

CONGO CHALLENGE  
THE MONTHLY BULLETIN



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

Issue 75 | July 2023

*Continued deterioration of the macroeconomic framework, exacerbation of political tensions and growing insecurity: what is the outlook for the DRC?*

Kinshasa, DRC



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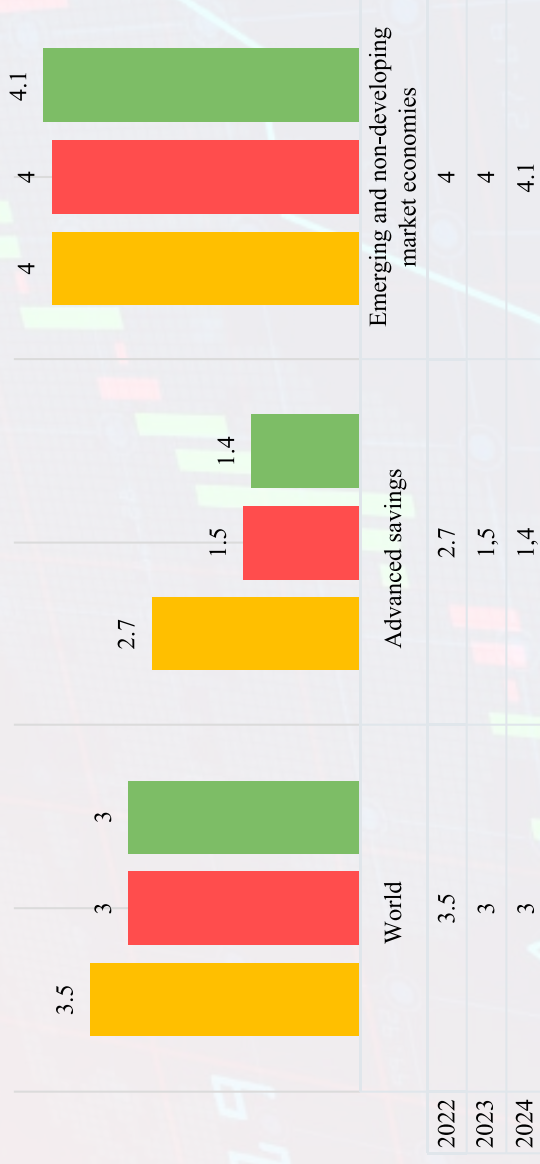
Issue **75** | July **2023**

*Continued deterioration of the macroeconomic framework, exacerbation of political tensions and growing insecurity: what is the outlook for the DRC?*

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, RDC

## World Economic Growth Projections



# Summary

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Matata Ponyo Mapon

# What I think

## When politics kills a country

**What i think** is that when politics becomes the most lucrative and attractive activity in a country, there is cause for serious concern about the future of the country and its people. By way of example, a national MP in the DRC earns nearly USD 21,000 a month, the highest amount ever received by a parliamentarian since the advent of the Third Republic in 2006. It could even be argued that this is probably the highest emolument ever received by a member of parliament since the advent of the First Republic in 1960 and the Second Republic in 1965. Today, this level of emolument can be considered one of the highest in the world, if not the highest. Even an American parliamentarian does not have this level of monthly income. Given the very high level of poverty in the country (less than USD 700 in annual income per capita), the denunciation of this amount, relayed by the national and international press, shocked not only the Congolese, but also part of the world. One of the poorest countries with the best paid MPs in the world! In response, the office of the National Assembly tried to deny the story, but to no avail. Attempts were even made to invalidate the MP concerned, but to no avail. Despite this, the MP confirmed the amount because he receives it monthly. Even worse, this amount can be considered as the minimum received. Because some members of the presidential majority (Union sacrée) also receive a bonus for loyalty to political power, the monthly amount of which varies according to the degree of commitment and militancy. In addition, the heads of the parliamentary groups and the various committees duly set up at the National Assembly receive a monthly performance bonus. All in all, a national MP who chairs a parliamentary group and is a member of the presidential majority can easily collect a monthly income of almost USD 25,000, i.e. a total of almost USD 300,000 a year. At the end of a five-year term, such an MP is expected to earn USD 1,500,000. Assuming he chose

to live on a maximum of USD 5,000 a month (which is enough to live a decent life in the DRC), he would have spent a total of only USD 300,000 over five years. He would then save USD 1,200,000 during his term of office. In fact, he would have become a **millionaire**. So an ordinary primary or secondary school teacher living on a miserable salary of less than USD 100 a month (i.e. a total of USD 1,200 a year or USD 6,000 for 5 years), once elected as a member of parliament, can overnight receive an income equivalent to twenty years' salary in one month from his former teacher colleague. And if the teacher who became a member of parliament were elected to the board of the national assembly, he or she would become a multimillionaire after five years in parliament; board members, depending on their position, have far greater financial advantages than other national MPs. In one month, a member of the Board would receive an income equivalent to the entire career salary of his former teacher colleague. The DRC is thus becoming the only country in the world where to become a millionaire easily, you have to be a politician rather than an entrepreneur. The President of the Republic had promised to produce millionaires during his term of office (2019-2023); he will certainly have produced several, but most of them will have come from the wrong mould.

**What i think** is that these emoluments and other extraordinary financial benefits offered free of charge to national MPs are regarded by most Congolese as a kind of massive and permanent corruption designed to stun any action by these people against the political powers that be. Otherwise, their respective levels would be lowered just after the obvious indignation of the population. These emoluments, which are paid on a regular basis (whereas those of the provincial deputies are paid irregularly), also appear to be a tree



that hides the forest. In fact, there is a part of the public sector (presidency, senate, central government, public institutions, public companies, specialised structures, etc.) where the total monthly income received is excessive. This does not leave the Congolese indifferent. Indeed, everyone wants to be in politics. It easily creates millionaires more than any other activity in the country. All you have to do is fight to be in the presidency of the Republic, in government, in the cabinets of the various political institutions or in one of the specific public structures. Or invest less than USD 10,000 in an election campaign and save more than USD 1 million by the end of your term as a national MP. As a result, the country probably has the highest number of political parties in the world, with 913, almost half of which were created in the last five years. Some individuals have several political parties or groupings of their own. Just looking at their names is astonishing. AAA-X, ABC-Z, ABCD-Y, etc... Parties commonly referred to as "mosaics", whose names evoke no ideological commitment to development. If the trend observed over the last five years continues, it is not out of the question that we will reach the ridiculous figure of 1,500 political parties at the next election at the end of 2028. Unfortunately, almost all the existing parties are family-run businesses. Composed for the most part of members of the extended family, they have no offices anywhere in the country. In reality, they are profit-making institutions located in the briefcases of the founding presidents. They are also sold on the secondary market at tempting prices in excess of USD 15,000 per unit, enough to set up a small or medium-sized business! Political activity is thus attracting so many people to the detriment of other productive sectors that it is not out of the question to project the collapse of the entire country in the long term. Indeed, as everyone knows, politics is not a direct income-generating activity.

Rather, it serves to create infrastructure and governance conditions in the country that are conducive to the prosperity of all its citizens. In the DRC, the opposite is true. The men in power are working to destroy the infrastructure and darken the business climate. As a result, political activity becomes financially more profitable than private activity. As a result, Congolese are leaving other sectors en masse to get involved in politics. Entrepreneurs, the creators of a country's wealth par excellence, support: "It's hard work making money in the private sector, and it takes a lot longer than I expected. You might as well go into politics, where everything is quick and easy". To each his own. The professional and trade bodies are also emptying out: university professors, international civil servants, teachers, lawyers, doctors and nurses, musicians and dancers, journalists, sportsmen and women, actors, etc. The long-term consequence is unstoppable: there will be fewer productive players, less taxable income, fewer resources to share between politicians, fewer resources to invest in infrastructure and guarantee national security, more political tensions, and finally more demonstrations, armed groups, rebellions and wars... The vicious circle will thus have closed: fewer resources, more problems, fewer resources.

**What i think** is that the Congolese need to pull themselves together and rethink their philosophy of life. You don't go into politics to get rich and kill the economy that creates wealth in a country. You go into politics to build quality institutions that are conducive to the progress of the majority of citizens. It is to guarantee a business environment capable of producing real millionaires. Those who own companies that can pay decent salaries and provide attractive bonuses or incentives when business prospers (there are company managers who can collect bonuses of



several million USD a year). Millionaires who pay the taxes that enable the State to build infrastructure of all kinds, provide security for all citizens and promote quality education and health. That's the obvious point: real millionaires are produced by the private sector and not by the political sector, which has no vocation to do

so. Real millionaires enrich the State and the people. Fake millionaires (politicians, managers of companies and other public institutions, members of cabinets, etc.) impoverish the State and the people. The choice is clear: let's choose to produce the real millionaires, otherwise we are playing politics to kill the country.



# Executive summary

## Economic situation

- **At international level**, according to estimates by the International Monetary Fund (IMF) in July 2023, global economic growth is set to slow from 3.5% in 2022 to 3% in 2023, due to the increase in key rates applied by central banks to combat inflation, which is having an impact on economic activity. For a solid economic recovery, it is crucial to strengthen financial supervision, monitor the risks affecting financial systems and coordinate economic policies effectively.
- As far as inflation is concerned, the IMF forecasts a gradual fall in 2023, from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024. This disinflation is attributable to the effectiveness of central banks' monetary policy tightening in controlling inflationary pressures and stabilising the global economic situation.
- Stock markets were on an uptrend in July 2023, largely due to the depreciation of the US dollar, which prompted investors to seek safe-haven assets to preserve the value of their capital in the face of currency depreciation.
- On the international foreign exchange market, the US dollar depreciated against the euro, the pound sterling, the Japanese yen and the Chinese yuan as a result of the US current account deficit and the accommodating monetary policy adopted to combat inflation.
- As for international trade, the outlook for growth remains uncertain, particularly for the second half of 2023, due to negative factors such as the trajectory of global demand, the shift in its composition in favour of domestic services, and barriers to trade.
- In terms of commodities, the price of copper rose and stabilised at around \$39,424 per metric tonne in July 2023 as the global economy recovered. Similarly, gold prices rose in response to the depreciation of the US dollar. On the crude oil market, prices have also risen in response to signs of a recovery in global economic activity. These prices need to be monitored closely, as they can influence inflation and the global economy as a whole.
- **At national level**, the macroeconomic environment deteriorated further. The national currency depreciated by 8.04% on the interbank market and by 5.24% on the parallel market. During July 2023, the national economy recorded positive variations in inflation rates compared with the previous month. Cumulative inflation rose by 61.45% to 16.30% in the third week of July 2023, compared with 10.09% in the previous month. Year-on-year inflation and annualised inflation varied by 32.39% and -2.58% respectively between June and July 2023.
- As regards public finances, the Treasury recorded a deficit of CDF 651,235.00 million in the third week of July 2023. This deficit resulted from expenditure of CDF 1,998,558.00 million (of which 22.38% was capital expenditure) and revenue of CDF 1,347,323.00 million (of which 85.05% was tax revenue).
- Finally, the economic news of July 2023 was marked by several notable events. These were (i) the lowering of the interest rate for access to loans from the FPI; (ii) the BCC's reminder of the ban on public display of the exchange rate; (iii) progress towards hydrocarbon production sharing between the DRC and Angola; (iv) the wait between the DRC and South Africa for the relaunch of the Inga 3 project ; (v) ODEP's explanation of the factors behind the high cost of living; (vi) the signing of an agreement between the DRC, Angola and Zambia for mineral exports via the Lobito rail corridor; (vii) price rises for everyday consumer goods including flour and bread; (viii) the significant rise in the price of a litre of fuel in Maniema.



