CONGO CHALLENGE

THE MONTHLY BULLETIN

EVOLUTION OF THE ECONOMIC AND POLITICAL SITUATION

IN THE DEMOCRATIC REPUBLIC OF CONGO

Issue
83
March 2024

Continued deterioration of the macroeconomic framework, pressure on households, persistent insecurity in the east of the country: what is the outlook for the DRC?

Kinshasa, DRC

CONGOCHALLENGE

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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.

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Foreword

During the month of March 2024, the global economy experienced a moderation. The favorable effects on consumer spending resulting from labor market tensions are starting to dissipate, while the tightening of monetary policy continues to transmit to the economy. Global (overall) inflation has significantly declined, aided by energy prices and the easing of supply chain bottlenecks, but core inflation (excluding energy and food) has also retreated, albeit at a slightly slower pace. Overall, the risks to economic growth and inflation remain tilted to the downside. Growth could be weaker if the effects of monetary policy and the protracted wars in Ukraine and the Middle East prove to be more pronounced than anticipated.

Regarding the commodity market, we have observed an increase in copper prices, reflecting signals of sustained global economic recovery. In fact, the Chinese manufacturing PMI index rose to around 50.8 points at the end of March 2024. Values above 50 indicate an expansion in industrial and manufacturing activity in China. Additionally, cobalt prices experienced a slight upward trend in March 2024. Furthermore, crude oil prices increased, primarily due to tensions in the Red Sea shipping route and the prolongation of the war in Ukraine. As for gold prices, they experienced an upward trend.

In the financial sector, stock markets generally showed an upward trend. These gains in stock indices were largely driven by investor expectations of future monetary policy easing by central banks, rapid inflation decline, and the assumption that longer-term inflation expectations will remain anchored.

On a national level, the risks to economic prospects are generally less balanced, due to terms of trade shocks and the security and humanitarian crisis related to the armed conflict in the East. Available data on the economy continue to indicate short-term sluggishness. Indeed, the macroeconomic framework may have been unstable in March 2024.

Regarding the national economy, inflation moderately slowed down to 18.75% on an annualized basis in the fourth week of March, compared to February 2024. However, the rebound in inflation was less pronounced than expected. In terms of the external sector, the Congolese franc experienced depreciation in March 2024 compared to February 2024. This depreciation contributed to the accumulation of inflationary pressures with serious consequences for the budget and external position of the Congolese economy. On the interbank market, the exchange rate would be 2772.54 in the fourth week of the month, while on the parallel market, the exchange rate would be 2785.24 in the fourth week of March 2024. Additionally, foreign exchange reserves did not increase in March, remaining at 5.042 billion, thus leaving the resilience capacity of the Congolese economy unchanged in the face of external shocks. Reported in terms of months of imports, the import coverage by foreign exchange reserves would be 2.72 months of imports. Concerning public finances, the operations account showed a deficit of 18.9 million CDF as of March 22, 2024, reflecting a negative financial situation of public finances, where public spending exceeded public revenues.

On the political front in 2024, the month of February 2024 was marked notably by ongoing conflicts in the East of the country, the new configuration of the National Assembly following decisions by the Constitutional Court, as well as reactions after the lifting of the moratorium on the death penalty in the DRC.

Regarding the outlook for the national economy, it is expected to remain sluggish in the coming months. Inflation remains excessively high and will stay above the target for an extended period, throughout the next months of 2024. The budget deficit is expected to widen compared to the fourth week of March 2024 due to lower-than-expected revenues. It is essential to continue reforms, such as stabilizing the macroeconomic framework, continuous revenue mobilization, expenditure control, and improving expenditure chain efficiency, in order to create fiscal space for priority spending.

Michel Ange Lokota Ilondo

Executive Summary

Economic Situation

- **Internationally,** global economic prospects are gradually improving, with a decrease in inflation and sustained growth, signaling the final phase of the global economy's descent toward a soft landing. However, the International Monetary Fund's baseline projections expect global growth to stabilize at 3.1% this year before accelerating to 3.2% next year.
- According to the International Monetary Fund (IMF) projections, global inflation continues to show signs of slowing down, which is a positive trend for the global economy. Excluding Argentina, global inflation is expected to reach 4.9% this year. This decrease reflects more effective inflation control in many countries.
- Financial markets experienced a general upward trend in March 2024. The positive performance of stock indices can be attributed to encouraging signals regarding a smooth landing of the global economy. These signals have generated optimism among investors about global economic recovery and the possibility of future monetary policy easing by central banks, leading to an increase in stock indices.
- In terms of international exchange markets, the US dollar gained ground against the euro, Chinese yuan, and Japanese yen. However, the British pound slightly appreciated against the greenback.
- As for international trade, according to the latest report from the UNCTAD's Global Trade Update, after a prolonged period of contraction, international trade is poised for a rebound in 2024.
- Regarding commodities, copper prices showed an upward trend in March 2024. At the end of the month, the price of copper reached $4.0112 per pound. This upward trend can be attributed to several factors, including signals of sustainable global economic recovery. Cobalt prices experienced a slight upward trend, reaching $28,437 per ton at the end of the month. Similarly, gold prices increased during the same month. On the other hand, crude oil prices experienced upward trends mainly due to concerns about tightening global supply caused by escalating conflicts in the Middle East and between Russia and Ukraine, while the reduction in the number of drilling rigs in the United States has put upward pressure on prices.
- Regarding the Purchasing Managers' Index (PMI), the US services PMI increased in March 2024 compared to the end of February 2024, reaching a value of 51.7 points. However, the European manufacturing PMI contracted during the same period, closing at a value of 45.7 points, reflecting a decrease in industrial activity in Europe.
- **Nationally,** Congo Challenge's projections indicate that inflation dynamics moderately slowed down in March 2024 but are expected to remain very high for a long period compared to February 2024. The weekly inflation rate was estimated at 0.42% in the fourth week of March 2024, representing an 84.66% increase compared to the rate recorded at the end of February 2024, which stood at 0.23%. Year-on-year inflation would be 21.53% in the fourth week of March 2024, compared to 21.70% a month earlier, representing a decrease of 0.75%. Based on these projections, inflation is expected to reach 15.93% by the end of 2024, compared to 16.82% in February 2024.
- As for the exchange rate, it should be noted that the Congolese franc depreciated in March 2024 compared to February 2024. This depreciation contributed to the aforementioned inflationary pressures. On the interbank market, the exchange rate stood at 2,772.54 in the fourth week of March, compared to 2,757.89 at the end of February 2024, representing a depreciation of 0.53%. In the parallel market, the exchange rate was 2,785.24 in the fourth week of March 2024, compared to 2,755.03 in February 2024, representing a depreciation of 1.08%.
- In February 2024, the public revenues mobilized by financial authorities amounted to 1,290.2 billion CDF, while expenses amounted to 1,309.1 billion CDF. A significant portion of the state's

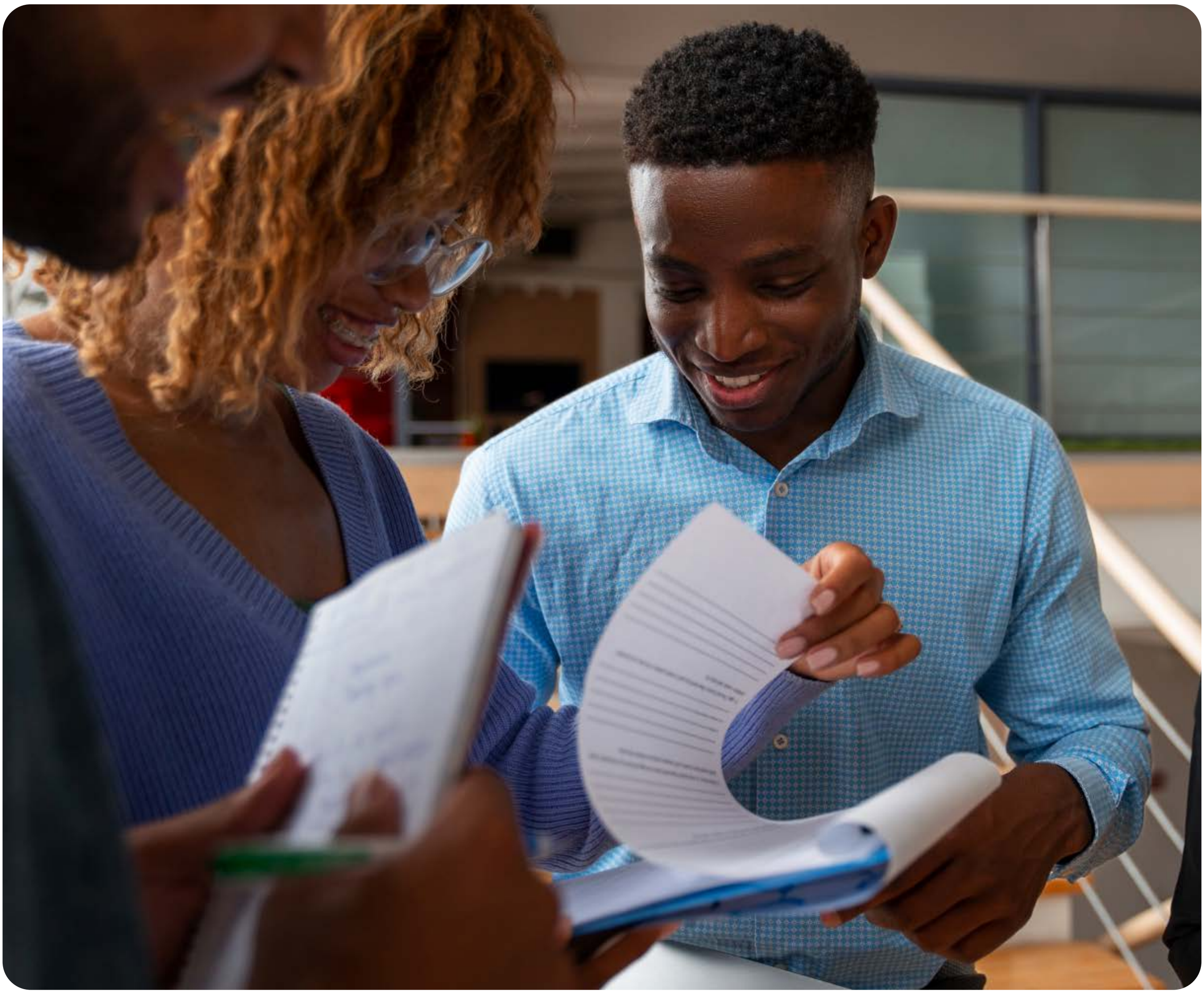
resources was allocated to the remuneration of government officials, while the rest was dedicated to capital investments and operational costs of public institutions.

