outstanding Debt: Deciphering the Facts

In October 2021, the Observatory of Public Expenditure (ODEP) criticized the weaknesses in the governance of public finances in several DRC institutions, stating that budget overruns, especially within the presidency, should not be a recurrent mode of managing public funds. In fact, ODEP stated that, by the end of September 2021, several institutions had exhausted their annual budgets. For this structure, these overruns were simply a reflection of mismanagement and the implementation of bad practices in the governance of public finances.

In the same vein, ODEP had stated that such fiscal governance could not allow for the creation of wealth or the improvement of the socio-economic conditions of the population. This situation would therefore hinder the effectiveness of decentralization as provided for in the constitution and the country's emergence.

The real question is how these overruns are financed, given that the country's tax burden is significantly lower than its fiscal potential. This is where the issue of public debt comes in. Thus, there is reason to wonder about the orientation of this debt. Is it to support the balance of payments, which is unbalanced due to lax budget management?

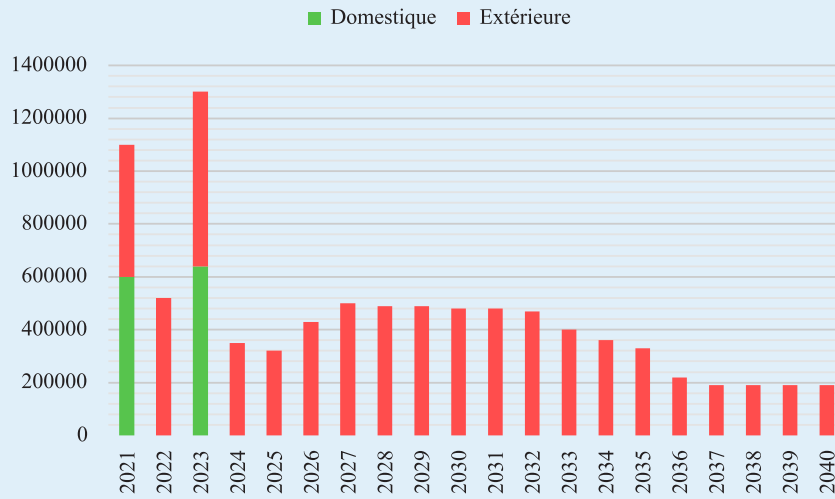
Indeed, outstanding debt grew by 62 percent between January 2018 and January 2022, an average increase of 15.18 percent per year (nearly US\$800 million per year)³. However, as indicated by Congo Finances, these loans were not essentially contracted to support the balance of payments and were not channeled into productive investments.

The analysis developed in the Congo Finances article indicates that the imbalance in the balance of payments is due in particular to lax budgetary management and the implementation of an inadequate economic policy characterized by programs that are more consuming than revenue-generating. Moreover, the advent of the new regime that succeeded Kabila's should bring about adequate reforms to eradicate impunity, particularly financial mismanagement and poor governance of public finances in order to allow for inclusive growth.

Indeed, the article recalled that the reign of the former regime represented the longest period of growth in the country's history with growth rates of nearly 6.5% (between 2010 - 2019), exceeding the average for sub-Saharan Africa. However, this growth was not inclusive and was driven mainly by the extractive sectors. Unfortunately, it has not been sufficiently income-generating and its benefits have not sufficiently improved the country's socio-economic indicators and stimulated a dynamic structural transformation of the economy. To this end, the arrival of the new regime should allow (i) the implementation of public finance reforms, including the operationalization of the Court of Auditors; (ii) the elimination of exemptions and the tax census; and (iii) the inclusion of the informal economy in the formal economy to considerably increase the level of tax revenues. However, as indicated by Congo Finances, the new regime has put in place several programs without bringing in reforms to generate sufficient revenue. These include the 100-day emergency program, large-scale military operations in the east of the country, free primary education, etc. All of these elements necessitated recourse to external public debt as shown in the figure below :

3. According to the DGDP, external debt in the third quarter of 2021 was contracted with three types of creditors: multilaterals (67.33%), bilaterals (28.45%) and other creditors and commercial banks (4.22%).

Chart 9 » PUBLIC DEBT REPAYMENT PROFILE AT THE END OF 2020 (IN MILLIONS OF CDF)



Source: DGGP.