## Political situation

The month of July 2023 was marked by a number of important political events in the Democratic Republic of Congo (DRC).

- **Submitting candidacies for the National Assembly**

On 26 June 2023, the Independent National Electoral Commission (CENI) began receiving candidatures for the national deputation. The deadline for the submission of candidatures was initially set for 15 July 2023, but was extended by one week to 23 July 2023. This extension was granted due to the high number of applications received.

The submission of candidatures for the national deputation was marked by problems of organisation and transparency. Many candidates were prevented from standing and there were accusations of fraud.

- **The death of the Honourable Chérubin Okende**

Chérubin Okende, national MP and former Minister of Transport, was found dead on 13 July 2023 in Kinshasa. He had been shot dead in his car. Mr Okende was close to one of President Félix Tshisekedi's main opponents, Moïse Katumbi, and had been arrested in 2021 for taking part in anti-government demonstrations. He was released a few months later.

The death of Chérubin Okende has raised questions about the safety of political opponents in the DRC.

- **The launch of the 9th Francophonie Games**

President Félix Tshisekedi opened the 9<sup>th</sup> Francophonie Games on 28 July 2023 at the Martyrs Stadium in Kinshasa. More than 80,000 spectators attended the ceremony, which was broadcast live on television. The Games will run from 28 July to 06 August 2023 and will bring together athletes and artists from 54 French-speaking countries.

The opening of the 9<sup>th</sup> Francophonie Games is a positive event for the DRC. The Games are an opportunity for the country to showcase itself to the world and promote its culture. However, the Games are taking place in a difficult context, marked by violence and political instability.

The political events of July 2023 illustrate the challenges facing the DRC. The country is still plagued by violence and political instability. The death of Chérubin Okende is a reminder of the violence raging in the country. The opening of the Francophonie Games is a sign of hope, but much remains to be done if the DRC is to reach its full potential.

# 1. International context

## I.1. Economic growth

According to the International Monetary Fund's benchmark estimates, global economic growth is set to slow from 3.5% in 2022 to 3% in 2023, due to the counter-cyclical effects of the rise in key rates applied by central banks to combat inflation, which is weighing on economic activity. However, although immediate concerns about the health of the banking sector have faded, the high level of interest rates resulting from the ongoing tightening of central banks' monetary policies has considerably tightened lending conditions, leading to a reduction in the supply of credit and a fall in overall demand.

It is important to note that rising interest rates also have an impact on the public finance sector, particularly in the poorest economies which face high costs associated with their US dollar-denominated debt, which considerably reduces their fiscal room for manoeuvre, especially for priority investments.

Against this backdrop, the recovery of the global economy will depend on the strengthening of financial supervision and the monitoring of risks that could affect the resilience of financial systems, as well as effective coordination of economic policies.

Figure 1 » WORLD ECONOMIC GROWTH PROJECTIONS



Source: International Monetary Fund.

Figure 1 shows that growth in the advanced economies is expected to slow to 1.5% in 2023, while growth in emerging market and developing economies is expected to stagnate at 4% in the same year. This is because these economies have been less affected by the recent turbulence in the advanced economies, although they are still in a difficult economic situation.

In this particular context of global economic conditions, central banks should therefore continue their efforts to restore stability to the general price level and strengthen financial supervision. At the same time, governments should also build up fiscal reserves to facilitate fiscal rebalancing by providing targeted support to the most vulnerable populations. This would enable inflation to be gradually brought back



down to target levels. A coordinated approach between economic players is essential to overcome the current challenges and foster a sustainable economic recovery.

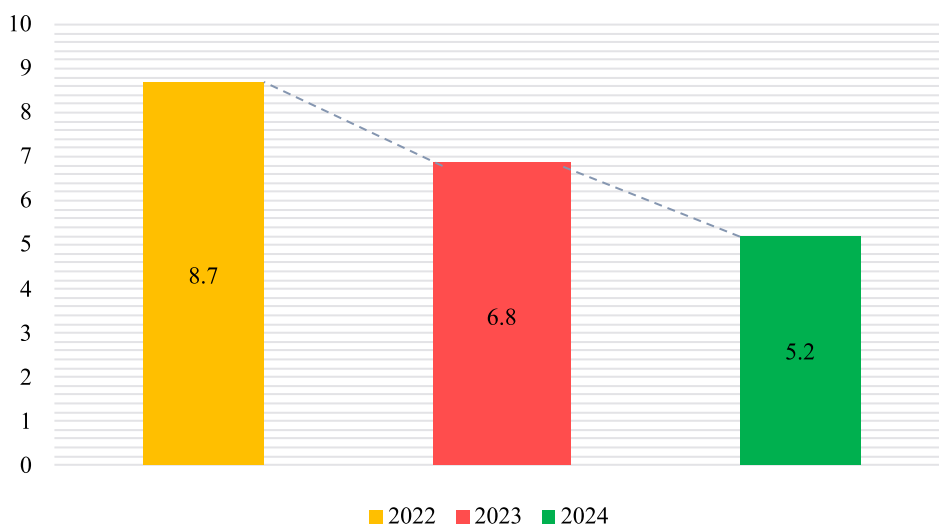
## 1.2. Inflation

According to International Monetary Fund projections, global inflation in 2023 has slowed after reaching high levels in 2022. In fact, it is on a downward trajectory, falling from 8.7% in 2022 to 6.8% in 2023, before settling at 5.2% in 2024. This process of disinflation can be attributed to the effectiveness of the tighter monetary policies applied by central banks, which are aimed at cushioning inflationary pressures and controlling the global economic situation. However, it is important to note that inflation excluding energy and food has slowed more gradually on average, but still remains above the

target objectives of most central banks. In addition, the expected decline in demand for manufactured goods and efforts to improve global supply chains may also explain this process of disinflation on a global scale.

Faced with persistently high non-energy and food inflation, it is essential that central banks continue to tighten their monetary policies. However, it should be stressed that the implementation of structural reforms could play a significant role in the fight against inflation in the medium and long term, by improving productivity and reducing the constraints on aggregate supply. This would help to mitigate the adverse effects of inflation on households, particularly the most vulnerable, and reduce economic and social inequalities.

Figure 2 >> GLOBAL INFLATION FORECAST



Source: International Monetary Fund.



Compared with the upward trend observed in 2022, Figure 2 shows that these price pressures should ease from 2023 onwards, while remaining above the central banks' target objectives. Nevertheless, monetary tightening policies will continue to increase the cost of borrowing for households and businesses and limit their access to credit, leading to high social costs for households. With this in mind, it is necessary for

monetary policy to aim to maintain price stability, while fiscal policy should seek to relieve the cost-of-living pressures on the most vulnerable populations who are experiencing an erosion of their purchasing power. A balanced and coordinated approach to economic policies is essential to ensure a sustainable and inclusive economic recovery.



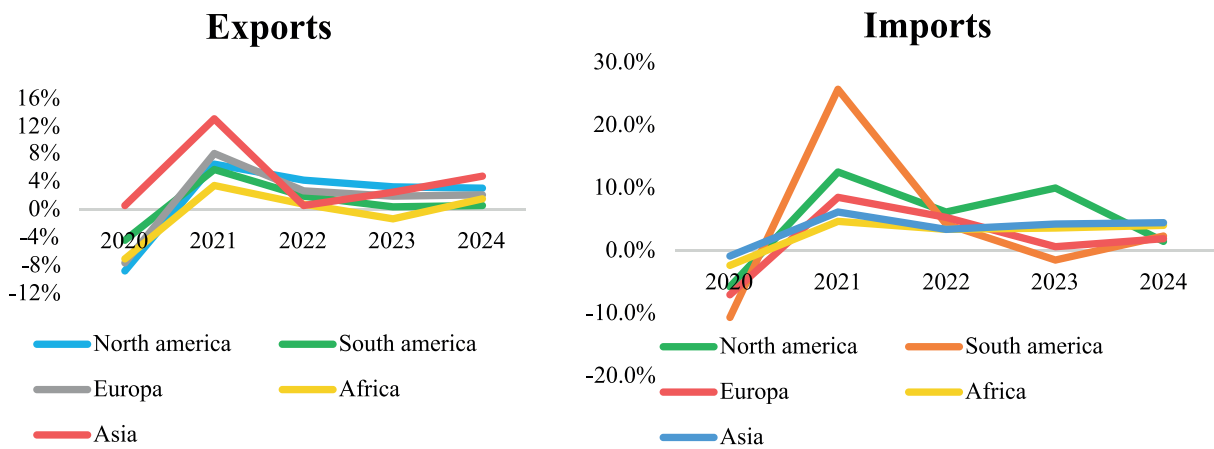
### I.3. International trade

According to the latest reports from the World Trade Organization (WTO), the outlook for world trade growth remains uncertain, particularly for the second half of 2023, due to a number of negative factors. The slowdown in world trade can be explained by a number of factors, including the trajectory of world demand

shifting in favour of domestic services, the lagged effects of the appreciation of the US dollar leading to a slowdown in trade due to the widespread invoicing of products in this currency, as well as the multiplication of barriers to trade and persistent geopolitical tensions, notably with the conflict in Ukraine.



**Figure 3 » GROWTH IN TRADE IN GOODS**



Source: WTO.

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 fixed capital investment sectors. In Asia, the easing of measures linked to the COVID-19 pandemic, particularly in China, should stimulate consumer demand built up in the country and thus support international trade. Finally, rising food import bills in Africa and Latin America could lead to consequences such as food insecurity and excessive indebtedness in these developing economies.

Faced with these major challenges to global trade in goods and services, it is essential to implement measures to support and stimulate the growth of international trade. In this context, it is necessary to foster macroeconomic and financial stability, promote open markets, improve trade infrastructure and strengthen international cooperation. Well-coordinated policies and joint efforts at international level will be essential to overcome the current obstacles and promote a sustainable recovery in world trade.