- Finally, the economic news of March 2024 was marked by several notable events: (i) the African Development Bank Group's Board of Directors approved $117 million for agricultural transformation; (ii) the Congolese government decided, following the examination of the macroeconomic framework, to accept payments in Congolese francs starting from April 1st for all taxes, fees, royalties, and invoices of companies and public institutions; (iii) the General Tax Directorate tightened its fines and penalties.

- *Political situation*

- The political news of March 2024 was dominated by the following highlights: (i) persistent conflicts in the Eastern part of the country; (ii) the new configuration of the National Assembly after the decisionsof the Constitutional Court that invalidated the election results in several constituencies; (iii) discussions and negotiations between political parties to form a new government coalition; (iv) the government's efforts to combat corruption and improve governance through various initiatives and reforms.

- The conflicts in the Eastern part of the country, particularly in the provinces of North Kivu and Ituri, continued to pose significant challenges to the security and stability of the region. Armed groups and intercommunal violence remained



major sources of concern, leading to displacement of populations and humanitarian crises. The government and international actors continued their efforts to address these conflicts and promote peace and stability in the region.

- The Constitutional Court invalidated the election results in several constituencies, leading to the reconfiguration of the National Assembly. This decision sparked political debates and discussions, with different parties and stakeholders expressing their opinions and concerns regarding the court's ruling. The reconfiguration of the National Assembly has implications for the government's functioning and the balance of power within the political landscape.
- Discussions and negotiations between political parties to form a new government coalition were ongoing in March 2024. The invalidated election results and the reconfiguration of the National Assembly added complexity to the process of government formation. Different parties and factions were engaged in negotiations to reach agreements and form a coalition that could effectively govern and address the country's challenges.
- The government continued its efforts to combat corruption and improve governance. Several initiatives and reforms were introduced to strengthen transparency, accountability, and the rule of law. These efforts aimed to create a more favorable environment for investment, economic growth, and development. However, challenges persisted, and further actions were needed to address corruption and governance issues effectively.
- The international community continued to support the Democratic Republic of Congo in its political and economic development. International actors, including regional organizations and bilateral partners, were engaged in diplomatic efforts, peacekeeping operations, and development assistance to contribute to stability, security, and progress in the country.
- Overall, the Democratic Republic of Congo faced a complex and challenging situation in March 2024, characterized by economic dynamics, political developments, and security concerns. Efforts were underway to address these challenges and promote stability, governance, and development in the country.

I. International Context

I.1. Economic Growth

Global economic prospects are gradually improving, with a decrease in inflation and sustained growth, signaling the final phase of the global economy's descent toward a soft landing. However, it should be noted that economic expansion remains moderate, and there are still risks of disruptions.

Furthermore, during the second half of the previous year, global economic activity demonstrated its resilience due to factors on both the demand and supply sides. On the demand side, increased private and public spending supported activity, despite restrictive monetary conditions resulting from tight monetary policies to counter inflation. On the supply side, factors such as increased labor force participation, resolution of supply chain issues, as well as declining energy and commodity prices, played a significant role in this positive momentum, although geopolitical uncertainties persist.

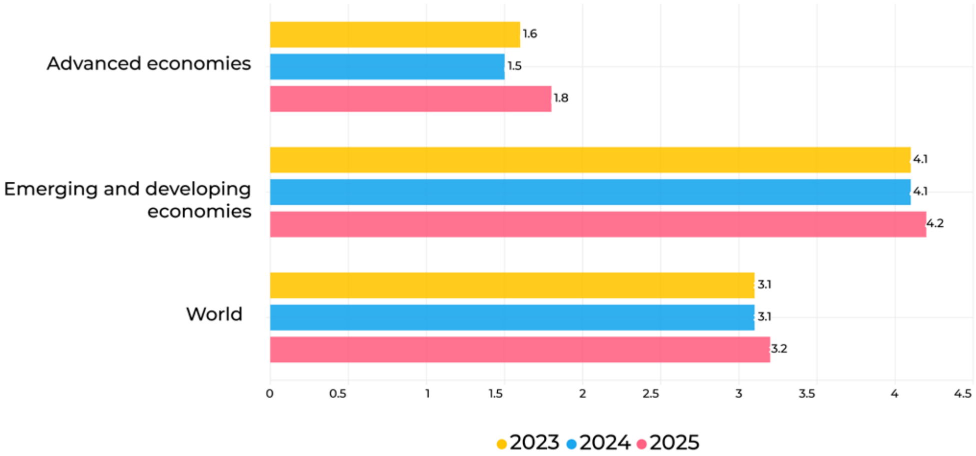
As a result, the International Monetary Fund's baseline projections expect global growth to stabilize at 3.1% this year before accelerating to 3.2% next year.

However, significant divergences remain. The IMF predicts a slowdown in growth in the United States, where restrictive monetary policy continues to have repercussions on the economy, as well as in China, where declining consumption and investment continue to exert pressure on economic activity. In contrast, the Eurozone is expected to experience a slight recovery after a challenging 2023, marked by high energy prices and restrictive monetary policy that dampened demand. Many other countries demonstrate significant resilience, as evidenced by the acceleration of growth in Brazil, India, and major economic hubs in Southeast Asia.

Given this state of affairs, although global economic prospects are improving, it is important to recognize that economic expansion remains moderate, and risks of disruptions persist. Therefore, economic policymakers need to remain vigilant and anticipate potential destabilizing factors, such as geopolitical tensions or external shocks, in order to implement appropriate mitigation measures.

Furthermore, governments should continue to support domestic demand through appropriate fiscal and budgetary policies, ensuring that tight monetary conditions do not excessively hinder growth.

Figure 1 ›› **Projections of global economic growth.**



Source: International Monetary Fund (2024)

According to the data presented in Figure 1, forecasts indicate a modest decline in the growth rate of advanced economies to 1.5% in 2024, while that of emerging and developing economies is expected to remain at 4.1% in 2024 before accelerating to a pace of 4.2% in 2025. This recovery of global economic growth stems from several interrelated factors.

Indeed, the global economy is currently in a phase where inflation is gradually decreasing, leading to sustained economic growth as a corollary. This development is an encouraging sign, as it indicates that the economic adjustment towards a more stable situation is underway.

However, it is important to note that despite these positive signs, the pace of economic expansion remains relatively slow. This may be due to various factors such as geopolitical uncertainties, fluctuations in financial markets, or structural adjustments in certain industries.

Furthermore, it is crucial to recognize that there are still potential risks of economic disruptions. These risks may be related to unforeseen events such as financial crises, trade conflicts, or external shocks. Economic turbulences can have a significant impact on markets, businesses, and households and can lead to increased volatility and a decrease in the confidence of economic actors.

In this context, it is essential for economic policymakers and market participants to remain vigilant and responsive to economic developments. They must continuously assess potential risks and implement appropriate mitigation measures to minimize potential disruptions.

In summary, although the global economy is in a phase of descent towards a soft landing with decreasing inflation and sustained growth, it is important to exercise caution and recognize the persistent challenges. Prudent risk management and informed decision-making will be crucial to ensure long-term economic stability.

I.2. Inflation

Global inflation continues to show signs of slowing down, which is a positive trend for the global economy. Indeed, excluding Argentina, global inflation is expected to reach 4.9% this year according to the International Monetary Fund. This decrease reflects more effective inflation control in many countries.

When excluding the food and energy sectors, there is also a downward trend in underlying inflation. This suggests that inflationary pressures are more contained in other sectors of the economy, contributing to better price stability.

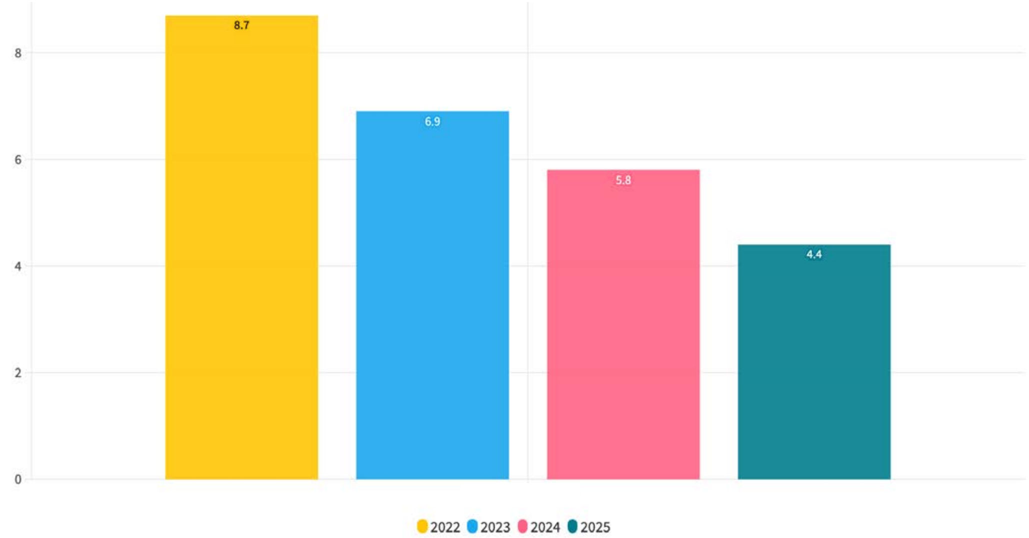
In advanced economies, overall inflation and inflation excluding food and energy are expected to average around 2.6% this year. This indicates that these economies are moving closer to the inflation targets set by central banks. Maintaining inflation close to these targets is important to ensure long-term economic and financial stability.

The favorable development of inflation also provides encouraging prospects for monetary policies. Central banks can adjust their policies based on inflation developments, adopting a more accommodative approach if necessary to support economic growth.

However, it should be noted that these trends are subject to economic and geopolitical factors that could bring changes. Fluctuations in commodity prices, trade policies, and global economic conditions are variables that can influence inflation on a global scale.

Therefore, it is important to closely monitor the evolution of inflation and take appropriate measures to maintain price stability and foster sustainable economic growth.

Figure 2 ›› **Forecast of global inflation rate.**



Source: International Monetary Fund (2024)

According to projections by the International Monetary Fund (IMF) and the data presented in Figure 2, global inflation is set to decelerate gradually. It should fall from 6.9% in 2023 to 5.8% in 2024, then to 4.4% in 2025. This recent disinflation is mainly attributable to falling commodity and energy prices, rather than to a contraction in economic activity.