The figure above shows that the current indebtedness will result in the consumption of a portion of future revenues. Hence the need to channel borrowed funds into productive investments that will generate revenues to meet future repayments. Unfortunately, the poor governance of public finances decried in most public institutions, coupled with the perverse effects of Covid-19, has led to imbalances in the macroeconomic framework with the depreciation of the Congolese franc and a balance of payments deficit. It is in this context that the Congolese economy was supported by the IMF under the Extended Fund Facility and later three-year program.

Thus, in order to stop this hemorrhage in a sustained manner, it is necessary to (i) implement appropriate reforms to improve the governance of public finances; (ii) reduce the cost of living of public institutions; (iii) increase the share of capital expenditures; (iv) combat corruption and anti-values by putting in place or operationalizing control mechanisms within each institution; and (v) reform the justice system to enable it to play its role in all impartiality, independence and objectivity. Only at this price will it be possible to reverse the trend and engage the Congolese economy in a virtuous circle of inclusive growth.





II.2. Political developments

Four points made the news in February, namely: (i) the exclusion of Jean Marc Kabund from the Upds and the reactions that followed; (ii) the creation of the Progressive Front by 40 national deputies of the Ensemble pour la république; (iii) the controversy surrounding the publication of the electoral roadmap by the Ceni; (iv) the arrest of the Head of State's Special Adviser on security and the rumors of a failed coup.

1. Reactions after the exclusion of Jean Marc Kabund from the Upds

Speaking on behalf of the UDPS and allies parliamentary group for which he is president, national deputy Léon Mubikayi maintained that the Kabund era was already over. Since his dismissal from the UDPS, Kabund had no choice but to leave, leaving the post of vice-president of the National Assembly to the UDPS, despite the fact that he has not yet confirmed his resignation from this post.

This deputy maintained that they will be obliged to work together to find a replacement. As such, *he announced that they would send a letter to the office of the National Assembly as soon as possible.*

Regarding the measures recommended in the event that Jean-Marc Kabund refuses to resign, Leon Mubikayi stressed that *"it was automatic. For he did not see how he could refuse to resign. This is a UDPS position. He must be realistic. He knows that he was there in the name of the UDPS and he must give up the post. For the moment,"* he said, he remains a member of parliament but not registered because he does not belong to a political party.

As a reminder, after the altercation between his bodyguard and an element of the Republican Guard on the road, and the ensuing scuffles in January, Jean-Marc Kabund could not resist the pressure of the party, which finally stripped him of all his functions within the UDPS/Tshisekedi on Saturday 29 January. He was accused of "swindling in the sale of cards, extortion in appointments to state posts, physical and verbal violence against combatants", and of "having proclaimed himself an informer by going to Kingakati

to sign the act of commitment granting the majority to the FCC".

Faced with this measure taken by the party, Jean-Marc Kabund has remained very calm since the announcement of the verdict of the Democratic Convention of the party (CDP), the official body of the UDPS responsible for ruling on any case of indiscipline of party officials.

However, many observers, considering all that Jean-Marc Kabund has been in the UDPS (Secretary General and interim President), believe that he is the repository of many of the party's secrets.

Because of his almost humiliating exclusion, Kabund would be aware that he no longer has anything to lose or gain under the UDPS label, and could, as such, take revenge for his double ejection and put everything on the public square.

At the UDPS national headquarters, party officials and fighters expressed their serenity, saying they had no fear of what Jean-Marc Kabund might say, considering it a normal reaction of a partner after the divorce.

"The UDPS is a party of the masses whose compass remains the general interest, supported by the respect of values. We cannot therefore admit that ill-intentioned people, political delinquents, tarnish this great heritage bequeathed to us by those who founded it at the price of humiliations and other bodily bullying," said a UDPS executive.

According to Claude Nkongolo, a researcher in international law and international relations, an administrative decision taken in a certain form can only be withdrawn, abrogated, cancelled and/or modified by respecting the same form. To better explain, he said that the CDP, an organ of the UDPS, which in reality is a group of individuals hostile to Jean-Marc Kabund, should be limited somewhere in its procedure to give him back the change.