#### I.4. Financial market

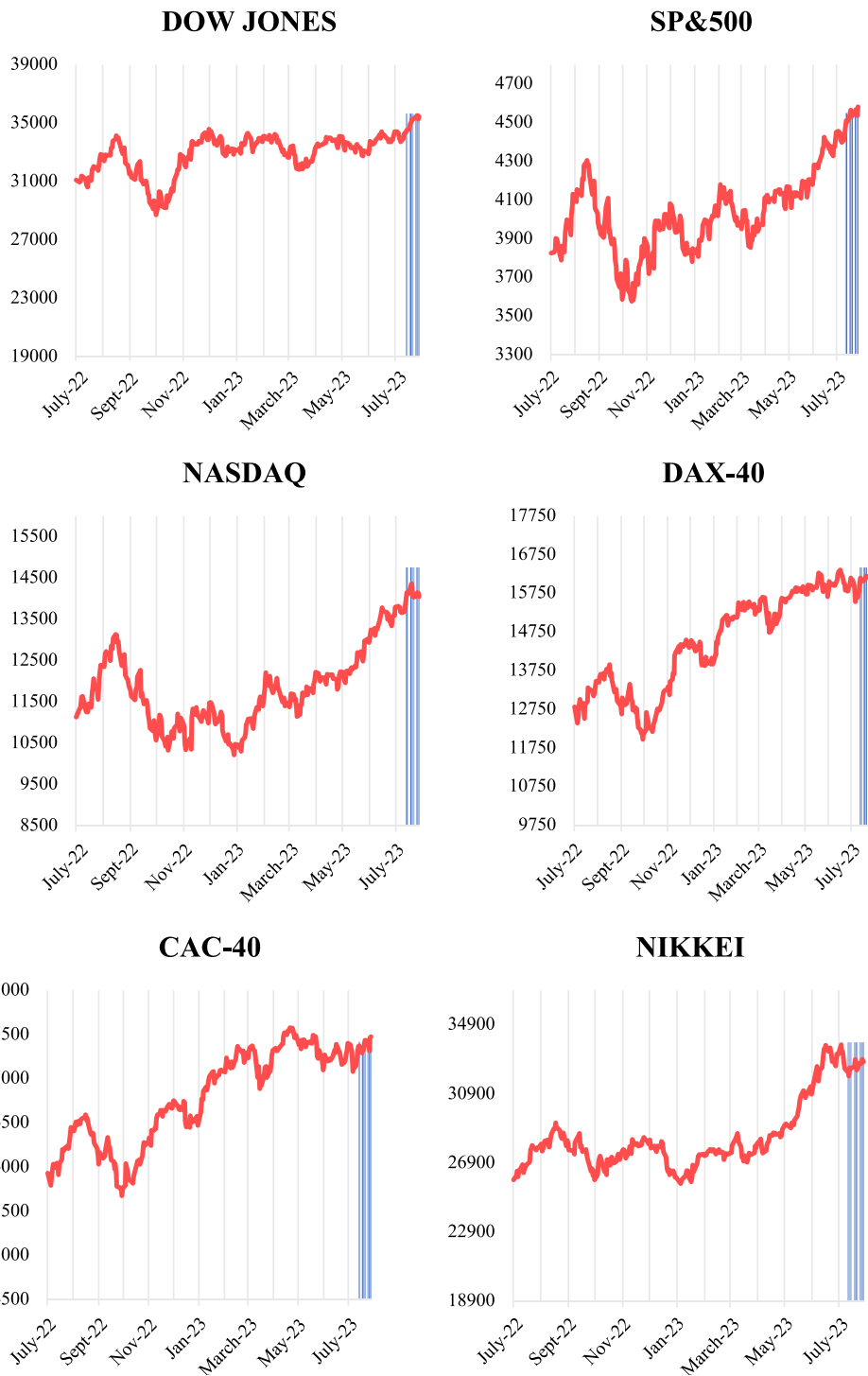
In July 2023, the financial markets showed a remarkable upward trajectory, with almost all of them on an upward trend. Major stock market indices such as the Dow Jones, the S&P 500 and the Nasdaq reached record highs of 35,459 points, 4,589 points and 14,050 points respectively at the close of the month. The European stock markets also experienced a similar trend.

The CAC-40 index on the Paris stock market rose slightly from 7,400 points to 7,476 at the end of July 2023. In Germany, the DAX-40 index appreciated even more, reaching 16,469 points at the end of the month. However, the Tokyo Stock Exchange fell slightly, from 33,189 points in June 2023 to 32,759 points at the end of July 2023.

These gains on stock market indices are attributable to the downward pressure exerted on the US dollar. The depreciation of the US currency is prompting private investors to seek safe-haven assets to preserve the value of their capital in the face of currency depreciation. Stock market assets have thus become a popular alternative, with an increase in demand on the financial markets due to speculation on the part of operators seeking to protect their purchasing power.



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



Source: Macrotrends.





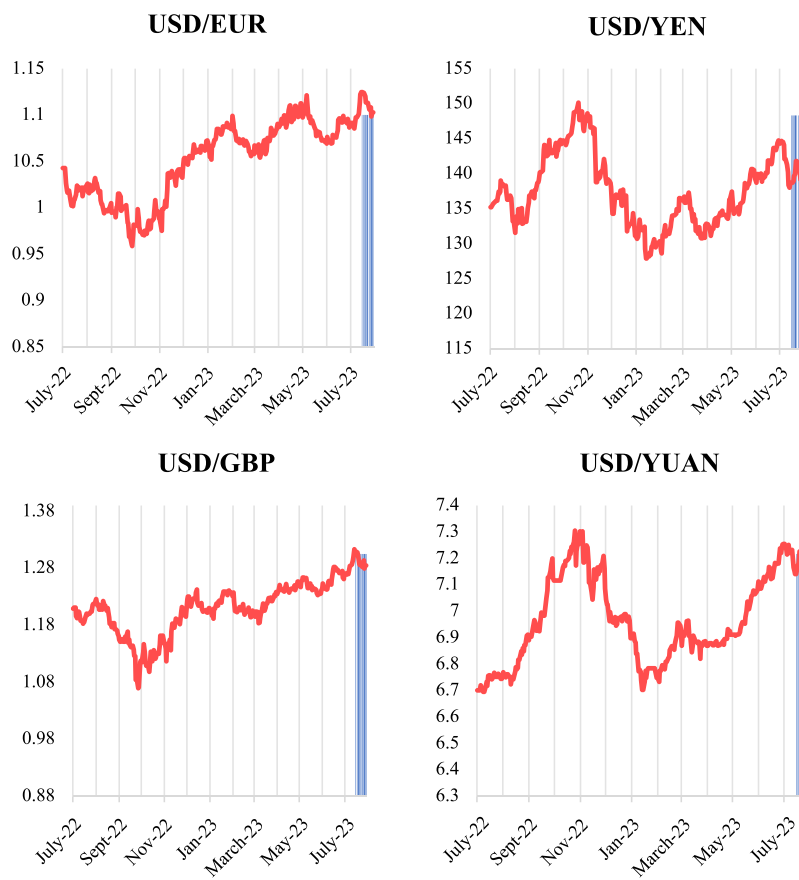
### I.5. Foreign exchange market

During July 2023, the major stock market indices recorded a remarkable rise, causing the US dollar to depreciate substantially against the euro and sterling. At the monthly close, the euro appreciated to 1.1031 USD/EUR, while sterling reached around 1.2846 USD/GBP. This depreciation of the dollar can be attributed mainly to two major external factors: the US current account deficit, which reflects the deterioration in the US economy, and the continuing accommodative monetary policy of central banks, aimed at keeping inflation under control.

The Japanese yen also trended upwards during this period, showing its slight appreciation against the US dollar. Similarly, the Chinese currency, the yuan, strengthened its position against the greenback.



**Figure 5 » DAILY TRENDS IN THE MAIN EXCHANGE RATES**



Source: Macrotrends.





## I.6. Market for strategic products

### - Gold

Gold prices trended upwards in July 2023, in contrast to the previous month, reaching USD 1,959 per ounce at the close of the month. This increase was mainly due to the depreciation of the US dollar on the foreign exchange market. The weakening of the greenback is generating considerable interest in gold as a safe-haven asset, as investors turn to this precious metal as a hedge against currency fluctuations and economic uncertainties. However, the future of gold prices will depend on the monetary policy measures that the US Federal Reserve (Fed) decides to take.

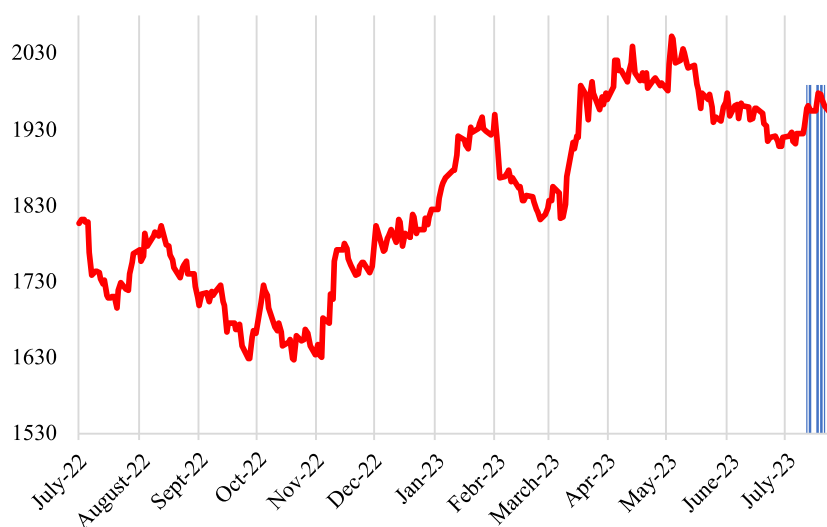
It is crucial to note that the Fed's monetary policy decisions have a significant impact on gold prices. Expansionary measures, such as lower interest rates, can

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. A critical analysis of these factors is essential to understanding the evolution of gold prices and anticipating future trends.

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



Source: Macrotrends.



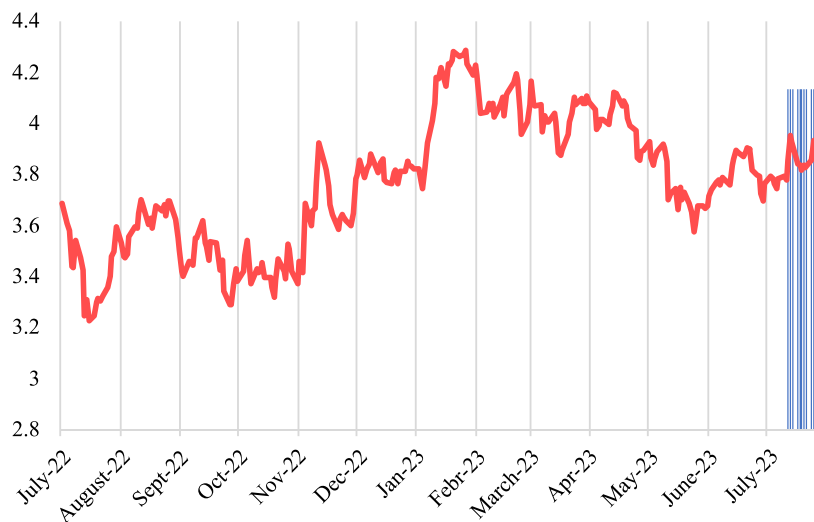
## - Copper

After a downward trend in the previous month, copper prices rose slightly in July 2023, reaching an average of USD 39,424 per metric tonne. This rise can be attributed to a slight recovery in the global economy.

It is therefore essential to keep a close eye on economic, geopolitical and monetary développements 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. A critical analysis of the factors influencing the copper market is necessary to better understand its evolution and its implications for the global economy.

**Figure 7 » DAILY CHANGE IN COPPER PRICES (IN THOUSANDS OF USD PER TONNE)**



Source : Macrotrends.

## - Oil

In July 2023, crude oil prices accelerated slightly on both the US (WTI) and European (Brent) markets, reaching USD 74.1 a barrel for WTI and USD 82.53 a barrel for Brent at the end of the month. This rise is attributed to the prospects of a global economic recovery. However, the long-term trend in the market remains uncertain, and will depend in particular on the decisions taken at the next meeting of OPEC+ member countries regarding the policy of limiting oil supply.