However, despite these positive developments, uncertainties persist and central banks face a double risk. On the one hand, they must avoid premature easing, which could jeopardise the hard-won gains in credibility and lead to a resurgence of inflation. On the other, there are increasing signs of stress in interest-rate-sensitive sectors such as construction, while lending activity is in sharp decline.

It will therefore be crucial to initiate the normalisation of monetary policies in good time, as several emerging countries have already done, where inflation has already fallen considerably. Failure to do so would jeopardise economic growth and run the risk of inflation falling below the target.

Central banks therefore need to strike the right balance between maintaining an accommodative monetary policy to support economic activity and prevent inflation from rising excessively, while being alert to signals of emerging tensions in certain sectors and taking steps to gradually normalise their monetary policy where warranted.

For this reason, it is important to stress that despite the slowdown in inflation, it is important to remain vigilant and to monitor economic developments closely. Further adjustments to monetary policy may be necessary to maintain price stability, depending on the evolution of economic conditions and inflationary pressures.

I.3. International Trade

According to the latest report from the UNCTAD's Global Trade Update, after a prolonged period of contraction, international trade is poised for a rebound in 2024.

Indeed, international trade has faced significant challenges in recent years. In 2023, it experienced a substantial contraction of $1 trillion. This contraction is largely due to weak demand in developed countries, which have faced economic difficulties such as growth slowdowns and high levels of debt. Additionally, trade in East Asia and Latin America has also been weakened, contributing to this decline in global trade.

However, it is worth noting that despite this challenging situation, trade in services has continued to grow. This relative resilience in the services sector reflects the increasing importance of this area in the global economy.

Regarding the outlook for 2024, there are positive indications of a recovery in international trade. In summary, although international trade experienced a contraction in 2023, signs of recovery are emerging for 2024. The resilience of trade in services and measures taken to stimulate global demand are encouraging factors.

Figure 3 ›› **Growth of Merchandise Trade**

Source: WTO 2024

The graph presented in Figure 3 highlights a moderate growth in global import demand during the year 2024. This indicates that countries are increasing their purchases of goods and services from other countries, reflecting a gradual economic recovery.

However, it is important to emphasize that geopolitical tensions and supply chain disruptions continue to be determining factors influencing bilateral trade trends and require constant monitoring.

Disruptions to maritime routes, particularly those related to security issues in the Red Sea and the Suez Canal, as well as adverse weather effects on water levels in the Panama Canal, have the potential to lead to increased shipping costs, extended delivery times, and disruptions in supply chains.

These disruptions can have a significant impact on international trade flows. Higher shipping costs can result in reduced margins for businesses and higher prices for consumers. Delays in delivery times can disrupt production processes and logistical activities. Additionally, supply chain interruptions can result in product shortages and market instability.

It is crucial to closely monitor these developments and take measures to mitigate risks related to geopolitical tensions and supply chain disruptions. This may involve investments in alternative infrastructure, enhanced international cooperation for maritime security, and climate change adaptation measures to mitigate the effects of adverse weather conditions.

Furthermore, diversifying sources of supply and proactive risk management can also contribute to strengthening the resilience of supply chains in the face of these challenges.

I.4. Financial market

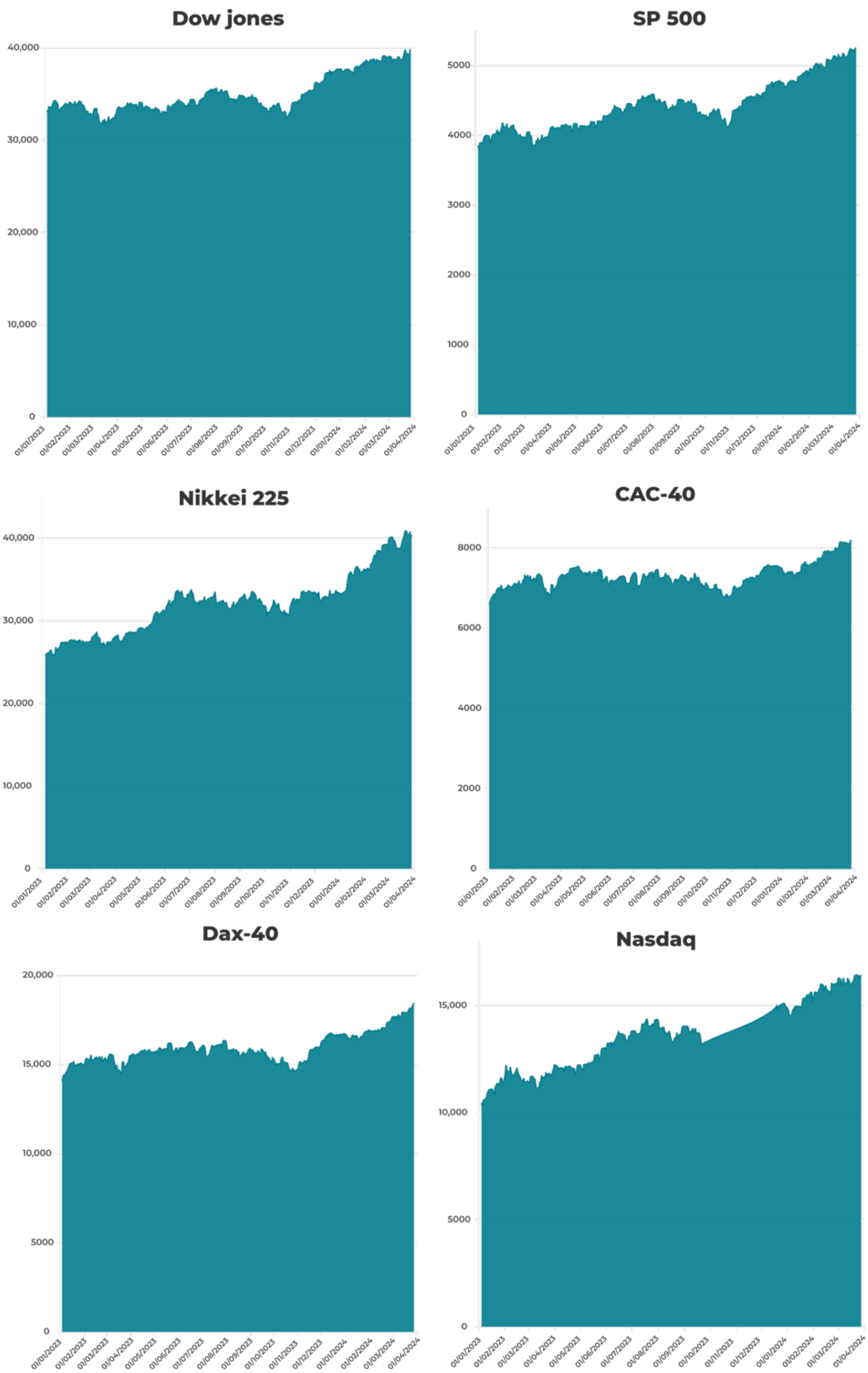
During the month of March 2024, financial markets experienced a general upward trend. Major stock indices such as the Dow Jones Industrial Average (DJIA), S&P 500, and Nasdaq closed the month at respective levels of 39,807 points, 5,254 points, and 16,379 points. This positive momentum was also reflected in European financial markets.

In the Paris stock market, the CAC-40 index recorded a slight increase, rising from 7,927 points in February 2024 to 8,205 points at the end of March 2024. In Germany, the DAX 40 index also experienced a slight increase, reaching 18,468 points at the month's close. Similarly, the Tokyo stock market saw a slight increase, rising from 39,166 points at the end of February 2024 to 40,369 points at the end of March 2024.

The positive performance of stock indices can be attributed to encouraging signals regarding a smooth landing of the global economy. These signals have sparked optimism among investors about global economic recovery and the possibility of future monetary policy easing by central banks.

Indeed, investors are responding to these signals by adjusting their investment strategies and seeking opportunities in financial markets. Investor optimism can translate into increased demand for stocks and other financial assets, leading to a rise in stock indices.

Figure 4 ›› Daily Evolutions of Major Stock Indices



Source : Macrotrends et boursorama.

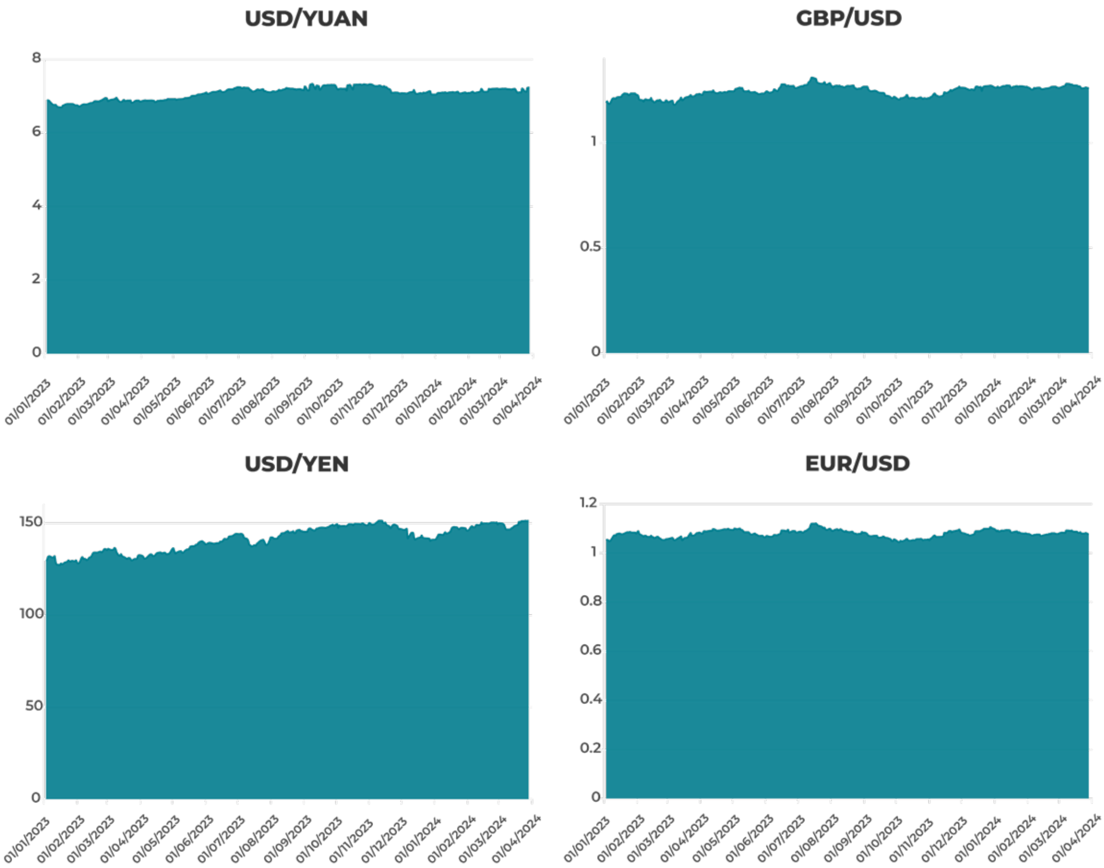
I.5. Foreign Exchange Market

During the month of March 2024, major central banks around the world, including the Fed, maintained their high policy rates, resulting in a rise of the US dollar against the euro and the Chinese yuan by the end of March 2024. At the monthly close, the euro depreciated to 1.077 EUR/USD, while the Chinese yuan reached approximately 7.222 USD/CNY.