In view of this irregularity, Mr. Nkongolo suggested that the CDP/UDPS is not competent to withdraw the special mandate from which J-M Kabund benefits



from Felix Tshisekedi. This researcher said he was stunned to note that the CDP, in its decision, did not produce a contrary act established by the one who had appointed Kabund-À-Kabund to this position of the presidential party. For him, the members of the CDP limited themselves to designate only Augustin Kabuya to the post of secretary general of the UDPS. Consequently, said Mr. Claude Nkongolo, the act of the CDP is null and void, because *"it only commits their own authors who could not produce a contrary act coming from Felix Tshisekedi, the person who had appointed Jean-Marc Kabund to this post."*

Following the dismissal of Jean-Marc Kabund as interim President and his definitive exclusion from the Union for Democracy and Social Progress (UDPS), the New Dynamics of Civil Society, in a statement signed by Jean Chrysostome Kijana, its National President, recommended to President Félix Tshisekedi to put an end to the Sacred Union, with as a consequence, in particular, the dismissal of the Government and the Offices of the National Assembly and the Senate.

For this civil society platform, the evils such as fraud, corruption, bargaining and the purchase of political positions and so many other grievances, put at the charge of Jean Marc Kabund, "brain motor" and principal craftsman of the power in place, one of the great architects of the Sacred Union, are of such gravity that it should lead to the questioning of all the current architecture of the power in place because, built on all these antivalues quoted above. Fraud corrupts everything, *"Fraus omnia corrumpit"*.

2. The disavowal of 40 national deputies of the Ensemble pour la république

At least 40 deputies of the political grouping Ensemble indicated in a public statement released on Monday, January 31, 2022, that they were distancing themselves from the former Governor of Katanga Moïse Katumbi.

These elected officials indicated in their statement that they castigated the behavior of some executives

of their movement who participate in the coalition government, but who do not refrain from criticizing the regime in place.

Indeed, they note with great astonishment that while participating in the Government of the Republic, some of the leaders of their grouping are distinguished by words and attitudes that leave no doubt about their real desire to torpedo the action of the Head of State and destabilize the institutions of the republic.

At the end of their meeting, these deputies who call themselves progressive within Ensemble pour le changement, revealed some decisions taken after reviewing the current political situation. These include *"Joining the USN which was done freely and individually as well as the decision to accompany the Head of State"*.

They also supported renewing their confidence in the President of the Republic as well as in the different institutions of the country, and reaffirming their belonging to the Sacred Union of the Nation under the leadership of the President of the Republic and Head of State.

To the members of Ensemble pour le changement who hold positions in the institutions, these progressive elected officials ask to clarify their positions because it is no longer time for hypocrisy, and to draw all the consequences of their refusal to share the record of management of state affairs as distilled in the opinion.

Finally, this group of deputies has asked to be considered as a separate entity in the current and future talks, given its political weight, consisting of more than 40 national deputies out of the 70 members of Ensemble pour le Changement.

On the issue, some observers do not hesitate to link this rebellion to the political maneuvering underway within the majority, with a view to new positions, following the ousting of Jean-Marc Kabund as 1st Vice President of the National Assembly. Some of the Ensemble's leaders have recently begun to publicly

voice harsh criticism of the governance of the Tshisekedi regime.

In addition, following Jean-Marc Kabund's announcement of his resignation as first vice-president of the National Assembly, the risk of undermining the Congolese political class, the system of governance, the presidential party and a good part of the institutions of the Republic, became greater and greater.

Reacting to the declaration of the 40 so-called progressive deputies, Patrick Mundeke, adviser to Moïse Katumbi in charge of Youth, immediately reframed them, and with a firm tone, recalled that *"the progressives are nothing other than this current of corrupt politicians, eternally hungry who are behind political advantages to the detriment of the well-being of the people."*

"And I want to emphasize that there are not and never will be 40 of them. There are 13 of them from one community and they are being led by a young minister from the famous Warriors government," he added.

Mundeke therefore publicly denounced the drift of these "progressive" deputies, whom he described as "selfish deputies", in reading the Constitution. For him, Félix Tshisekedi as father of the nation, guarantor of the institutions, commander and supreme magistrate, is and will be the only one accountable and constitutionally responsible for his record, already judged mixed by several voices, during the five years at the head of the country. Because, Moïse Katumbi does not manage anything, he decided.