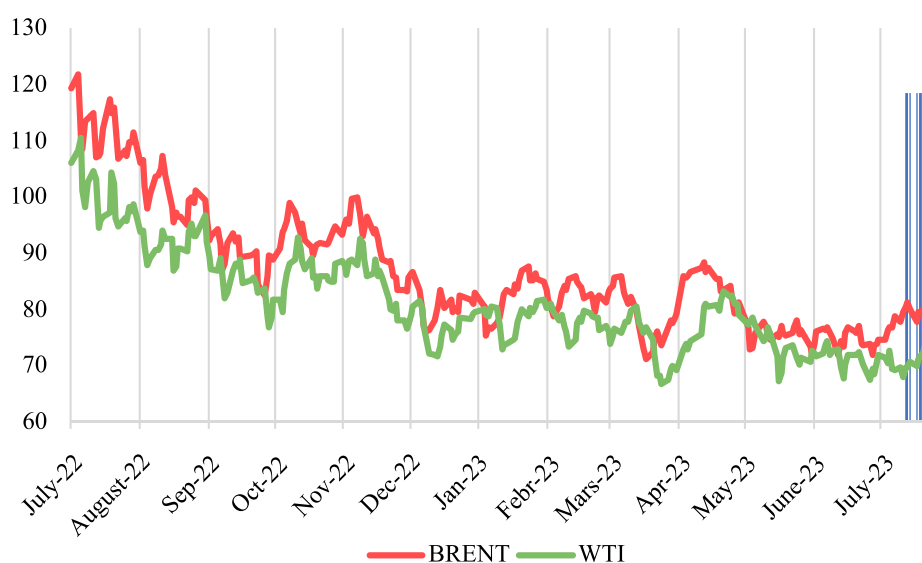
The oil market is subject to uncertainties linked to the global geopolitical and economic situation, as well as OPEC+ decisions on oil production. These factors, combined with the economic stimulus measures being implemented by governments, will have a significant impact on future market trends. It is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



The global geopolitical situation also plays a key role in oil price fluctuations. Geopolitical tensions, whether linked to regional conflicts or economic sanctions, can disrupt oil supplies and lead to price fluctuations. Investors are keeping a close eye on these developments

to assess the potential risks to oil supply and their impact on the market. A critical analysis of these factors is essential if we are to understand possible developments in the oil market over the medium and long term.

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



Source: Macrotrends.



## 2. National context

### II.1. Development of the national economy

The economic news of July 2023 was marked by several notable events. These were (i) the fall in the interest rate for access to loans from the FPI; (ii) the BCC's reminder of the ban on public display of the exchange rate; (iii) progress towards hydrocarbon production sharing between the DRC and Angola; (iv) the wait between the DRC and South Africa for the relaunch of the Inga 3 project; (v) ODEP's explanation of the factors behind the high cost of living; (vi) the signing of an agreement between the DRC, Angola and Zambia for mineral exports via the Lobito rail corridor; (vii) price rises for everyday consumer goods including flour and bread; (viii) the significant rise in the price of a litre of fuel in Maniema.

More explicitly, these facts are presented as follows :

#### 1. Lower interest rate for access to loans from the Industry Promotion Fund (FPI)

The Minister for Industry, Julien Paluku, is encouraging economic operators in the Beni- Butembo and Lubero regions to apply for loans from the industry promotion fund (FPI). The government has reduced the interest rate on FPI loans from 10% to 6% for all businesses, and to 4% for businesses run by young people and women. The aim of this measure is to facilitate the creation and revival of industrial units in the region, which has been affected by insecurity.

These measures are designed to stimulate the region's economy by encouraging economic operators to gain easier access to finance for their industrial activities. The Minister emphasised that the government is creating the right conditions to enable economic operators to develop their activities and contribute to economic recovery.

It is interesting to note that the number of industries in the DRC has fallen considerably since independence in 1960, from 9,600 to 525 in 2019. This reality has prompted the government to put in place policies such as the subdivision of the country into six industrial areas and the promotion of special economic zones to stimulate industrial development.

#### 2. Reminder by the BCC of the ban on public display of exchange rates

Exchange rate speculation continues to spread in the Democratic Republic of Congo (DRC). To counter this situation, the Governor of the Central Bank of Congo (BCC), Malangu Kabedi, reminded a meeting of the Council of Ministers of the obligation for the exchange office and manual foreign exchange dealers to comply with the regulations laid down by the BCC, in particular the ban on publicly displaying exchange rates. The Congolese government is encouraged to continue its efforts to support domestic production and reduce dependence on imports.

The Governor of the BCC pointed out that the indicative exchange rate stood at 2,411 CDF to the US dollar on 29 July 2023, showing a depreciation trend compared with the previous week. This trend was also observed on the parallel market, with an exchange rate of CDF 2,427.5 to the US dollar.

Against a backdrop of weak global economic growth, persistent inflationary pressures in the major economies and the impact of imported inflation, as well as tensions between the DRC and Rwanda, the Governor of the BCC recommended maintaining coordination between fiscal and monetary policies, as



well as compliance with the Stability Pact prohibiting monetary financing of the State deficit.

Exchange rate speculation and the depreciation of the Congolese currency against the US dollar highlight the challenges facing the DRC economy. Speculation can be fuelled by economic volatility, inflationary pressures and geopolitical factors such as regional tensions. The Governor of the BCC is taking steps to regulate the exchanges office and foreign exchange dealers to curb speculation, but challenges remain in stabilising the exchange rate.

The depreciation of the Congolese currency can have negative consequences for the economy, notably by increasing the cost of imports, which can lead to higher prices for consumer goods and inflationary pressure. It can also undermine investor confidence and financial stability.

The recommendation to maintain coordination between fiscal and monetary policies and the stability pact aimed at avoiding monetary financing of the government deficit is relevant to preserving macroeconomic stability and limiting the risks of inflation. However, it is important to implement these measures effectively and transparently in order to restore confidence and foster an economic environment favourable to growth and investment in the DRC.

### **3. Progress towards hydrocarbon production sharing between the DRC and Angola**

The Democratic Republic of Congo (DRC) and Angola have agreed to sign a production-sharing contract for oil in the shared maritime area, bringing to an end 16 years of discussions. The agreement will enable prospecting, exploration, evaluation, development and production of liquid and gaseous hydrocarbons in the shared maritime area. Revenues from the concession will be shared equally between the two countries, 50% each.

This agreement marks an important step in oil cooperation between the DRC and Angola, with the aim of diversifying the Congolese economy, which is mainly dependent on the mining sector. The DRC had expressed its desire to become an oil-producing country in Africa and had launched an appeal to attract operators interested in the country's oil and gas blocks. The imminent signing of the agreement on the governance and management of the joint maritime zone paves the way for closer cooperation in the oil sector between the two countries. It also offers promising economic prospects for the DRC, which could significantly improve its fiscal space thanks to the additional oil revenues.

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However, it should be noted that oil exploitation presents challenges, particularly in terms of environmental management and financial transparency. The DRC will need to ensure that oil revenues benefit the national economy in a fair and sustainable manner, while avoiding the pitfalls of the natural resource curse that have affected other oil-producing countries in Africa. Strong governance and proper oversight will be needed to ensure that the benefits of this oil collaboration truly accrue to the economic and social development of the DRC.

### **4. DRC and South Africa wait to relaunch Inga 3 project**

The Democratic Republic of Congo (DRC) and South Africa reaffirmed their commitment to relaunching the Inga 3 hydroelectric project during the South African president's visit to the DRC. Inga 3 is part



of the larger Grand Inga project, which could have a generating capacity of 40 GW. The project aims to harness the hydroelectric potential of the Inga Falls to meet the region's electricity needs.

The Inga 3 project has encountered obstacles, including bureaucratic problems and disagreements between the DRC and its partners. Initially supported by the World Bank, which planned to export the electricity generated to South Africa and the mines in the east of the DRC, the project lost the World Bank's support due to strategic differences.

However, the President of the DRC, Félix Tshisekedi, has indicated that he has begun discussions with potential new partners, including China and the World Bank, and that the World Bank is once again interested in the project. These developments are encouraging for the future of Inga 3.

According to a report by the bilateral commission quoted by Reuters, the agreement for the project should be finalised within the next 18 months, allowing engineering work to begin. This relaunch of the Inga 3 project, combined with the previous Inga 1 and Inga 2 dams, could open up a new era of hydroelectric production in the DRC.

However, it is important to note that the Inga 3 project faces major challenges, particularly in terms of financing, stakeholder coordination and environmental impact. Concerted efforts will be required to ensure transparency, sustainability and the inclusion of local stakeholders in the project development process. In addition, it is crucial to ensure that the economic and energy benefits of the project genuinely benefit the Congolese population, in particular local communities, and contribute to the sustainable economic development of the country.

## 5. ODEP explains the factors behind the high cost of living

The Observatoire de la dépense publique (ODEP) highlights the factors contributing to the rise in prices of basic necessities in the Democratic Republic of Congo (DRC) and the decline in the population's purchasing power. One of the main problems identified is the perpetuation of the neo-colonial system, where the country's historical economic exploitation continues to have repercussions on the current situation. ODEP points out that products such as maize flour, semolina, charcoal and rice have seen significant price increases in recent years.

The Chairman of the Board of Directors of ODEP condemns the fact that foreign companies, in collaboration with local elites, are profiting from the DRC's natural resources without any real benefit to the population. This situation is hampering economic development and contributing to rising prices for consumer goods.

ODEP also highlights the inappropriate application of liberal economic theories in the development of public policies in the DRC. These economic approaches, which favour free competition and reduced State intervention, do not take into account the specific realities of the country, which limits their effectiveness in stimulating growth and improving the living conditions of the population.

The survey also highlights the complicity of the ruling classes with imperialism, where the close links between certain Congolese political and economic elites and foreign powers influence the country's political and economic decisions, often to the detriment of national interests.

Finally, endemic corruption and the misappropriation of public revenues are scourges that hamper good governance in the DRC, leading to inefficient public institutions and impoverished populations.

ODEP therefore stresses the need for fairer economic and governance policies, as well as effective measures to combat corruption. These initiatives are essential to promote sustainable economic development and improve the living conditions of the Congolese population. It is also crucial that the Congolese government takes into account the results of the ODEP survey and works to implement priority solutions based on the resources available in the country.

#### **6. Signing of an agreement between the DRC, Angola and Zambia for mineral exports through the Lobito rail corridor**

The presidents of the Democratic Republic of Congo (DRC), Zambia and Angola have signed an agreement aimed at boosting mineral exports via the Lobito rail corridor in Angola. Under the agreement, Lobito Atlantic Railway will be responsible for transporting minerals from the DRC and Zambia to export markets via the port of Lobito.

The full operationalisation of this rail corridor is seen as essential to opening up the mines of the DRC and Zambia and facilitating access to the inputs required by the mining and agricultural industries. This would open up new opportunities for mineral exports, potentially contributing to economic growth in both countries.

However, it is important to highlight some potential challenges. Effective management of the rail corridor, including maintenance and expansion capacity, will be crucial to ensure a continuous flow of goods. In addition, transparency and governance in the mining sector must be strengthened to avoid any exploitation that is illegal or detrimental to national interests. It is also important that the benefits of mining are fairly

distributed and contribute to the economic and social development of the countries concerned.

Finally, it should be noted that economic diversification remains a major challenge for the DRC and Zambia, which are heavily dependent on the mining sector. To ensure sustainable development, it will be crucial to invest in other economic sectors, such as agriculture and manufacturing, to boost job creation and reduce dependence on commodity prices.

#### **7. Rising prices for everyday consumer goods, including flour and bread**

The war in Ukraine has had a significant impact on the world cereals market, particularly for wheat. Ukraine and Russia are two of the world's leading wheat exporters, and the war has disrupted production and exports from these countries. This has led to a rise in wheat prices on the world market, with repercussions for wheat-importing countries, including the DRC.

Wheat importers in the DRC have been faced with a series of challenges since the start of the war. First of all, tax and customs red tape has increased. This has made it harder and more expensive to import wheat. Secondly, the scarcity of foreign currency has made it more difficult to pay for wheat orders. Thirdly, the state of port infrastructures has prevented ships from loading and unloading wheat cargoes, which has also increased costs.