The appreciation of the dollar can be attributed to the persistence of the monetary policy conducted by the US Federal Reserve (Fed). This policy has strengthened the appeal of US bond yields for foreign investors, leading to an increase in demand for dollars and, consequently, an appreciation of the US currency.

At the same time, the Japanese yen experienced a downward trend, indicating its depreciation against the US dollar. On the other hand, the British pound showed some resilience against the US dollar, resulting in a slight increase in its value compared to the American currency.

Figure 5 ›› **Daily Evolutions of Major Exchange Rates**



Source : Boursorama.

I.6. Strategic Commodities Market

- **Gold**

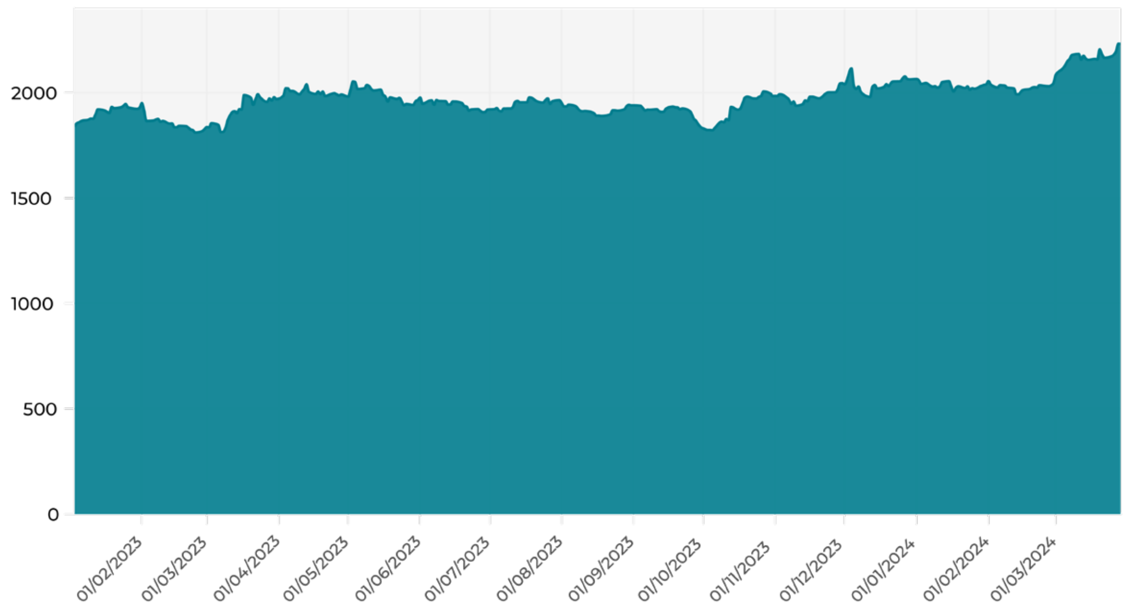
During the month of March 2024, the price of gold followed a strongly upward trajectory, reaching a closing price of $2,231 per ounce, representing a 9% increase compared to February 2024. This significant rise in gold prices can primarily be attributed to the expectations of economic actors regarding a potential easing of monetary policy conducted by central banks, particularly the US Federal Reserve (Fed).

Investors anticipated a possible reduction in interest rates and monetary stimulus measures from central banks in order to support economic activity in the face of persistent challenges and uncertainties. Expansionary monetary policies can lead to increased liquidity and decreased yields of financial assets, which strengthens the appeal of gold as a safe haven.

Gold is often considered a safe haven asset during periods of economic uncertainty, market volatility, or potential inflation. Investors turn to gold as a secure and tangible asset that retains its long-term value. Therefore, when expectations of monetary easing rise, investors seek to position themselves in gold as a means of protecting against potential risks.

However, it is important to note that gold prices are also influenced by other factors, such as movements in the US dollar, geopolitical tensions, fluctuations in stock markets, and global macroeconomic conditions. A thorough analysis of these factors is necessary to understand the long-term trends and outlook for the gold market.

Figure 6 ›› **Daily Evolution of Gold Prices (in USD per ounce)**



Source : Macrotrends.

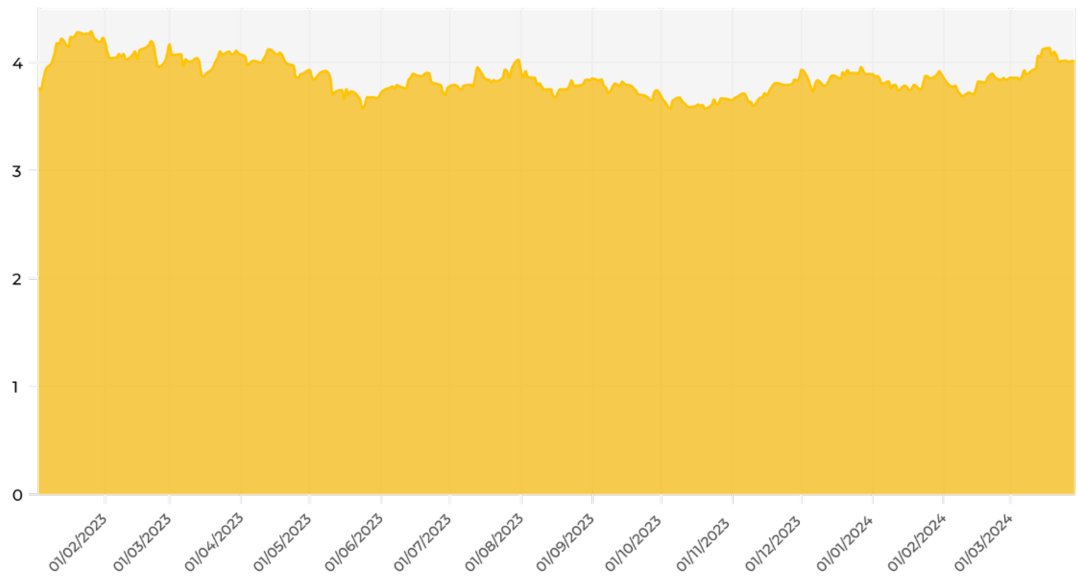
Copper

Unlike the previous month, copper prices experienced a slight upward trend during March 2024, closing at $4.0112 per pound, representing a 4.32% increase compared to the end of February 2024.

The rise in copper prices can be attributed to several factors, including signals of sustained global economic recovery. Copper is considered an early indicator of global economic health due to its widespread use in key sectors such as construction and manufacturing.

It is important to note that copper prices are subject to risks and uncertainties inherent in commodity markets. A thorough analysis of the supply and demand balance, economic factors, and global developments is necessary to understand the trends in copper prices and their implications for the global economy.

Figure 7 ›› Daily Evolution of Copper Prices (in USD per pound)



Source : Macrotrends.

- ## Cobalt

In March 2024, cobalt prices experienced a slight upward trend. At the end of that month, the price of the blue-green metal stood at $28,437 per tonne, registering a minimal increase of 0.5% compared to the end of February 2024, where it was at $28,288 per tonne. This price evolution of cobalt holds significant importance for the industry and market players.

Cobalt is an essential component in batteries used in electric vehicles, electronic devices, and energy storage systems. Due to the rapid growth of the electric vehicle market and the increasing demand for electronic devices, the demand for cobalt has significantly risen in recent years. Price fluctuations of this metal can, therefore, have a direct impact on the competitiveness and profitability of companies operating in these sectors.

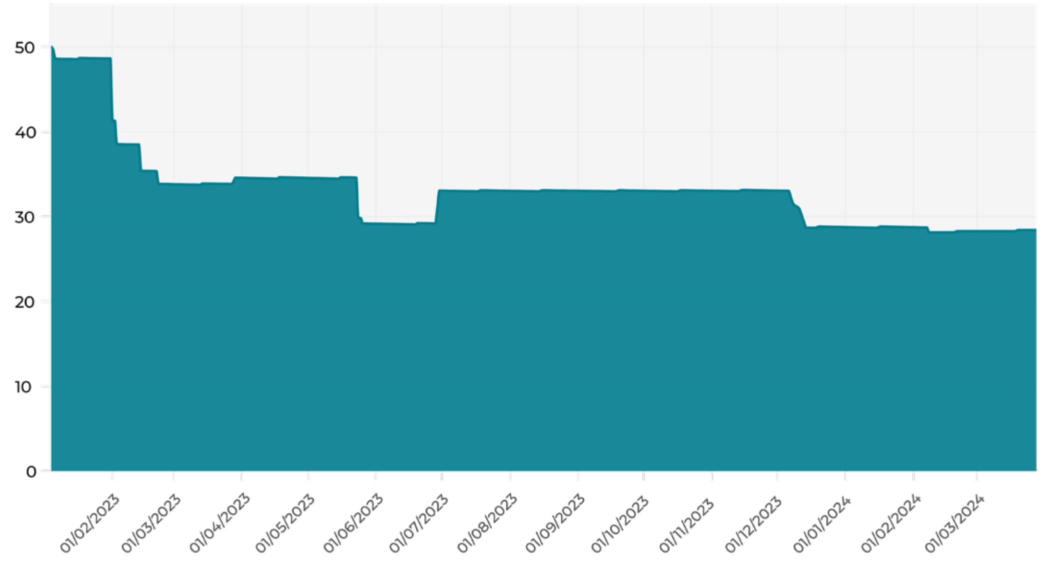
It is worth noting that the cobalt industry is subject to rapid changes and uncertainties. Economic, political, and technological developments can have a considerable impact on the demand, supply, and prices of cobalt. For example, government policies aimed at promoting clean energy and carbon emission reduction goals have a direct impact on the demand for electric vehicles and, consequently, the demand for cobalt.