This verbal escalation observed during this period follows the publication on Twitter by Olivier Kamitatu, director of cabinet of Moïse Katumbi and spokesman for Ensemble pour la République, of an evocative message: *"Thank you to Francis Kalombo for hosting the Kinshasa Interfederal! Our message is clear: If you want to end theft, corruption, injustice, incompetence, stupidity and RAM, join Ensemble MK! With Moïse Katumbi, another Congo is possible"*.

For his part, the national deputy Daniel Nsafu Butshiemuni, in front of the press on Friday, February 4, made a clarification following the rumors of his departure from Ensemble de Moïse Katumbi, and this, after having participated in the declaration of the revolutionary elected officials of the National Assembly having expressed their support for a second term of Felix Tshisekedi. This elected representative of Mont Amba made known on the occasion that *"the support to the second term of the current head of state was a point which was pruned from the said declaration but which, he underlined, "was reintroduced fraudulently by his colleagues deputies"*.

"Did our colleagues make a mistake in the voting system of the President of the Republic or are they unaware of the role of the mandate that the people have entrusted to them in accordance with Article 100? We note here the confusion carried by our parliamentarians around the Sacred Union that they transform into a political party or an electoral platform, thus setting themselves up as fighters supporting a leader when the latter is constitutionally above the fray," wondered Daniel Nsafu. The latter ended his speech by insisting that he remained faithful to his party Ensemble pour la République and to Moïse Katumbi, its leader, in whom he recognizes himself in the vision for a prosperous Congo.

3. The controversy surrounding the publication of the electoral roadmap by the Ceni

The Chairman of the Independent National Electoral Commission (INEC), Denis Kadima, during a press briefing held on Thursday, February 3, 2022, presented the roadmap of the electoral process 2021-2027.

It was an opportunity for him to recall the need for his institution to organize the elections within the deadline, but also to list some constraints that may affect the electoral process.

These constraints include: the pooling of population identification, population and housing census operations



that should be coupled with voter registration, political and security constraints, financial constraints, the delay in government support, and the expected reforms of the legal and regulatory framework for elections.

Stressing the importance of the government's plan to pool population identification and census operations, the Chairman of CENI insisted on the risk that it would delay the holding of the elections scheduled for December 2023.

For Kadima, the government has a very good project to provide the country with an identity card and to take a census of the population of the DRC. Obviously, it is a process that involves many actors, several ministries, specialized agencies and the CENI itself. He said that there is a big risk of missing the ultimate goal, if this work is not done with good coordination of the various stages, because of the multiplicity of actors, the decision-making mechanism that is relatively uncertain as well as the fact that CENI has a mandate to organize elections.

Also, reiterating the commitment of INEC to assist the authorities in this process of having a well-done census of the population, Denis Kadima nevertheless made it known that if the methodology adopted is not reviewed, this would have a negative impact on the organization of elections within the required timeframe.

In this roadmap, the Chairman of INEC also outlined the stages of the direct elections, the first of which is the organization of operations for the mapping of operational sites and the identification and enrolment of voters, which will take place in the period from January 2022 to July 2023. The second will focus on the operations and processing of applications for direct elections, starting in July and ending in September 2023. And, finally, the last one which will be devoted to the holding of the direct poll which will be effective between September 2023 and December 2023.

For the Congolese government, the implementation of the roadmap of the new Denis Kadima office will only be possible if the stakeholders are up to the political,

security, technical, financial and health constraints or challenges.

Several reactions to this roadmap have been recorded in political circles. This is the case of Martin Fayulu, who has once again taken to the stage to remind the competent authorities that the elections must be held in 2023, in accordance with the Constitution, with a depoliticized CENI. For him, the Congolese People will not accept any slippage.