It should be noted that the war in Ukraine has also had an impact on the markets for other cereals, such as maize and barley. This rise in wheat prices could therefore have a major impact on the Congolese economy, given that wheat is a raw material used in many food and non-food products.

The government will therefore have to take measures to mitigate the impact of the war on wheat prices. These measures could include subsidies for farmers, aid for consumers and measures to increase wheat production.

With this in mind, the Deputy Prime Minister in charge of the Economy met with wheat importers to discuss these challenges. He promised to take measures to help them. These measures include reducing the tax burden, making foreign currency available at the official exchange rate and improving the state of port infrastructures.

In the short term, these measures should lead to a fall in the price of flour and bread on the local market. However, it is important to note that the war in Ukraine has a long-term impact on the world cereals market. It is therefore possible that wheat prices will remain high for some time.

#### **8. Significant rise in the price of a litre of fuel in Maniema**

In the province of Maniema in the Democratic Republic of Congo (DRC), the price of petrol has risen considerably, from 4,500 Congolese francs to 10,000 Congolese francs per litre. According to some local residents, on Independence Day, 30 June, the price even reached 14,000 Congolese francs on the parallel market. The rise in prices has also led to an increase in the cost of public transport, with fares reaching 2,000 to 2,500 Congolese francs for some journeys, compared with the 500 Congolese francs previously paid by road users.

The coordination of tanker associations of Maniema explains that this situation is due to the deterioration of roads and communication routes, in particular the Kisangani-Ubundu road and the road between Kindu and Bukavu. This deterioration is making it more difficult to transport fuel, resulting in scarcity and higher prices. It also warns that if the situation does not improve, all service stations in the region will be closed within 48 hours.

This rise in petrol prices is having a significant impact on the cost of living for the people of Maniema. Expenditure on transport is rising, which can lead to

economic hardship for residents who rely on public transport to get around and access essential goods and services.

It is crucial for local authorities to take steps to remedy the deterioration of roads and communication routes in order to guarantee a regular supply of fuel at affordable prices. This will require investment in infrastructure and road maintenance, as well as effective coordination between the players involved in the fuel supply chain. Improving the transport infrastructure will also contribute to the economic development of the region by facilitating trade and exchanges.

#### **II.1.2. Economic activity**

The Democratic Republic of Congo (DRC) and Angola organised the first joint economic forum on 31 July and 1<sup>st</sup> August 2023 in Kinshasa..

Discussions at the forum covered a wide range of topics, including energy, agriculture, mining, transport and tourism. Participants discussed investment opportunities in these sectors and measures to be taken to facilitate trade and investment between the two countries.

The forum was a success and identified a number of opportunities for economic cooperation between the DRC and Angola. Participants agreed to continue discussions and to work together to implement the measures agreed.

In another development, the Council of Ministers of the Democratic Republic of Congo (DRC) has adopted a draft emergency plan to improve the business climate. The plan aims to reduce the costs and time involved in setting up and running businesses in the DRC. It comprises a number of measures, including simplifying administrative procedures, reducing taxes and improving access to credit.



The government is committed to implementing the emergency plan to improve the business climate. This plan is essential to attract foreign investment and stimulate economic growth in the DRC.

Meanwhile, the Democratic Republic of Congo (DRC) is facing a major humanitarian crisis, with more than 36 million people in need of emergency food aid. The crisis is due to a number of factors, including armed conflict, drought and flooding.

The World Food Programme (WFP) has launched an urgent appeal for \$557 million to provide food assistance to 36 million people in the DRC. The money will be used to provide food, drinking water, healthcare and shelter to the most vulnerable people.

For its part, the Congolese government is making sufficient efforts through several programmes, including the development programme for 145 territories (PDL-145T), to tackle this humanitarian crisis by implementing the following measures: (i) combating armed conflict and promoting peace; (ii) developing agriculture; (iii) strengthening the health and education system; and (iv) improving access to drinking water.

On another front, the DRC government has created a subsidy programme for small and medium-sized enterprises (SMEs). The programme, called Programme d'Appui au Développement du Micro-Entrepreneuriat et de la Petite et Moyenne Entreprise (PADMPME), was launched in 2021.

The aim of the PADMPME is to support Congolese SMEs by providing financing, training and advice. The programme has been a success, with more than 2,151 new jobs created by SMEs thanks to state subsidies.

SMEs eligible for PADMPME must have fewer than 50 employees and an annual turnover of less than \$10 million. SMEs can apply for grants to finance the purchase of equipment, staff training, marketing and research and development. PADMPME grants have been used to create jobs in a variety of sectors, including agriculture, manufacturing, services and tourism. The programme has also enabled SMEs to increase their turnover and improve their competitiveness.

### II.1.3. Prices dynamics

Prices rose overall in July 2023 compared with June 2023. As the table below shows, apart from weekly inflation, the pace of price rises accelerated in July 2023. This situation is essentially driven by the rise in prices of everyday consumer goods. Added to this is the ineffectiveness of government policies, which is exacerbating this price slippage.

The weekly inflation rate stood at 0.18% in the third week of July 2023, down 69.09% on the June 2023 closing rate of 0.59%.

The cumulative inflation rate stood at 16.30% in the third week of July 2023, compared with 10.09% a month earlier, representing a positive change of 61.45%.

Year-on-year inflation stood at 23.43% in the third week of July 2023, compared with 17.70% a month earlier, an increase of 32.39%. At this rate, inflation is expected to reach 31.09% by the end of 2023, compared with 13.13% a year earlier (2022).

The table below shows inflation in July 2023.



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

	Weekly inflation	Cumulative inflation	Year-on-year inflation	Annualised inflation
Week 1	1.38	11.61	19.02	23.55
Week 2	4.01	16.08	23.48	31.91
Week 3	0.18	16.30	23.43	31.09

Source : BCC, July 2023.



### II.1.4 Exchange rates and foreign exchange reserves

During July 2023, the exchange rate deteriorated further on the interbank market, where it stood at 2,540.67 in the third week of July 2023 compared with 2,351.52 at the end of June 2023, a depreciation of 8.04%.

The same is true of the parallel market, where the exchange rate stood at 2,575.63 in the third week of July 2023, compared with 2,540.00 a month earlier, a depreciation of 5.24%.

**Table 2 » EXCHANGE RATE TRENDS**

	Closing june 2023	July 2023			Variation june- july 2023
		Week 1	Week 2	Week 3	
Interbank market	2 351.52	2 411.02	2 426.97	2 540.67	8.04%
Marché parallèle	2 447.50	2 540.00	2 635.00	2 575.63	5.24%

Source : BCC.

Foreign exchange reserves increased compared with June 2023. Foreign exchange reserves stood at USD 4.85 billion in the third week of July 2023, an increase of 9.98% compared with the previous month, when they stood at USD 4.41 billion. In terms of months of imports, the coverage of imports by foreign exchange reserves rose from 2.38 months to 2.62 months between

the end of June 2023 and the third week of June 2023, an increase of 10.08%. This increase in foreign exchange reserves is mainly explained by: (i) the support received by the DRC under the Extended Credit Facility (ECF) at the end of June 2023 and (ii) the USD 700 million received from the World Bank under the Water and Sanitation Access Programme (PASEA).

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

	Closing june 2023	July 2023			Variation june - july 2023
		Week 1	Week 2	Week 3	
In billions of USD	4.10	5.03	5.09	4.85	9.98%
In months of imports	2.38	2.72	2.72	2.62	10.08%

Source : BCC.

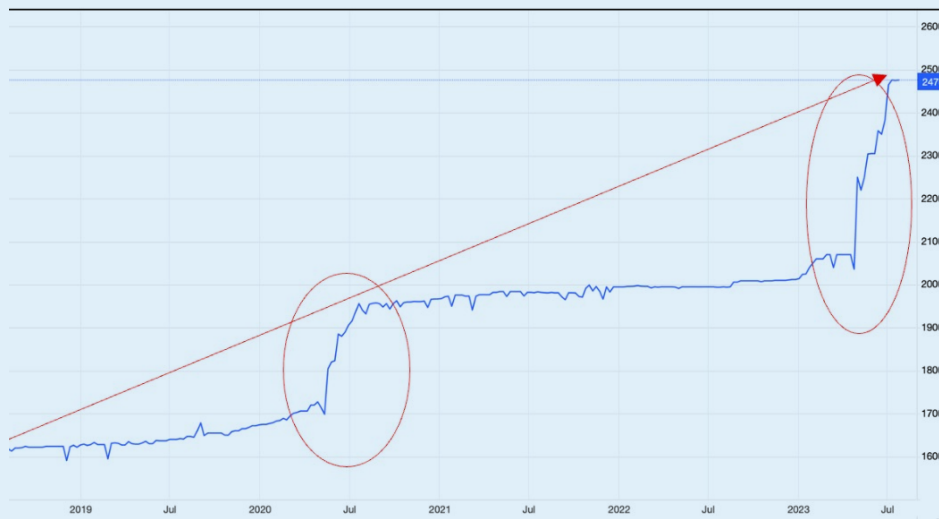
**Box 1: Depreciation of the Congolese franc: what lessons can be learned from the latest episode?****An analysis by Professor MUKOKO SAMBA<sup>1</sup>**

On 27 July 2019, the US dollar was worth 1,615.4 CDF. On 24 July 2023, the same dollar traded at 2,476 CDF. Over the last five years, the national currency has therefore lost 34.75% of its value against the US dollar. Figure 8 shows the rise in the value of the US dollar in CDF, with two characteristic periods, the first running from July 2019 to July 2020 and the second from August 2022 to the end of July 2023, with a sharp acceleration from January 2023.

1. Daniel Mukoko Samba holds a doctorate in economics from the University of Tsukuba in Japan, and is a professor at the University of Kinshasa. He has also been an economist at the UNDP, deputy chief of staff to the Prime Minister, Deputy Prime Minister and Minister for the Budget.



**Figure 9 » INDICATIVE EXCHANGE RATE (CDF PER US\$1), JULY 2019- JULY 2023**



Source : <https://tradingeconomics.com/congo/currency>.

The current phase of accelerated depreciation is best illustrated in Figure 9. The domestic currency depreciated by 16.6% between 3 May and 24 July 2023. This contrasts with the resilience of official foreign exchange reserves, which have grown substantially since the implementation of the IMF-supported macroeconomic programme (Figure 10).

**Figure 10 » INDICATIVE EXCHANGE RATE (CDF PER US\$1), JULY 2022-JULY 2023**



Source : <https://tradingeconomics.com/congo/currency>.

**Figure 11 » OFFICIAL FOREIGN EXCHANGE RESERVES (US\$ MILLIONS)**



Foreign exchange reserves now represent between 9 and 10 weeks of imports, a record level over the last forty years. Such a negative trend in the external value of the national currency can only be the result of shocks. In this case, the shocks are both external and internal.

**External shocks**

Like most of the world's economies, the DRC has suffered the double shock of the appreciation of the US dollar and the terms of trade shock. From May 2022, the US dollar began its strongest rise against any other world currency, with an average rate of appreciation of 12% over the year (Figure 11). The dollar's rise is the result of two events: i) the aggressive monetary policy of the US central bank, which raised its key rates before any other central bank to counter galloping inflation in the United States; and ii) the safe-haven status enjoyed by the dollar since the outbreak of war between Russia and Ukraine. The Federal Reserve Bank's rate hike created an interest rate differential in favour of the US markets. At the same time, a cautious reflex has led investors to prefer assets denominated in US dollars. The resulting additional demand for the US currency explains the dollar's appreciation.