Furthermore, advancements in battery technologies and efforts to reduce dependence on cobalt in battery formulations can also influence the demand for this metal. Advances in lithium-iron-phosphate (LFP) batteries and other materials can reduce the need for cobalt in batteries, potentially impacting prices.

In this context, market players must remain vigilant in the face of these factors and conduct ongoing analysis to assess the future prospects of the cobalt market. This vigilance is essential for making informed decisions, managing risks, and seizing opportunities in this constantly evolving sector. It is recommended to closely monitor technological developments, government policies, demand trends, as well as changes in the supply and production of cobalt to better understand and anticipate price movements.

It is advisable to keep a close eye on technological developments, government policies, demand trends and changes in cobalt supply and production to better understand and anticipate price movements.

Figure 8 ›› **Daily Evolution of Cobalt Prices (in thousands of USD per tonne)**



Source : Investing.com

- ## Oil

In March 2024, crude oil prices in the American and European markets experienced an upward trend, settling at $79.22 per barrel for WTI and $84.01 per barrel for Brent at the end of the month, compared to $74.37 for WTI and $82.98 for Brent one month earlier. The increase in crude oil prices can be attributed to concerns about tightening global supply caused by escalating conflicts in the Middle East and between Russia and Ukraine, while the reduction in the number of drilling rigs in the United States has added upward pressure on prices.

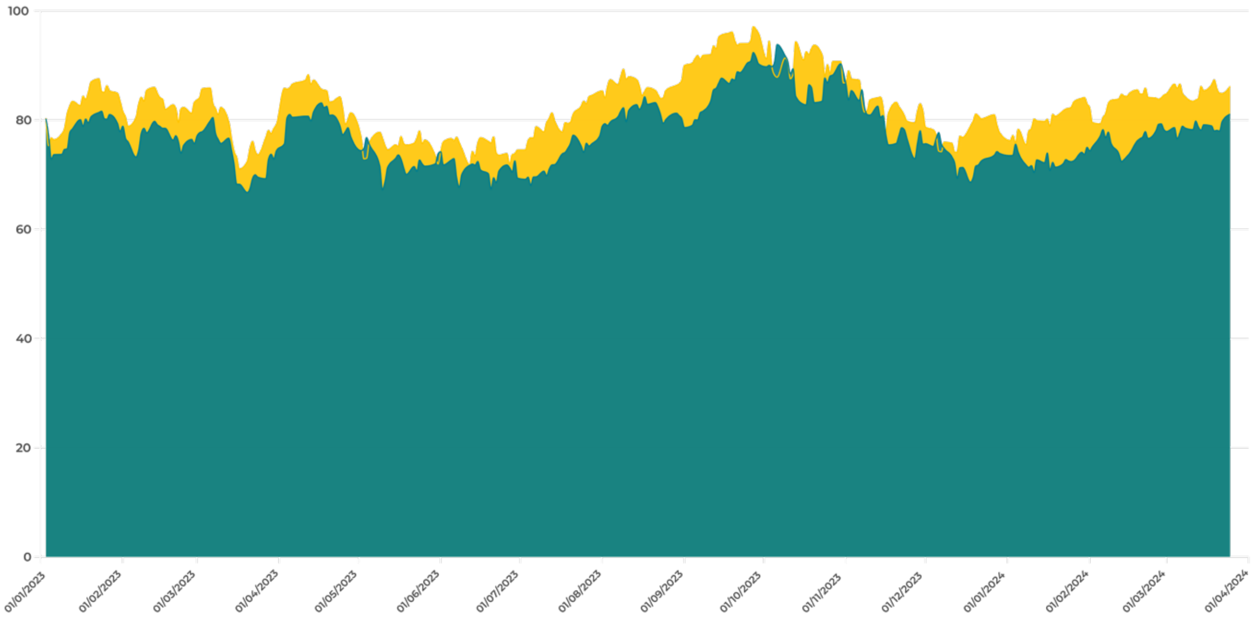
However, it should be noted that the long-term direction of the oil market will largely be determined by the decisions made at the upcoming OPEC+ meeting regarding its oil production regulation policy. The strategic choices made by OPEC+ will have a significant impact on global oil supply and, consequently, on prices.

Furthermore, the oil market faces global geopolitical and economic uncertainties, which can lead to significant price volatility. Political developments, regional tensions, and economic crises play a crucial role in the balance between oil supply and demand, and therefore in determining prices.

Conflicts in the Middle East and geopolitical tensions can disrupt oil production and supply flows, creating uncertainties about future supply. Additionally, economic crises can impact oil demand, as an economic contraction generally reduces energy demand.

In this context, participants in the oil market must closely monitor geopolitical developments, OPEC+ decisions, and global economic indicators to assess future market prospects. A thorough analysis of these factors is essential for anticipating oil price movements and making informed investment and risk management decisions.

Figure 9 ›› Daily Evolution of Oil Prices (in USD per barrel)



Source : Macrotrends.

- **Purchasing Managers' Index (PMI)**

During the month of March 2024, the Purchasing Managers' Index (PMI) for services in the United States, Europe, and China generally showed an increase compared to the end of February 2024. The PMI for services in the United States stood at 51.7, the Eurozone reached 51.1, compared to a value of 49.6 at the end of February 2024, and China's PMI remained around 52.5, down from 52.9 at the end of February 2024.

Regarding the manufacturing PMI, the performances in March 2024 revealed distinct trends in different key economic regions. In the United States, the index showed an increase from 51.5 to 52.5 compared to the end of February 2024. This increase indicates the expansion of manufacturing activities in the United States, highlighting the strength of the American economy.

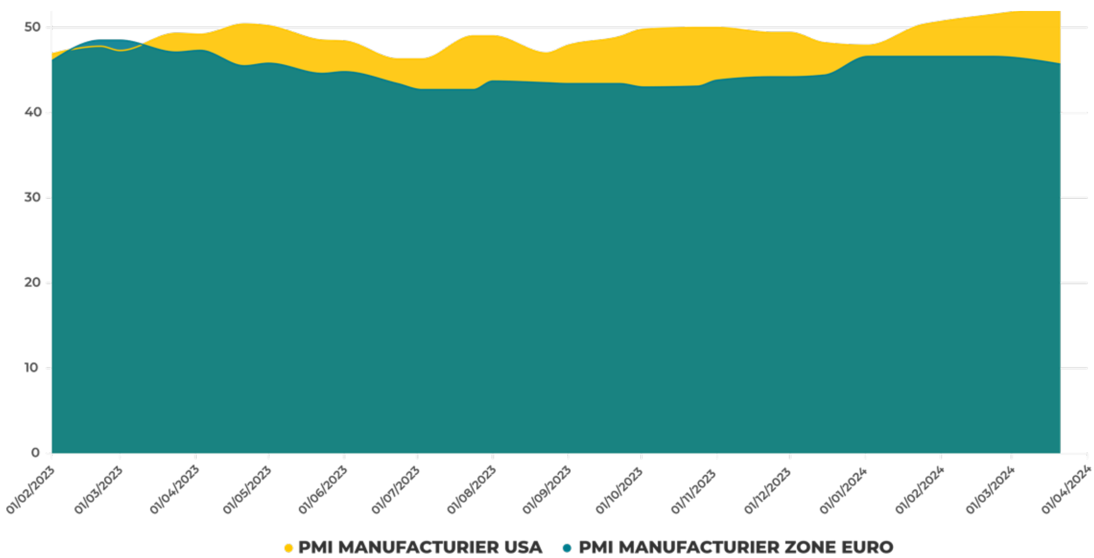
In China, the manufacturing PMI also recorded growth, rising from 49.1 in February 2024 to 50.8 in March 2024. This increase reflects a recovery in industrial activity in the Chinese economy, which is a positive sign for the world's second-largest economy.

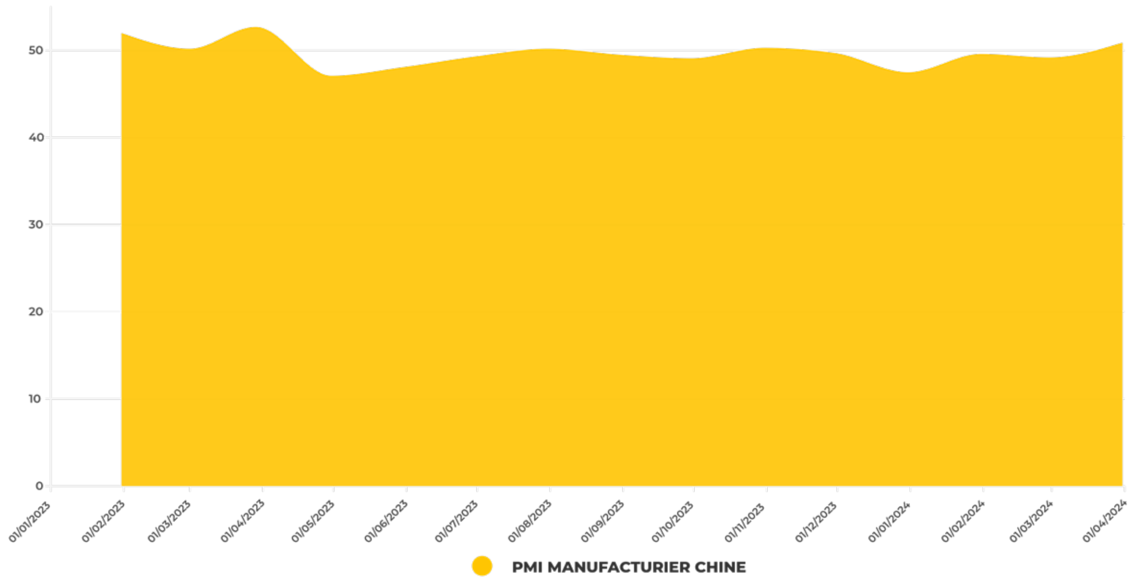
On the other hand, the European manufacturing PMI experienced a decline, dropping to approximately 45.7 from 46.6 at the end of February 2024. These values below 50 indicate a contraction in industrial and manufacturing activity in Europe. This raises concerns about the economic momentum of the region and can be attributed to various factors such as geopolitical uncertainties, supply constraints, and structural challenges.