For his part, Shekomba Okendhe, a former candidate in the 2018 presidential elections, said that the National and Independent Electoral Commission (CENI) is not on the right road to hold these elections after having made public its roadmap for this electoral cycle. For him, the failure of the current President of the Republic Felix Tshisekedi will be greater when he can not organize the elections within the constitutional deadline. ***"Not organizing the elections within the constitutional deadline will be the greatest failure of President Tshisekedi! I have always supported the perpetuation and strengthening of democracy. INEC seems to be moving in the wrong direction.***

Speaking about the financing of the elections, the head of government Jean-Michel Sama Lukonde, during a media breakfast organized on Monday, February 14, 2022 by the Prime Minister's Office, said that "for the 2022 fiscal year, the INEC has proposed a budget of 640 million U.S. dollars. For him, the electoral center should present a realistic budget", which takes into account the rationalization of election expenses, because it is the fourth electoral cycle in our country.

For Sama Lukonde, there is a provision of US\$100 million available since 2021. In 2022, the government has injected US\$250 million as part of the implementation of the 2022 budget law. "Discussions with the CENI consist in ironing out the differences to achieve a realistic budget and the confidence of all in this electoral process". The Prime Minister took the opportunity to recall that the 2016-2019 electoral cycle has cost the state about 1 billion U.S. dollars, a budget decryed by all the actors involved. Obviously, the head of government would like things to change, so as not to suffocate the state coffers.



For his part, in the tribune "*What I think*" published on Saturday, February 5, 2022, Senator Matata Ponyo shows that the financing of elections is a headache for many African countries, including the DRC, which, at each electoral cycle, declares that it does not have sufficient means to cope. He took the opportunity to share his experience as Minister of Finance between 2010 and 2012, when he was at the center of the financing of the presidential and legislative elections of late 2011. This allowed him to note that the Treasury disbursed nearly 400 million U.S. dollars to enable the Congolese state to successfully finance the first elections based on own resources after the reunification of the country in 2003. This was an exceptional feat given the country's tight budgetary space, the result of the government's rigorous management of public finances, a reality that many Western countries did not believe in.

On the other hand, the senator showed that in 2018, the public treasury disbursed almost 600 million US dollars to come to terms with this same type of elections. This was the second experience of financing elections with own resources, which proved to be more expensive than the first. As a result, it is estimated that, on average, it takes nearly \$500 million to secure financing for the own-resources election package. This exorbitant cost is mainly linked to poor governance and the lack of transport and communication infrastructure in the country. The multiple denunciations of misappropriation of funds made during the last elections are proof of this.

He said that the DRC, like other African countries, is able to finance the electoral cycle from its own resources. But, to achieve this, it will be necessary to plan the operation well. Let's assume that 500 million U.S. dollars will be needed to finance all the elections that will take place in December 2023. All payments will have to be made six months before election day, which is no later than June 30, 2023.

To date, the election account has a positive balance of nearly US\$360 million. Only US\$140 million remains to be mobilized by the end of June 2023. This would be sustainable for the state budget. Given that there are only seventeen months left to carry out all of the financial operations related to the upcoming elections, the Congolese state is obliged to disburse nearly 30

million U.S. dollars per month starting in February 2022 in order to achieve the 500 million U.S. dollars needed by the end of June 2023, with the requirement that these funds be paid in principle into a special account of the Ceni in order to allow the latter to adequately fulfill its obligations towards the entire national community in December 2023.

Senator Matata said that the cost of the electoral process in the DRC brings us back to the issue of the timeliness of elections in relation to the objectives of economic development in Third World countries. The famous dilemma between democracy and development. As much as economic development must be financed, so must elections. Without seeking to support the financing of elections regardless of their cost, it is nonetheless true that they remain crucial to guarantee the harmonious and sustainable development of countries. Elections are crucial to the harmonious and sustainable development of a country, because they provide better leaders for the country at both the national and provincial levels. But it is necessary that these elections reflect the choice of the population, that is to say, that they serve to proclaim leaders really elected by the population. Because if elections are only a tragicomic play, as we have seen more than once, to appoint national and provincial leaders, or national and provincial deputies, economic development may never be achieved.

All in all, Senator Matata suggests rationalizing the management of the funds allocated to the Ceni in order to reduce the funding envelope for the elections to about 250 million US dollars.

Martin Fayulu is asking the African Union to invest in setting up a framework for discussions between stakeholders to adopt consensual electoral reforms and create an environment conducive to holding free, fair, impartial and peaceful elections in 2023. The leader of ECiDé would like to set up a real framework for discussions between the protagonists for good elections.