**Figure 12 » NOMINAL US DOLLAR INDEX, BASE JANUARY 2006 = 100**



Source : Données téléchargées de <https://fred.stlouisfed.org/series/DTWEXBGS>

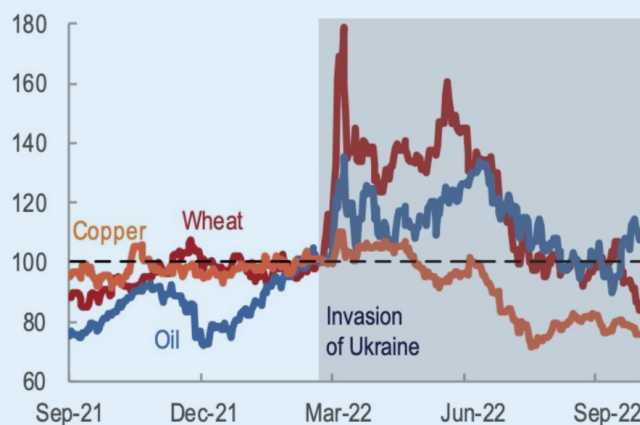


The appreciation of the dollar is affecting the entire global economy. In particular, it has a direct link with inflation in countries dependent on imports, which is the case in the DRC for petroleum products and foodstuffs. According to some estimates, when the dollar appreciates by 10%, this results in 1% more inflation in countries importing goods invoiced in dollars. After reaching parity with the euro (\$1 = €1), the dollar has certainly been in a downward phase since the end of 2022, but because of the time lag in the transmission of last year's shock, this effect is still being felt in the Congolese economy.

### The terms of trade shock

The Russian invasion of Ukraine drove up oil and grain prices, while the uncertainty caused by the war and the sluggish recovery in the major economies (notably China) caused metal prices to fall (Figure 12). These two phenomena combined to produce a deterioration in the terms of trade.

**Figure 13 » COPPER, OIL AND WHEAT PRICE INDEX, BASE 21 FEBRUARY 2022=100**



Source : Bloomberg Finance L.P., In FMI (2022), Sub Saharan Africa : Living on the edge.

For the Congolese economy, the deterioration in the terms of trade is reflected in increased demand for foreign currency to meet more expensive imports, while foreign currency receipts are being affected by the fall in copper and cobalt prices.

### Internal shocks

On the domestic front, the security and humanitarian challenges have increased the level of exceptional expenditure, which accounted for 14% of total expenditure in the current financial year to the end of May 2023. The failure to sterilise the liquidity generated by this untimely spending led to an explosion in the surplus assets of commercial banks (i.e. the difference between banks' current accounts and the assets held as mandatory reserves with the central bank). Figure 6 shows the two periods (August 2022 and March 2023) during which surplus assets reached almost 1% of GDP, which translates into an increase in central bank money (the monetary base) which in turn puts pressure on the exchange rate.

**Figure 14 » TREND IN BANKS' SURPLUS ASSETS, JANUARY 2022-MAY 2023  
(IN BILLIONS OF SWISS FRANCS)**

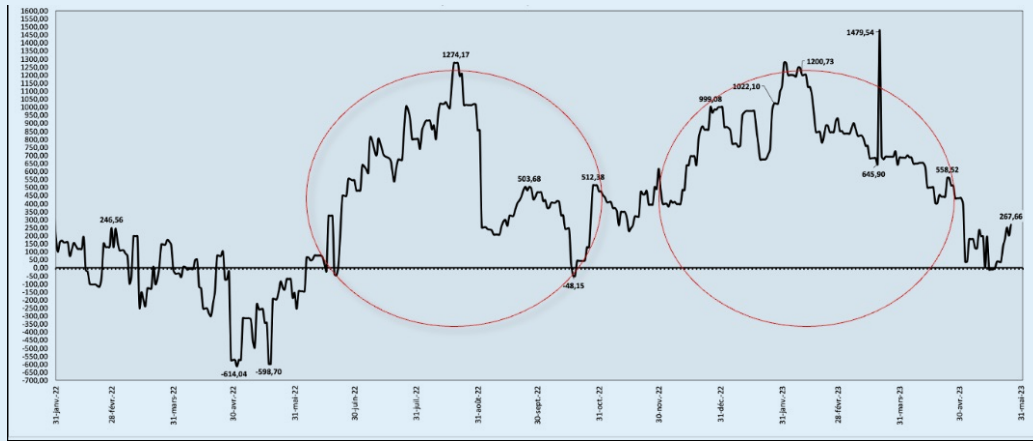
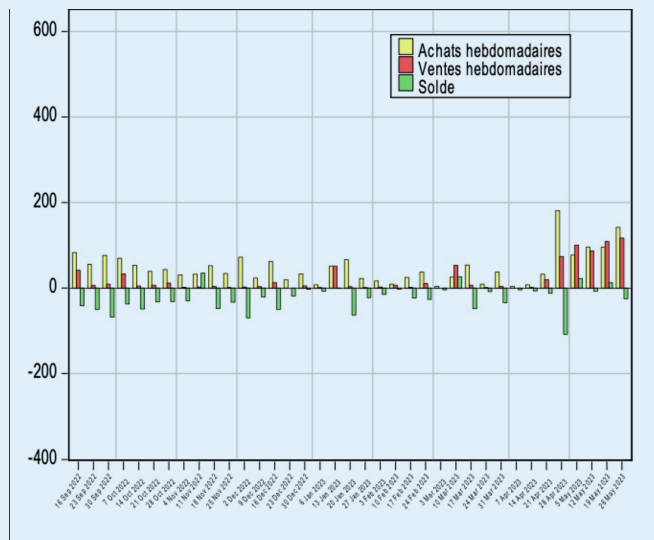


Figure 14 shows that the foreign exchange market remained in demand (purchases exceeded sales) throughout the period. As long as this situation persists, the BCC's interventions on the foreign exchange market alone will not be enough to stabilise the market.

**Figure 15 » EVOLUTION OF THE BALANCE OF TRANSACTIONS ON THE FOREIGN EXCHANGE MARKET,  
AUGUST 2022-MAY 2023 (IN MILLIONS OF US\$)**



Source : Condensé Hebdomadaire d'Informations Statistiques, No. 21, May 2023.

All these developments have resulted in an acceleration in the rise in domestic prices. Year-on-year, the inflation rate reached 13.1% in December 2022 and 16.9% in March 2023, compared with the end-of-period target of 12.3%. The products whose prices have risen the most are food, clothing, housing, water and energy, and transport.

### **The International Monetary Fund alert**

At the end of the first quarter of 2023, the IMF warned sub-Saharan African countries of the risks of exchange rate disruptions. In its April analysis note, the IMF pointed out that with most currencies weakening in 2022 against the US dollar, which is the invoicing currency for imports and external debt, sub-Saharan African countries would experience pressure on their exchange rates. Noting that it would be difficult for African countries to withstand these pressures, the IMF recommended going beyond central bank intervention and adjusting macroeconomic policies to take account of the nature of the shocks affecting the economy, country-specific characteristics, the fiscal position, and the level and composition of public debt.

The Integrated Framework for Action offers a menu of policies with which the IMF intends to assist African countries as they navigate the narrow margins for manoeuvre left by an increasingly uncertain global economic environment. The framework recommends four priorities for sub-Saharan African countries :

1. Combating food insecurity ;
2. Adapting to restrictive monetary policies in developed countries<sup>iiiii</sup> ;
3. Consolidation of public finances to take account of tighter financing conditions ; and
4. Preserving opportunities for sustainable economic growth.

On this menu, the DRC would appear to be a country that must attach the utmost importance to food security, as it is one of the countries most affected by this scourge in the world. Foodstuffs react very elastically to exchange rate fluctuations. On the other pillars, as part of the reviews of the current macroeconomic programme, the IMF has regularly advised the Congolese government :

- Proceed with caution with monetary tightening, the aim being to keep real interest rates on BCC securities positive so as to facilitate the absorption of banks' excess liquidity in CDF and thus reduce pressure on the exchange rate. The IMF believes that liquidity management through the volume and remuneration conditions of BCC bills, combined with the policy of reserve requirements and the accumulation of foreign exchange reserves, should take precedence over BCC interventions on the foreign exchange market<sup>iiiii</sup>.
- Pursue a prudent fiscal policy in order to maintain the domestic budget deficit at less than 1% of GDP (continue efforts to raise revenue, improve the quality of public spending so as not to prejudice public investment spending and to have room to manoeuvre to assist disadvantaged populations while meeting security expenditure)..

These points are important because they help us to understand the attitude of the authorities during the weeks when the Congolese people demanded action on their part to halt the fall of the Congolese franc. For the BCC, which is aware of its limited intervention capacity and difficulties in purchasing foreign currency, the accumulation of reserves dominates intervention on the foreign exchange market. It should also be noted that during the fourth review of the programme, the BCC, which had not reached the quantitative achievement criterion relating to the floor on changes in the net international reserves of the BCC at the end of March 2023 (against a target of US\$100 million, the achievement was US\$-324 million), requested a downward revision of the target at the end of June, from US\$430 million to US\$250 million. At the same time, the central bank has been less aggressive in its interest rate policy (the key rate was gradually increased from 7.5% to 8.25% in November 2022, from 8.25% to 9% on 22 March, then from 9% to 11% on 19 June 2023). The fourth review document states: "The BCC is committed to further



increases in its key rate and to using quantitative instruments to manage liquidity. This approach, together with favourable base effects, should bring inflation back to the 7% target by the end of 2024, in the absence of shocks.»<sup>vi</sup>

During the same period, the government did not revise the 2023 budget to bring it into line with actual implementation conditions, nor did it implement a genuine expenditure consolidation plan to take account of revenue trends (with the exception of the measure to suspend payment of the domestic debt taken at the beginning of February 2023). The lack of coordination between the Treasury and the BCC allowed the pressures that led to the accelerated depreciation of the national currency between June and July 2023 to explode. This lack of coordination, which could not be resolved by the Prime Minister, required the intervention of the President of the Republic, who called an extraordinary meeting on 17 July 2023, at the end of which the following measures were taken :

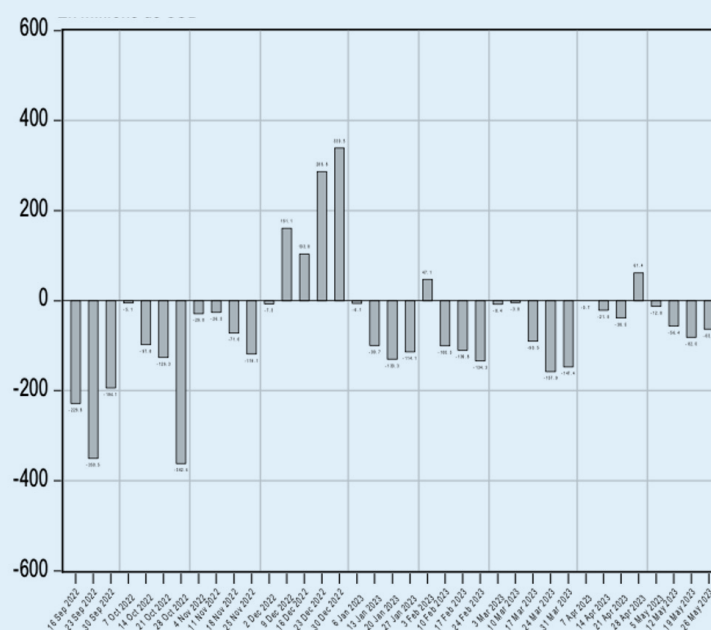
1. The continuation by the Central Bank of Congo of interventions on the foreign exchange market and the taking by it of any other monetary policy measure required, in particular in relation to the reserve requirement ratio ;
2. Consolidating the rigorous management of public finances, by giving priority to essential public spending and reducing the crowding-out effect of spending carried out under the emergency procedure ;
3. A ban on the payment of public expenditure in cash at the Central Bank of the Congo ;
4. Supervision by the banking sector of foreign exchange transactions carried out by bureaux de change, which must be compatible with their actual capacity ;
5. Reinforcement of measures to repatriate foreign currency and consultation between the Central Bank of the Congo and operators in the mining sector on the possible repurchase of a portion of the foreign currency repatriated ;
6. Immediate deduction of VAT at source by the Treasury for suppliers and service providers to the State when their invoices are paid ;
7. The Minister of Finance, assisted by the Inspectorate General of Finance, to oversee the automatic taxation of companies that have not filed their tax returns ; and
8. Payment of all taxes, fees and duties due to the State in Congolese Francs.