These PMI indices are key indicators used to assess the health of the manufacturing sector in different economies. They provide valuable insights into demand, production, employment, and overall economic outlook. The variations observed in these indices can influence investment decisions, business strategies of companies, and government economic policies.

However, it is worth noting that a PMI level of 50 indicates no change compared to the previous month, a level above 50 indicates improvement, while a level below 50 signifies deterioration.

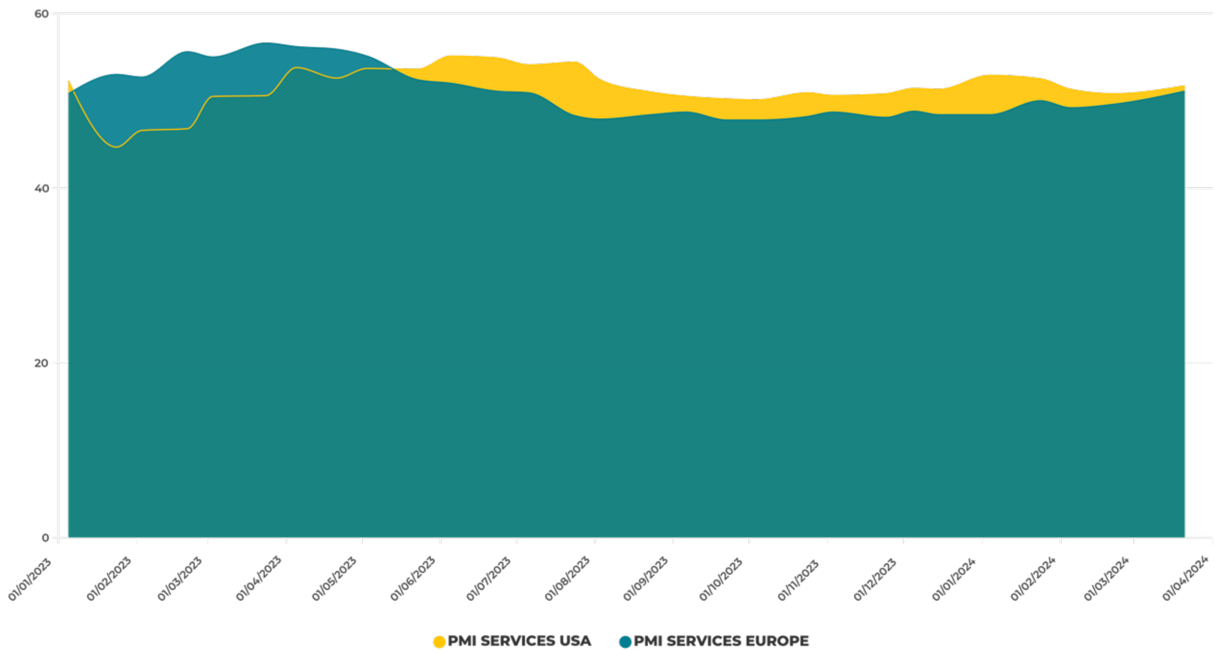
Figure 10 ›› **Daily Evolution of Manufacturing PMI (in index level)**

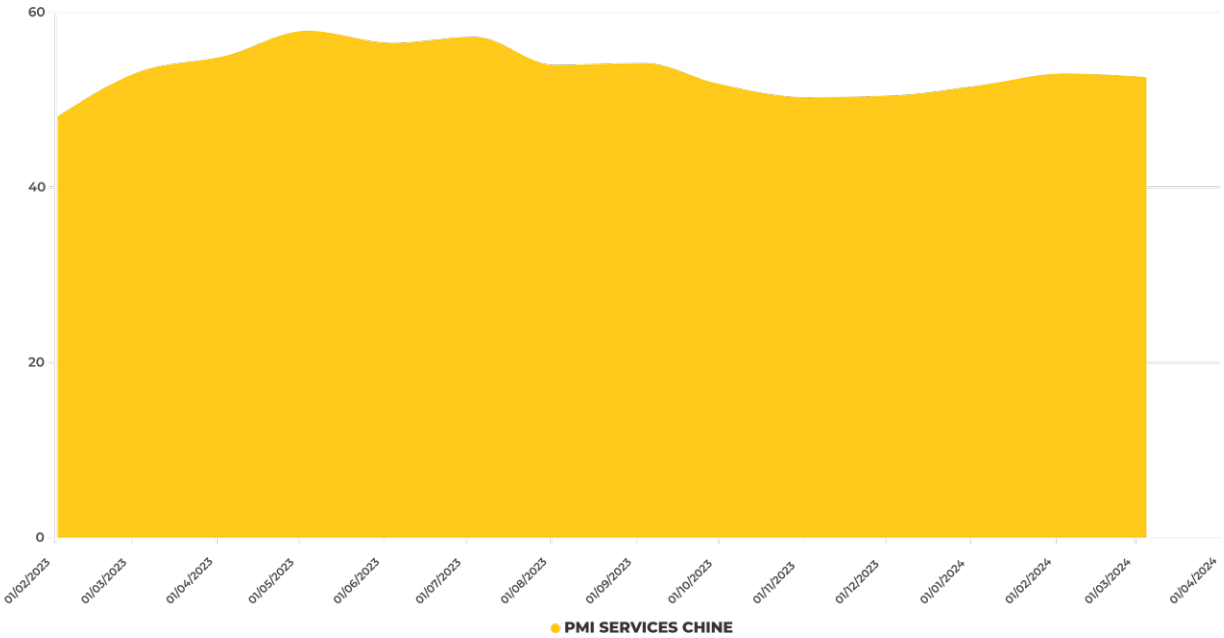




Source : Investing.com

Figure 11 ›› **Daily Evolution of Services PMI (in index level)**





Source : Investing.com

II. National Context

II.1. Evolution of the National Economy

The economic news of March 2024 was marked by several notable events: (i) the Board of Directors of the African Development Bank (AfDB) approved a $117 million grant for agricultural transformation; (ii) the Congolese government, following the examination of the macroeconomic framework, decided to switch to payment in Congolese Francs starting from April 1st for all rights, taxes, fees, and invoices of companies and public establishments; (iii) the General Directorate of Taxes and Customs (DGI) strengthens its fines and penalties arsenal.

More specifically, these events are presented as follows:

1. The Board of Directors of the African Development Bank (AfDB) approves a $117 million grant for agricultural transformation

The Board of Directors of the African Development Bank (AfDB) has recently given its approval for a $117.9 million loan to the Democratic Republic of Congo to implement the Support Project for Governance and Skills Development in support of the Agricultural Transformation Program (PTA).

This financing, coming from the African Development Fund, the Bank's concessional lending window, of which $78.6 million is allocated from the Transition Support Facility, a financing tool for fragile countries, marks a crucial step in the ambitious agricultural transformation program in the Democratic Republic of Congo. The main objective of this project is to strengthen the business environment for the private sector by improving sectoral governance and workforce quality, thus promoting entrepreneurship in agricultural value chains.

According to Serge N'Guessan, Director General of the African Development Bank for Central Africa, this project will contribute to promoting the private sector, encouraging foreign direct investment, and creating decent jobs in the agricultural sector. Despite the country's high potential, the contribution of this sector to the economy is still low.

Among the major achievements planned for this project, we can mention the establishment of a one-stop shop for issuing permits and licenses for climate-smart agricultural investments within the National Investment Promotion Agency. Furthermore, the development of the "Made in DRC" brand and the creation of a digital platform aimed at structuring and organizing stakeholders in target value chains through agricultural interprofessional organizations are also envisaged.

Additionally, this project includes the training of 500 trainers in the areas of entrepreneurship, improved agricultural production and processing techniques, as well as conflict management in the agricultural sector and agribusiness. Finally, two community centers for the development of innovative skills in support of agricultural transformation will be built, one of which will specialize in sustainable and climate-smart agriculture. As part of this project, four youth entrepreneurship promotion centers in agribusiness will also be established.

This initiative demonstrates the commitment of the AfDB to support the economic development of the Democratic Republic of Congo by strengthening its agricultural sector and promoting entrepreneurship within agricultural value chains. Through these measures, it is expected that the country will be able to fully exploit its agricultural potential, stimulate economic growth, and improve the living conditions of its population.

The agricultural sector offers significant potential in terms of job creation, particularly in rural areas where the majority of the population is engaged in agricultural activities. By strengthening this sector, the DRC can stimulate formal and informal employment, reduce unemployment, and alleviate pressure on other sectors of the economy. Additionally, the development of the agricultural sector contributes to improving food security for the Congolese population. By increasing agricultural productivity, promoting the adoption of better agricultural practices, and strengthening value chains, the DRC can reduce its dependence on food imports and ensure an adequate supply of basic food products.

Regarding the use of funds allocated to the DRC for the Support Project for Governance and Skills Development in support of the Agricultural Transformation Program (PTA), here are some key areas where these funds can be invested:

Sectoral governance strengthening : The funds can be used to improve governance in the agricultural sector by strengthening institutions, policies, and regulations related to agriculture. This can include establishing transparent systems for issuing permits and licenses, enhancing the capacity of regulatory bodies, and improving coordination among sector stakeholders.

Skills development: A portion of the funds can be allocated to training and capacity building for actors in the agricultural sector. This can include training farmers in modern agricultural techniques, providing training for agricultural entrepreneurs, promoting climate-smart agriculture, and raising awareness of conflict management in the agricultural sector.

Promotion of agricultural entrepreneurship : The funds can be used to support entrepreneurial initiatives in the agricultural sector by encouraging the establishment of agricultural businesses, facilitating access to finance for farmers and agricultural entrepreneurs, and promoting innovation and the adoption of advanced agricultural technologies.

Agricultural infrastructure : A portion of the funds can be invested in the development of agricultural infrastructure, such as improving irrigation systems, constructing storage and processing centers, establishing efficient distribution networks, and creating digital platforms to facilitate networking among stakeholders in agricultural value chains.

The use of these funds should be strategically planned, taking into account national priorities, the specific needs of the Congolese agricultural sector, and the objectives of the Agricultural Transformation Program. Rigorous and transparent fund management is essential to ensure their optimal use and maximize socio-economic benefits for the DRC.

However, it would also be important to consider the establishment of agro-industrial parks. Agro-industrial parks bring together agriculture and food industry-related businesses and facilities in one location. This promotes collaboration, the exchange of expertise, and synergy among actors in the agri-food value chain. Agro-industrial parks provide shared infrastructure and services such as processing facilities, warehouses, quality control laboratories, cold storage areas, wastewater treatment systems, etc. This allows companies to reduce costs by sharing these resources. Moreover, these parks are often located near consumer markets or agricultural production areas, facilitating logistics and product distribution, reducing transportation costs, and delivery times. Furthermore, these agro-industrial parks generate employment opportunities in agricultural production, food processing, logistics, research, etc. They also contribute to local economic development by attracting investments, stimulating related business activities, and strengthening links with local suppliers.