4. The arrest of the Special Adviser to the Head of State on security matters and the rumors of a failed coup

François Beya Kasonga, head of the National Security Council (CNS) and adviser to the Head of State in charge of security, has been arrested and held at the premises of the National Intelligence Agency (ANR) since February 5, 2022, on suspicion of having taken part in a series of meetings aimed at undermining the country's internal security.

Beyond François Beya, it is therefore a question of exposing the spider's web and its animators who are united in attacks against the Congolese state, and worse, in the aim of attacking the life of the Head of State.

In fact, given the nature of this case, which concerns an attack on state security, and in accordance with the laws in force in the DRC and the practices in this extremely sensitive matter vital to the survival of the state, it is the National Intelligence Agency (ANR) that is in charge of the investigation, before transmitting the relevant elements to the judicial authorities for useful dispositions.

According to Maître Georges Kapiamba, who visited him on Monday, February 7, François Beya still does not know what he is accused of. "What, from his point of view, was not normal. He clearly said he had done nothing, that he was not to blame for anything, claiming his innocence and waiting to know, in detail, the facts against him to better defend himself," said the president of the Congolese Association for Access to Justice (ACAJ).

In a communication read on national television (RTNC) dated February 9, 2022, Tharcisse Kasongo Mwema, spokesman for Felix Tshisekedi, said that

"investigations are continuing and investigations are being carried out at various levels and that investigators had serious indications of actions against national security. No attempt to destabilize our democratic institutions will be tolerated," the presidency said, calling on the population to remain calm and avoid giving credence to false speculations spread by ill-intentioned people.

By February 28, 2022, François Beya will have spent a total of 23 days in the jails of the National Intelligence Agency (ANR), during which time he is still waiting to find out the real reasons for his arrest.

Through rumors, it is explained that since this is a case involving the secret services, *"all the facts and elements relating to this case must be identified, processed and, when the time comes, transmitted to the judicial authorities, when the time comes"*, the objective being not to compromise the current phase of the investigation by publicizing the various arrests already made. And this, for fear of allowing some accomplices to escape.

The relatively long time taken by the investigation of the case can be explained by the need to uncover all the possible ramifications insofar as they imply responsibilities at various levels, both at home and abroad.

The secretary general of the presidential party Union for Democracy and Social Progress (Udps), Augustin Kabuya, speaking to the press on Sunday, February 13, denounced the fact that some individuals, some people are seeking to gain power through violence, something they will not accept. *"The Udps has fought for 37 years, our method of struggle is non-violence. Today, the Udps will never accept that a group of individuals can access power through violence,"* said Augustin Kabuya. He continued his remarks by stressing that those who criticize the Udps morning and evening should wait until the people bring their sanction in 2023. *"The seizure of power by violence has been banned by the people since the Sun City agreement,"* said Augustin Kabuya in a firm tone.



In this regard, a list of political figures, including senators, was circulated, accusing them of having taken part in a secret meeting held to destabilize the country's institutions during the period of investigation by the National Intelligence Agency into the Beya case. The list included the names of senators Kimbuta Yango, Boshab, Samy Badibanga, Matata Ponyo and Bijou Goya.

In response, Senator Matata Ponyo said he had not taken part either by phone, let alone physically, in any meeting aimed at destabilizing the country. To this effect, Senator Matata said that *"he has never participated in a meeting aimed at destabilizing the institutions. That the senators unable to prove their efficiency in the management of the Senate stop using lies and tricks to justify their bad governance and dictatorship. For the people are not fooled"*.

Senator Samy Badibanga quickly reminded the organizers of the distraction that his loyalty to the Head of State is unwavering and that he reminded them of the fundamental freedom of assembly in a democracy and the parliamentary duty to control

the good management of institutions. *"Nobody will hide behind the Sacred Union. As for my loyalty, it is unquestionable because it is unshakeable"*, he said!

Finally, denying his participation in any meeting aimed at destabilizing the country's institutions, Senator Evariste Boshab said he was behaving like a republican. The former collaborator of the honorary president Joseph Kabila recalls having *"never" taken part in a cabal against the institutions of the Republic. "No one knows that I am a republican and an ardent defender of the institutions of the Republic. Let the initiators of these crazy rumors review their copies. I will never participate in any cabal against the State,"* he said.