These measures can be grouped into three categories: i) traditional monetary measures, which are the responsibility of the BCC; ii) measures aimed at increasing public revenue, for which the intervention of the Inspectorate General of Finance has been requested, and measures aimed at improving the quality of public spending; and iii) measures aimed at combating speculative practices, which are supposed to exacerbate the depreciation of the franc.

What can we expect from these measures? It is true that on 20 July 2023, the BCC intervened to the tune of US\$150 million, three times the level of its previous intervention in June. The market reacted almost immediately, but it is unlikely that the BCC will maintain this level of intervention for long. It would only make it more difficult to achieve the objectives set out in the IMF-supported programme. In my view, the most urgent thing is to re-establish closer coordination between the fiscal and monetary aspects of macroeconomic policy. It was the accelerated fiscal spending that created the spikes in excess reserves that the central bank was unable to mop up. Thus, for example, in January 2023, the BCC was only able to issue bills for 14% of the excess liquidity on the market. Furthermore, the negative balance of the Treasury's foreign currency budget (Figure 15) is further evidence of this weak coordination.



**Figure 16 » BUDGET BALANCE IN FOREIGN CURRENCIES (US\$ MILLION)**



Source : Condensé Hebdomadaire d'Informations Statistiques, No. 21, May 2023.

**What lessons can we learn ?**

In the eyes of public opinion, and rightly so, the dollar rate in Swiss francs needs to come down. But the most important thing is to get there by tackling the real causes and proceeding in the most judicious way, without political arbitration leading to short-term measures that will jeopardise the pursuit of the macroeconomic programme. The most difficult thing, at a time when the Treasury will have to cope with pressing demands from the CENI and the army, is to maintain more prudent management of expenditure without sacrificing transfers to the provinces and public investment. Based on the elements presented in this note, the following lessons can be drawn

**Lesson 1** - For an economy such as ours, which is so vulnerable to external price shocks, it is always necessary to anticipate and take account of developments in the global economy. In this respect, it should be remembered that the IMF's Integrated Framework for Action suggests that underdeveloped countries with flexible exchange rate regimes should allow the national currency to depreciate in the event of an exogenous shock, in order to absorb shocks and encourage the substitution of imported goods for local goods. This argument is theoretically correct, but it is difficult to defend in an economy where pressure on the exchange rate inevitably translates into higher prices for the commodities most essential to the majority of households. In this particular case, I would like to suggest that Congolese experts not only observe the prices of raw materials (copper and cobalt), but also simulate the effect of these developments on the exchange rate and the terms of trade.

**Lesson 2** - Better coordination between fiscal policy and monetary policy is essential. The framework for this exercise exists. It is the Economic Review Committee chaired by the Prime Minister. If this weekly meeting is meticulously prepared with clear policy targets, it can produce good results. Among other things, the meeting should regularly examine the level and composition of the Treasury's foreign currency budget, the stock and terms of remuneration of BCC bills, the financing of the current budget deficit, and the allocation of exceptional revenues.

**Lesson 3** - The need for a genuine budgetary consolidation programme. Even if the pre-election period does not lend itself well to courageous budgetary decisions, the issue of the quality of spending must be addressed more effectively. In any case, vigorous action is needed on institutional operating expenditure (10% of expenditure at the end of May 2023) and salaries. As far as remuneration is concerned, in the immediate term it is possible to standardise the remuneration of employees of public establishments that are almost totally dependent on the Treasury, postpone the budgeting of the remuneration and operating costs of public establishments created during the financial year, rationalise the bonuses of civil servants, and rationalise service missions.

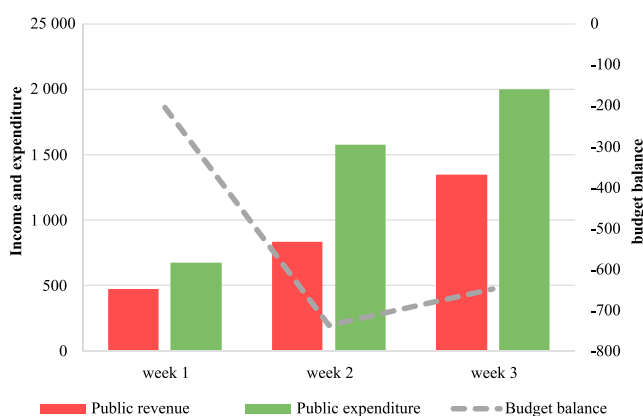
**Lesson 4** - Optimise management of the State's cash position. The aim is to improve revenue and expenditure forecasts by strengthening the steering function for this highly technical exercise. This is the *raison d'être* of the new General Directorate of the Treasury and Public Accounting (DGTCP), a public service placed under the direct authority of the Minister of Finance, with the task of ensuring the execution of expenditure and monitoring the revenue collected by the financial administrations, to define the State's financial policy through cash management and debt monitoring for the central government, the provinces, the decentralised territorial entities and auxiliary bodies, and to regulate, maintain and centralise the accounts and financial flows of the central government, the provinces, the decentralised territorial entities and auxiliary bodies. Now that the heads of this public service have been appointed by the President of the Republic, the DGTCP must urgently carry out its duties to the full, which would make it possible to implement one of the most eagerly awaited reforms, the *Compte Unique du Trésor* (CUT). The DGTCP and the *Direction Générale des Politiques et Programmation Budgétaire* (DGPPB) within the Ministry of the Budget are destined to become the flagships of a more technocratic management of the Congolese State. It is only through technocratic management that the principles of precaution, anticipation and rigour can be infused into cash management. Today, more than ever, the management of State finances requires a truly professional approach to cash management.

- i. IMF (2023), "Managing exchange rate pressures in Sub-Saharan Africa: adapting to new realities", *Regional Economic Outlook: Sub-Saharan Africa - The Great Financing Crunch*, Washington, April. Gopinath, G and Gourinchas, P-O (2022), "What should countries do about the strong dollar?", IMF Blog, <https://www.imf.org/fr/Blogs/Articles/2022/10/14/how-coun-tries-should-respond-to-the-strong-dollar>.
- ii. IMF (2022), "Regional Economic Outlook. Sub Saharan Africa: Living on the edge", *World Economic and Financial Surveys*, Washington, October.
- iii. On 27 July 2023, the European Central Bank raised its key rates from 3.5% to 3.75% for the deposit facility, from 4.25% to 4.5% for the marginal lending facility and from 4.0% to 4.25% for refinancing.
- iv. IMF (2022), "Democratic Republic of Congo. Third Review of the Extended Credit Facility Arrangement", Staff Report No. 22/390, Washington, December.
- v. The IMF believes that central bank intervention in foreign exchange markets is more relevant for emerging countries, which are subject to financial shocks, and less so for sub-Saharan African countries, which are often the victims of commodity price shocks.
- vi. IMF (2023), "Democratic Republic of Congo. Fourth Review of the Extended Credit Facility Arrangement", Staff Report No. 23/244, Washington, July, p.19.
- vii. IMF (2023), "Democratic Republic of Congo. Fourth Review of the Extended Credit Facility Arrangement", Staff Report No. 23/244, Washington, July, p.19.

## II.1.5 Public finance

During the month of July 2023, the operations account closed with a deficit of CDF 647,280 million. At the end of the third week, government revenues totalled CDF 1,347,323 million, while expenditure was estimated at CDF 1,998,558 million. The cumulative balance for the third week is therefore negative by 1,262,084 million CDF.

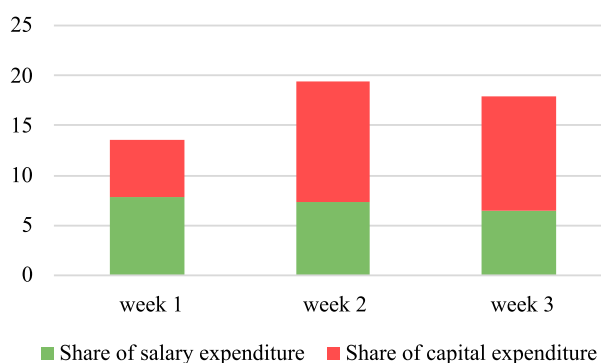
**Figure 17 » CHANGE IN PUBLIC REVENUE AND EXPENDITURE DURING JULY 2023 (IN MILLIONS OF CDF)**



Source : Ministry of Finance, CTR.

Public expenditure in July 2023 increased by CDF 1,294,818 million compared with June 2023. Operating expenditure, which includes civil servants' salaries and other administrative costs, increased by CDF 891,078 million. Capital investment, which includes infrastructure and equipment projects, increased by 403 740 million CDF. Government expenditure remains focused on operating costs and the payment of civil servants' salaries, with the remainder going on capital investment.

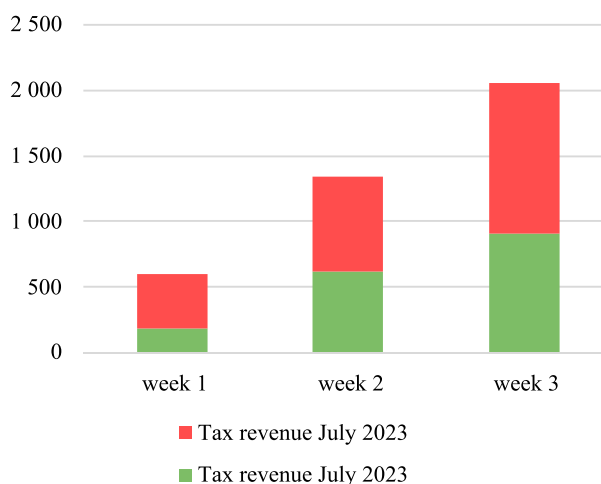
**Figure 18 » CHANGE IN THE BREAKDOWN OF PUBLIC SPENDING (%)**



Source : Ministry of Finance, CTR.

The lion's share of public spending goes on running the state. This is partly due to the armed aggression against the country by the M23 rebels, supported by the Rwandan army. State expenditure continues to rise, even taking into account the war effort. The government will have to mobilise more resources to improve living conditions for the population through basic infrastructure.

**Figure 19 » CHANGE IN TAX REVENUE (IN MILLIONS OF CDF)**



Source : Ministry of Finance, CTR.



At the end of the third week of July 2023, revenue mobilisation was strong compared with July of the previous year. It also remains high compared with the third week of the previous month of the same year. The financial authorities mobilised CDF 1,145,863 million in 2023 compared with CDF 909,841 million in 2022.