2. The Congolese Government has decided, following the examination of the macroeconomic framework, to implement payments in Congolese Francs starting from April 1st for all taxes, fees, royalties, and invoices of companies and public institutions.

During the 129th meeting of the Council of Ministers held on Friday, March 15th, 2024, the Congolese Government made a strategic decision regarding monetary policy. After a thorough examination of the macroeconomic framework, it was decided that, starting from April 1st, all taxes, fees, royalties, and invoices of companies and public institutions will be paid in Congolese Francs. This decision stems from the need to implement a restrictive monetary policy aimed at strengthening the value of the Congolese Franc against the US dollar.

According to the minutes of the Council of Ministers' meeting on March 15th, 2024, the Prime Minister chaired the weekly meeting of the Economic Situation Committee on March 13th, 2024, to closely monitor the evolution of key indicators of the national economy and maintain the stability of the macroeconomic framework. This initiative aims to implement measures related to the obligation to pay in Congolese Francs, including the installation of payment terminals in supermarkets. Additionally, it was decided to continue the process of dedollarization of the national economy, promote economic diversification, and finalize reforms undertaken by the Central Bank of Congo (BCC) regarding payment.

In this effort to address current macroeconomic pressures, it is imperative to maintain prudent fiscal policy to ensure budgetary sustainability and the quality of public spending. The government is committed to rationalizing its expenditures by prioritizing essential social spending to preserve the purchasing power of the population. Concurrently, expenditures related to security and sovereignty will be maintained to assert the state's authority in the eastern part of the country.

This government decision reflects the determination to stabilize the national economy and strengthen the national currency. By promoting the use of the Congolese Franc in commercial transactions, the government seeks to reduce dependence on the US dollar and promote a more diversified economy. The installation of payment terminals in supermarkets will facilitate this transition to the use of the Congolese Franc.

It is also worth noting that this decision is part of broader reforms undertaken by the Central Bank of Congo to modernize the country's payment system. These reforms will contribute to enhancing the efficiency and transparency of financial transactions, which is crucial for promoting investor confidence and stimulating economic growth.

Indeed, the implementation of this decision will require effective coordination among various stakeholders, including businesses, public institutions, and financial institutions, to ensure a smooth transition to the use of the Congolese Franc in commercial transactions.

However, the effects of these measures taken by the government depend on the effectiveness of the government itself. The weak state of government effectiveness in the DRC can lead to practices that result in poor budgetary anchors and increased budget deficits, necessitating a greater reliance on monetary financing of public expenditures, which leads to depreciation of the national currency (Congolese Franc). It is important to note that the lack of discipline in public finance management is a potential factor that can contribute to the deterioration of the macroeconomic framework in a context of low government effectiveness.

To strengthen the capacity of the government of the DRC in public financial management, there is a need to review existing fiscal policies to adapt them to economic and budgetary realities. This may involve adjustments in public expenditures, tax revenues, and debt policies.

Several factors need to be taken into account, including :

- Establishment of fiscal anchors: To ensure responsible fiscal management, it is important to set clear fiscal targets and anchor them in strong budgetary rules. This may include targets for budget deficits, debt levels, or public expenditures.

- Cash-based public financial management: To enforce the stability pact and avoid money printing, the government should essentially spend based on its actual capacity to mobilize public revenues and its debt capacity. This means that it can make more informed decisions on how to allocate available financial resources, taking into account budget constraints and financing needs. Prudent cash-based public financial management can contribute to exchange rate stabilization. By avoiding excessive or unbudgeted spending, the government reduces pressures on foreign exchange demand, which can help maintain exchange rate stability.

- Strengthening implementation capacity: To ensure the success of the fiscal strategy, the report emphasizes the importance of strengthening institutional capacity, including revenue collection, public expenditure management, and budget monitoring. It also recommends increasing transparency and accountability in public financial management.

- Enhancing transparency and accountability: It is essential to establish mechanisms for transparency and accountability in public financial management. This includes the regular publication of detailed budget reports and independent auditing of public accounts.

- Promoting economic diversification: Excessive dependence on a single source of revenue, such as the export of raw materials, can make the economy vulnerable to external shocks. The government should encourage economic diversification by investing in sectors such as agriculture, tourism, services, and manufacturing industry.

3. The DGI tightens up its arsenal of fines and penalties

The General Tax Directorate (DGI) has significantly strengthened its legal arsenal by amending, with the assistance of the Ministry of Finance, Law No. 004/2003 of March 13, 2003 on tax procedure reform. The fines and penalties for the year 2024, included under the heading "other tax revenues," have been increased by 55.3% compared to their 2023 amount, amounting to 255,810,122,062 FC against 135.72 billion in 2023.

These fines and penalties represent 1.9% of the total revenue projections of the tax authorities for the year 2024, amounting to 13,572,443,978,350 FC. This increase in sanctions aims to deter non-compliance with tax obligations and strengthen taxpayer compliance.

Among the main amended provisions, the failure to certify the annual financial statements of companies by a certified accountant registered with the National Order of Certified Accountants is now subject to a fine of 100,000,000 FC for a first offense and 200,000,000 FC for repeat offenses. This measure aims to promote transparency and reliability of financial information provided by companies.

Furthermore, the absence of a tax declaration for tax calculation purposes is now subject to differentiated fines based on the size of the company: 5,000,000 FC for large enterprises, 2,500,000 FC for medium-sized enterprises and nonprofit organizations, and 250,000 FC for small enterprises. This distinction recognizes the different capacities of taxpayers to comply with tax obligations.

Non-compliance with the right of investigation is also penalized with a fine of 1,000,000 FC, doubled in case of repeat offenses. This measure strengthens the investigative powers of the General Tax Directorate (DGI) to combat tax fraud and ensure compliance with tax procedures.

In addition, the DGI emphasizes the obligation for small enterprises to support their income and profit tax declaration with balance sheets, income statements, and accompanying notes, following the minimal cash system. This requirement aims to improve the quality of information provided by small enterprises and facilitate tax control.

The tax authorities also pay particular attention to foreign workers, especially those subject to professional tax on salaries and exceptional tax on expatriate personnel's remuneration. They are required to provide an annual summary declaration including all taxable elements paid during the previous year. Any potential infractions must be rectified at the time of declaration. This measure aims to enhance the traceability of remuneration paid to foreign workers and prevent tax evasion.

Finally, banks are required to communicate information about individual traders, members of liberal professions, and legal entities to the DGI within ten days of opening an account. This obligation strengthens collaboration between financial institutions and the DGI in the fight against tax fraud and allows for better monitoring of taxpayers.

In summary, these legislative amendments aim to increase tax compliance, deter non-compliance with tax obligations, and strengthen the investigative powers of the DGI. They contribute to promoting tax equity, enhancing public revenues, and combating tax fraud. Indeed, higher penalties can act as a deterrent for taxpayers considering non-compliance with their tax obligations. The increase in fines and penalties can send a clear message that tax violations will not be tolerated and will be severely punished. This can encourage taxpayers to take necessary measures to comply with tax rules to avoid negative financial consequences.

However, higher fines and penalties can result in increased financial burden for taxpayers, particularly for those who make good-faith errors or face financial difficulties. This may be perceived as unfair and disproportionate, especially if the sanctions are excessively heavy compared to the offense committed. Moreover, stricter sanctions can lead to increased complexity and additional administrative burden for taxpayers and tax authorities. Taxpayers may face stricter requirements for reporting and documentation, resulting in additional costs and increased administrative burden to comply with tax rules. For tax authorities, imposing heavier sanctions may require additional resources for enforcement and penalty management.

In parallel with sanctions, it is essential to implement incentive measures to encourage voluntary tax compliance. This can include tax education programs to inform taxpayers about their tax obligations, help them understand tax rules and the consequences of non-compliance, as well as tax incentives such as tax reductions or benefits for rule-compliant taxpayers. Tax authorities should provide adequate assistance to taxpayers to help them comply with tax rules. This may include tax advisory services, explanatory guides, user-friendly online tools, and helplines to address taxpayers' questions and assist them in correctly fulfilling their tax obligations.

Additionally, tax rules need to be clear, understandable, and accessible to taxpayers. Complex and ambiguous tax legislation can lead to good-faith errors and make tax compliance challenging. It is important to simplify tax rules as much as possible and provide clear guidance to assist taxpayers in compliance.

II.2. Economic News

Gold prices have experienced a significant increase in the past months of 2023, following a powerful rally triggered by central bank purchases and growing investor concerns over the Israel-Hamas and Russia-Ukraine conflicts. The decline of the US dollar and expectations of Federal Reserve (Fed) rate cuts have also supported the prices of the precious metal, reaching a record level of $2,135.39 per ounce in December 2023 and $2,190.30 per ounce in March 2024.

After a cycle of interest rate hikes that brought the Fed's federal funds rate to its highest level in over 22 years, officials from the Federal Open Market Committee (FOMC) indicated that there would be at least three rate cuts in 2024 as inflation calms down from the 40-year peaks observed in mid-2022. With gold prices around $2,000 per ounce, can we expect a new upward trend for the precious metal as interest rates begin to decline? Commodities are not expected to benefit from the underlying inflation in 2024. Inflation is projected to fall below 2%, so both of these conditions, along with the right timing of the economic cycle, are necessary for taking long positions, making the outlook for the sector highly tactical in 2024. Regarding commodities, for the second consecutive year, the only structural bullish call concerns gold and silver.