3. Political and economic perspectives

On the political level

Almost a month of detention and investigation in a case concerning the country's internal security does not seem to reassure the population, which continues to speculate on the deep reasons for a failed coup de force! The time taken by the investigation in the Beya case does not augur a peaceful future as we can expect surprises, purges and even settling of scores.

Jean Marc Kabund's resignation from his position as 1st vice-president of the National Assembly, announced more than a month ago but not yet effective, augurs a recomposition of the political space not only in the lower house of Parliament, but also within the Sacred Union of the Nation.

Moreover, the slingshot led by the group of 40 deputies of the Ensemble pour la République, the disavowal of their leader Katumbi, and the recent initiatives and declarations of the faithful to the latter, seem to have marked the consummation of the divorce between Felix Tshisekedi and Moïse Katumbi, who is no longer hiding his real ambitions for 2023.

In the area of elections, there seems to be growing doubt as to the effectiveness of the organization of elections in 2023, just by following the contradiction that has been brought to light in the public arena, through the media, between the President of the Independent National Electoral Commission (INEC) and the Minister of Finance on the financing of the electoral process (640 million dollars projected by INEC), but also the divergence of approach and methodology between INEC and the government on the issue of the census

and voter identification. If things are not reframed in time, there is every likelihood of a cacophony a few months before the deadline for holding the elections.

In addition, the progressive formation of a front for a constitutional revision coupled with a thorough revision of the electoral law, making the March session one where debates on major electoral issues will take place, with all the instability and delay that could affect the electoral process, undoubtedly constitutes a point of uncertainty on the political horizon of the DRC between now and the end of 2023.

On the economic level

In January 2022, the International Monetary Fund's economic outlook indicated that the world economic growth rate should be 4.2% in 2022 compared to 5.5% in 2021. According to this institution, the world economy should gradually enter a phase of slowdown, after the rebound recorded in 2021. The World Bank has, for its part, predicted a resurgence of inflation due to the increase in energy prices. However, contrary to all expectations, the military hostilities launched by Russia on Ukrainian soil may change the situation. Indeed, after having authorized the invasion of its army in Ukraine, Russia has been subject to several economic sanctions which have perverse effects on the Russian economy as well as on the European and world market via the stock market, the money market, the energy market, etc. This could slow down the global economy with implications for the economies of African countries.

At the domestic level, the DRC's economic outlook remains positive at this stage, given the continued stability of the macroeconomic framework, as reflected in the control of domestic prices and the lull in the foreign exchange markets, as well as the level of foreign exchange reserves reached since September 2021. In addition to this, the Central Bank has projected a GDP growth rate of 6.4% in 2022, compared to 5.6% in 2021, as well as an improvement in the DRC's rating (Standard & Poor's) from CC+ to B-, due in particular to the increase in mining production over the next few years, as well as to the implementation of structural reforms under the three-year program with the IMF

However, these prospects may be thwarted by a number of factors, including (i) the existing differences of vision and opinion within the Union Sacrée, which tend to weaken the regime's power; (ii) insecurity and the multiple military affronts in the east of the country (iii) the repeated strikes in several sectors, including education (university professors), health, and certain public companies; and (iv) the possibility of a resurgence of the Covid-19 with the abandonment of barrier measures as observed after the lifting of the curfew decreed last year, especially with relatively low vaccination coverage.

Also, even with a high fiscal potential, low public revenue mobilization is a factor that could have a negative impact on the country's economic prospects. It is therefore necessary for the government to rethink the governance of public finances and to implement relevant reforms in this sector in order to provide the government with the necessary means to implement its policy and continuously improve the country's economic situation.

In this regard, Congo Challenge once again invites the government to combine more efforts in the implementation of structural reforms that are indispensable for the country's development. The relaunch of large-scale infrastructure projects such as the construction of the deep-water port of Banana, the construction of the Katende dam, the Inga III dam project, etc. would enable the government to create wealth, increase revenues and reduce the level of youth unemployment.

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Published
in December
2021

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Dixit Machiavel

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