This increase in revenue is good news for the country, as it will enable the government to cover priority expenditure during this period of crisis, in particular expenditure on security, health, education, infrastructure, and so on. However, poor governance of public finances, corruption and misappropriation of public funds are reducing the government's ability to allocate resources optimally.

## II.2 Political developments

July 2023 was a very eventful month with a lot of tension between stakeholders around the following highlights:

### 1. Submitting candidacies for the National Assembly

The process of receiving candidatures for the national deputation by the Independent National Electoral Commission (CENI) began on 26 June 2023 and was due to end on 15 July 2023, in accordance with the electoral calendar. However, the closing of the Bureaux de traitement et réception des candidatures (BTRC) for the national deputation has been postponed to Sunday 23 July 2023. CENI reminded independent candidates and political parties that the deadline for submitting candidacy files was 4.30pm local time in the 168 BTRCs across the country.

The number of applications for the national deputation reached 24,802 (including 19,226 men and 5,576 women), exceeding the record of 15,000 applications recorded during the 2018 electoral cycle. This high number makes the current electoral cycle highly competitive for the five hundred seats to be filled in the National Assembly.

During this operation, 1,937 political parties took part, 1,937 political groupings and 154 independents. The table below lists some of the statistics relating to this operation.

**Table 4 » APPLICATION STATISTICS BY TYPE OF ORGANISATION**

Type of organisation	Number of provinces-concerned	Number of districts that received files	Number of cases by type of organisation	Number of candidates by type of organisation
Independent	24	64	154	154
Political party	26	180	1 937	5 519
Political regrouping	26	180	7 432	19 129
<b>Total</b>	-	-	<b>9 523</b>	<b>24 802</b>

Source : Operations Monitoring Department (CENI).



Nevertheless, some problematic practices were observed, in particular the fact that several candidates appointed members of their biological family as substitutes, a practice that was decried during the 2018 elections. The president of the African Association for the Defence of Human Rights (Asadho), Jean-Claude Katende, has condemned this practice and plans to publish the list of candidates concerned in order to raise public awareness of the risk of concentrating power within a single family.

In addition, the political party Union pour la Démocratie et le Progrès Social (UDPS) has expressed its dissatisfaction with candidates who have chosen family members as 1<sup>st</sup> substitutes.

The party is asking those concerned to check the files submitted and replace family substitutes with unrelated party members.

The opponent Martin Fayulu, leader of Ecidé, has refused to send candidatures at all levels because of the absence of a serious audit of the electoral roll. He has announced a demonstration to demand the activation of article 64 of the constitution, which calls for the prevention of any seizure of power by force or in violation of the constitution.

These events show that there are major issues at stake in the DRC's electoral process, particularly in terms of transparency and fairness in political representation, and raise questions about the need to guarantee free and fair elections in order to strengthen democracy in the country.

## **2. The death of the Honourable Chérubin Okende**

The lifeless body of Chérubin Okende, national MP and former Minister of Transport, was discovered abandoned on the HGV road in Kinshasa early on the morning of Thursday 13 July 2023. The day before,


he had gone to the Constitutional Court in response to an invitation from a judge, but was nowhere to be found. Chérubin Okende was one of the ministers who resigned from the Sama Lukonde government because of their support for Moïse Katumbi, now an opponent of the Tshisekedi regime.

Although the circumstances of his death have not been clearly established, several sources claim that he was shot. This assassination is worrying many opponents and activists at a time when tension is mounting between the opposition and the government over the organisation of general elections in December 2023.

Moïse Katumbi's "Ensemble pour la République" party expresses its indignation at the attitude and communication of the Public Prosecutor at the Court of Cassation regarding the investigation into the murder of Chérubin Okende. According to the party, the preparatory investigation is secret under Congolese law and criminal law, and it is disturbing that the prosecutor should announce conclusions without an autopsy or serious investigation. Members of the government are also making dubious parallels with other political assassinations, which raises questions about the true intention of Congolese justice.

The Secretary General of Ensemble pour la République, Dieudonné Bolengege, questions the prosecutor's assertions and calls for the rapid establishment of an impartial international commission of enquiry to shed light on the murder of Chérubin Okende. He also considers that the haste with which certain statements were made without an autopsy is inadmissible.

Other political figures, including President Félix Tshisekedi, presidential candidates such as Matata Ponyo, Delly Sesanga and Moïse Katumbi, and Nobel Prize winner Denis Mukwege, have also condemned the murder of Chérubin Okende and called for an independent investigation to ensure justice.



The words of the Congolese government spokesman, Patrick Muyaya Katembwe, were interpreted as an appeal to let justice do its work and to avoid any political recuperation surrounding this assassination.

In this context, Moïse Katumbi, who was attending the CAF General Assembly, expressed his sorrow and outrage at this criminal act, describing the death of Chérubin Okende as a political assassination and calling for an independent international investigation to ensure that justice is done.

However, some political figures have accused the current government of creating a climate of terror and oppression towards opponents, raising concerns about the current electoral process.

In view of the seriousness of the situation, calls for mobilisation and the search for the truth have been made by various personalities and political parties. The DRC is facing a tense political context, marked by political murders and growing tensions between the various factions. A thorough and impartial investigation is needed to shed full light on this case and allay concerns about the forthcoming elections.

### **3. Launch of the 9<sup>th</sup> Francophonie Games**

The Head of State, Félix Tshisekedi, officially opened the ninth edition of the Games of La Francophonie at the Stade des Martyrs in Kinshasa, in front of more than 80,000 spectators, with a ceremony packed with entertainment broadcast live on television.

In his speech, the President of the Republic underlined the symbols of these Games, such as the "collective will to live", solidarity with the Congolese people who

are victims of aggression and the plundering of their wealth, and the DRC's attachment to the values of La Francophonie.

He acknowledged the challenges involved in organising this event, notably the COVID-19 pandemic and the security crisis in the east of the country. Despite these constraints, President Tshisekedi was determined to build this modern infrastructure for the benefit of young people.

The Games of La Francophonie bring together talented young people aged 18 to 35 in 11 artistic disciplines, 9 sports competitions and a peripheral animation discipline (Nzango). The event attracted participation from the vast majority of the 88 member countries of La Francophonie, making the DRC the largest French-speaking country after France. This represents a unique opportunity for the country to make its mark on the international stage.

However, it is important to note that the Secretary General of the Organisation internationale de la Francophonie, Ms Mushikiwabo, is not present at this event. Some believe that it was a diplomatic error on the part of the DRC not to have formally invited her, despite the tensions between the two countries.

Senator Francine Muyumba expressed her disagreement with this absence, stressing that it was the responsibility of the DRC to show greatness and invite the Secretary General of the OIF, even though she currently holds this position despite being of Rwandan origin. She recalled that as President of the Pan-African Youth Union, she represented African youth at meetings organised in Rwanda, while serving all African youth, including Rwandan youth.

# 3. Political and economic perspectives

## On the political front

Observers have noted that the President of the Democratic Republic of Congo (DRC), Félix Tshisekedi, has acted as facilitator for the Economic Community of Central African States (ECCAS) in the political crisis in Chad. He has worked on a lexicon familiar to the political situation in his country, seeking to bring the points of view of the Chadian protagonists closer together for an "inclusive, consensual and peaceful" transition. However, the text points out that the DRC itself faces similar challenges when it comes to consensual and inclusive electoral processes, which can compromise the appeasement needed for successful elections.

Lay Catholics within the Comité laïc de coordination (CLC) are expressing their concern at the continuing crisis in the DRC. They believe that dialogue is essential if a way out is to be found, and are calling on the Head of State and the country's main political and social leaders to join forces to resolve the many current problems. In addition to the war in the east of the country, economic insecurity is fuelling a gloomy climate. The CLC insists on the need to resolve the internal difficulties linked to electoral governance in order to avoid general disorder or a forcible solution that would call into question the legitimacy of the power resulting from the elections.

The text suggests that the idea of finding a facilitator for the elections in the DRC is under discussion, similar to what happened in Chad. This could help to create the conditions for an inclusive and consensual electoral process, avoiding conflictual elections. Lay Catholics are calling for a return to harmony and national solidarity in order to put an end to the persistent crisis that is affecting the daily lives of the Congolese people. They urge the country to rally around the memory of the murdered deputy Chérubin Okende, and to abandon excessive political intolerance.

Time will tell whether the regime is prepared to listen to the recommendations of the CLC and other observers in order to find a consensual solution to the crisis in the DRC. However, it is clear that the similar challenges faced by Chad in its transition process can serve as a lesson and a spur to action for the DRC in its own political context.

## The economic plan

The Democratic Republic of Congo (DRC) is facing a number of challenges, including continued depreciation of the local currency, heightened political tensions and growing insecurity. These challenges could have a negative impact on the country's economy, leading to slower economic growth, higher inflation and increased poverty.

The depreciation of the local currency, the Congolese franc (CDF), is making imported products more expensive and reducing consumers' purchasing power. This depreciation is due to a number of factors, including falling commodity prices, corruption and economic mismanagement.

Political tensions in the DRC could also have a negative impact on the economy. The differences between the ruling government and the opposition over the current electoral process could create political uncertainty that could discourage investment. Police and judicial blunders, which some describe as politicised and exploitative, could also contribute to creating a climate of insecurity that would dissuade businesses and investors from setting up in the DRC.

Growing insecurity in the DRC is another major challenge for the country's economy. Armed conflicts in the east of the country have forced millions of people to flee their homes and destroyed infrastructure. Kidnappings of citizens in the capital, Kinshasa, and



terrorist movements in certain parts of the country have also created a climate of insecurity that could deter investment and economic activity.

Faced with all these challenges, the economic outlook for the DRC in the days ahead is uncertain. The country's economic growth could slow, inflation could continue to rise and poverty could worsen. However,

if the Congolese government succeeds in resolving the aforementioned challenges it faces, it could create an environment more conducive to economic growth and poverty reduction. To this end, the government should take appropriate measures to: (i) stabilise the local currency; (ii) reduce corruption; (iii) improve economic management; (iv) strengthen the rule of law; (v) resolve armed conflicts; and (vi) reduce insecurity.

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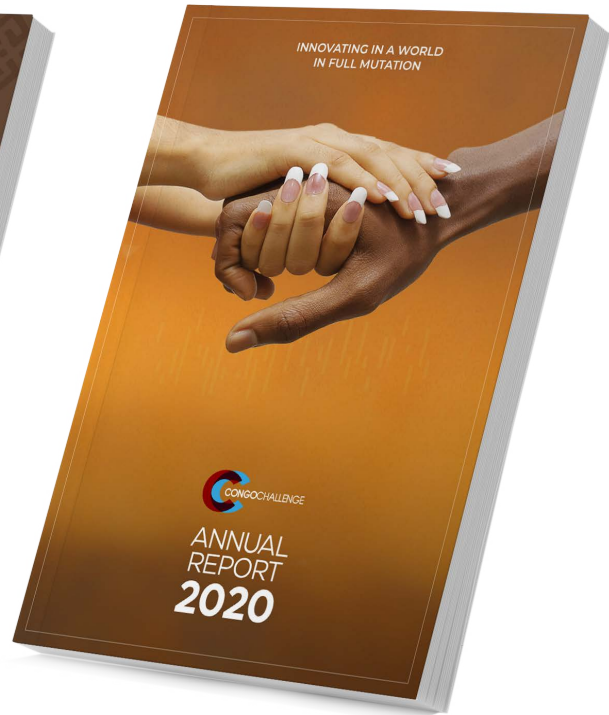


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**Dixit Machiavel**

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

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