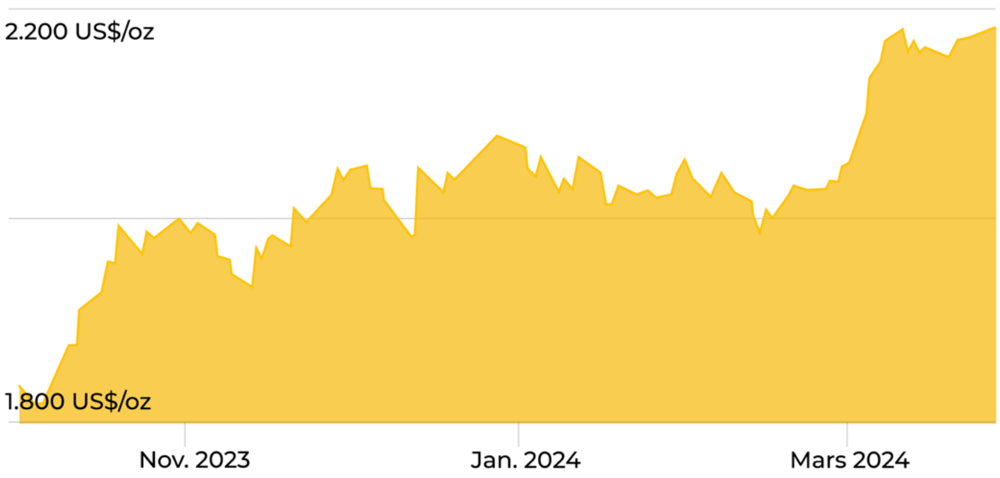
Economic and geopolitical uncertainty tends to be a positive factor for gold, which is widely considered a safe haven asset due to its ability to remain a reliable store of value. It has a low correlation with other asset classes, making it an insurance during market downturns and geopolitical stress periods. A weaker US dollar and lower US interest rates also enhance the appeal of the non-yielding precious metal such as gold.

Anticipation has played a key role in the rise of gold prices as it is influenced by market expectations regarding the Fed's future policy.

Currently, gold still appears relatively expensive compared to underlying rates and currency fundamentals and still seems vulnerable to another modest pullback in the short term as expectations of Fed rate cuts are now earlier than anticipated.

However, any pullback in the coming months could provide investors an opportunity to start positioning themselves for a breakout rally that will begin around mid-2024 as US GDP growth slows and expectations of an imminent Fed rate-cutting cycle increase.

Figure 12 ›› Gold price evolution in USD per ounce.



Source: World Gold Council

The increase in gold prices can have several benefits for the Democratic Republic of Congo (DRC) as a gold exporter, particularly in terms of improving tax revenues. Indeed, an increase in income from gold exports can also translate into increased tax revenues for the government of the DRC. This can help finance public expenditures, including investments in infrastructure, social services, and other priority areas. Furthermore, the increase in income from gold exports can contribute to stimulating economic growth in the DRC. Related sectors such as mining support services, trade, and logistics can also benefit from this increase, thus creating additional economic opportunities.

Box 1 : Women's Activity Rate Slightly Improved, but Inequalities Persist

Women are more ambitious than ever, and workplace flexibility is empowering them. However, despite hard-won progress, women's representation is not progressing at the same pace. Data reveals that in the Democratic Republic of Congo, women's participation rates in the labor market increased between 2016 and 2022.

Taking a closer look at the data for the DRC, we can observe a positive trend. Between 2016 and 2022, women's participation rates in the labor market have increased. This reflects the growing commitment of women to take their place in the economy and actively contribute to the country's development. It is an encouraging trend that shows Congolese women seizing opportunities and overcoming obstacles to access rewarding and well-paying jobs.

Women represent 48.5% of the active population, and the ratio between the women's activity rate and the men's activity rate was 92.1% in 2019, nearly equivalent. The labor market remains narrow, especially for young people and women. Moreover, their time is limited: women have a daily agenda of 19 hours and 15 minutes, which is an average of 80% of their time, while men work for 12 hours and 40 minutes, which is an average of 51.6% of their time.

Female labor is concentrated in agriculture and the informal sector. Overall, the results of the general census of enterprises indicate that 57.3% of economic units are led by men, compared to 42.7% led by women. This trend is observed in all provinces of the country, even more so in Bas-Uele with 76.4% of male business owners. The Kasaï-Oriental province stands out for having a majority of female unit leaders compared to men (50.9% versus 49.1%). Regardless of the sector of activity and the degree of formalization, male business owners are predominant.

Indeed, the majority of economic units in the primary sector (84.0%) as well as those in the formal sector (84.6%) are led by men. The highest proportions of female unit leaders are found in the tertiary sector (43.7%) and the informal sector (42.8%). They are more engaged in commercial activities that generally operate in the informal sector.

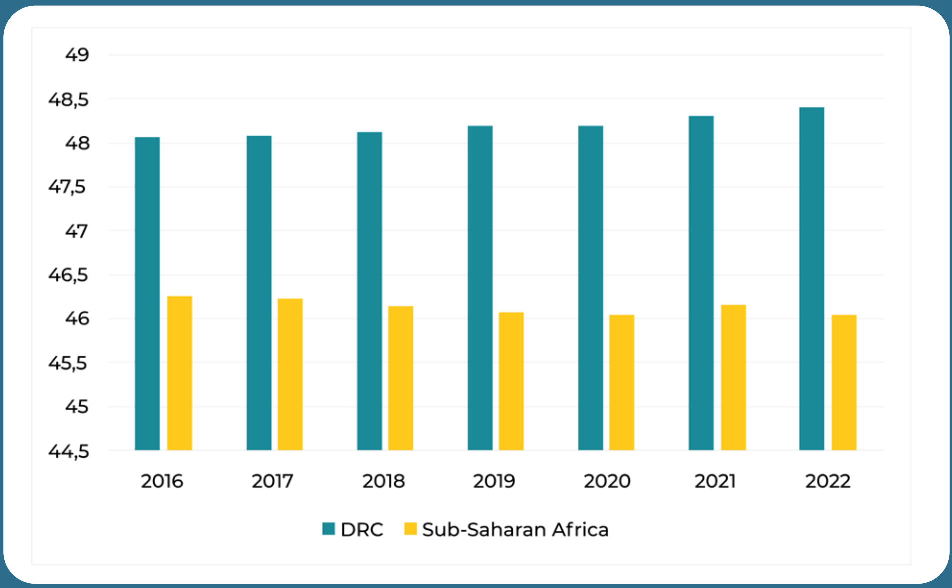
The trend remains the same in specialized branches of activity. It can be observed that male business owners are in the majority in most branches, except in the «accommodation and food services» branch where over 3/5 of economic units (63.5%) are led by women.

The trend remains the same across different branches of activity. It can be observed that male business owners are in the majority in most branches, except in the «accommodation and food services» branch, where more than 3/5 of economic units (63.5%) are led by women.

In terms of employment in the DRC, the results of the General Census of Enterprises-2019 (RGE) show a low representation of women in employment. A significant portion of jobs is occupied by men, accounting for just over 62.1%, compared to 37.9% for women. Trade is the activity that employs the most individuals. In fact, this branch of activity employs 590,281 people, including 308,997 men and 281,284 women. The «Accommodation and food services» branch is the only branch where Congolese women are employed in greater numbers than men, with 63,139 women compared to 43,296 men.

Regarding other activities, although the gaps between men and women are relatively significant, these gaps are more pronounced in specialized, scientific, and technical activities, where women (1,311) are seven times less employed than men (9,357).

Figure 13 ›› **Female workforce (% of total workforce)**



Source: World Bank

It is crucial to consider a regional framework in order to better understand the specific economic and social dynamics of each region and to guide efforts towards improving gender equality and women's economic empowerment.

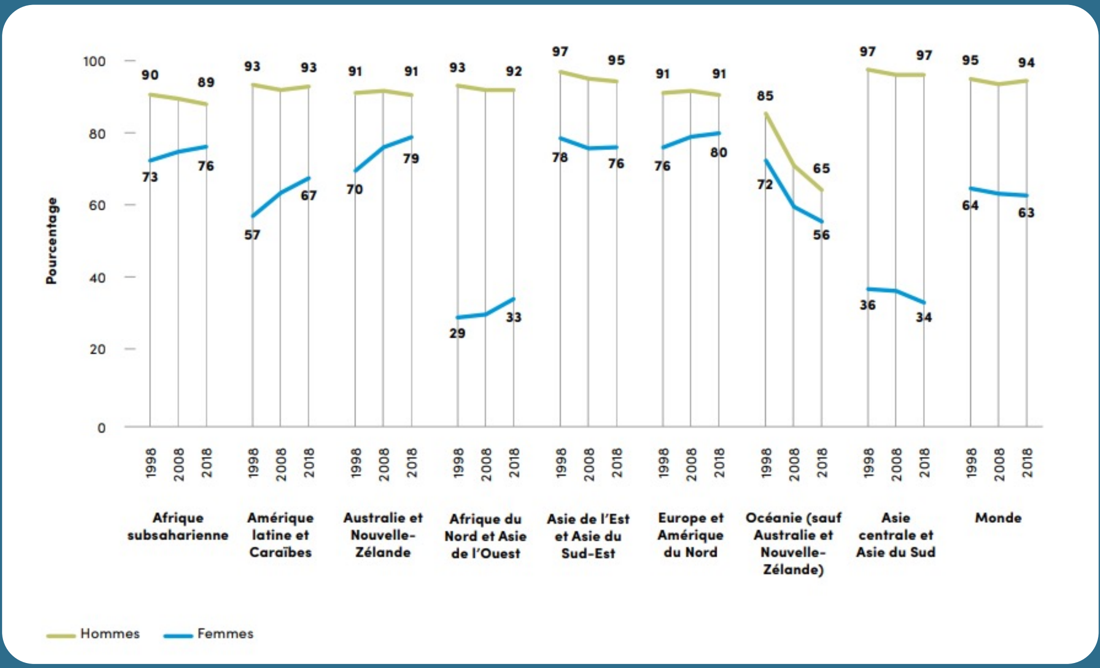
a. Women's Activity Rates Worldwide

Considering the potential benefits of equalizing access to and control over resources, it is encouraging to see an increase in the number of women joining the workforce and generating income in certain regions. However, progress in this area is uneven, and the impacts on women are mixed. These impacts depend on several factors, including the type of employment held and the degree of sharing family responsibilities and household chores with men.

Despite these reservations, the figure below provides an overview of activity rates recorded over the past twenty years in different regions. In developing countries, the Latin America and Caribbean region has seen the most significant changes, with a 10-percentage-point increase in the female activity rate (from 57% to 67%). The female activity rate is also high in Sub-Saharan Africa, where it has slightly increased during this period. In contrast, the Central Asia and South Asia region has experienced a 2-percentage-point decline in its already low activity rate (from 36% to 34%). Despite a slight increase, the North Africa and Middle East region had the lowest activity rate (33%) in 2018.

These data highlight divergent regional trends in terms of women's participation in the labor market. It is crucial to consider this information to better understand the specific economic and social dynamics of each region and to guide efforts towards improving gender equality and women's economic empowerment.

Figure 14 ›› **Individuals activity rates, aged 25 to 54, by sex and region, 1998-2018**



Source: UN Women 2024

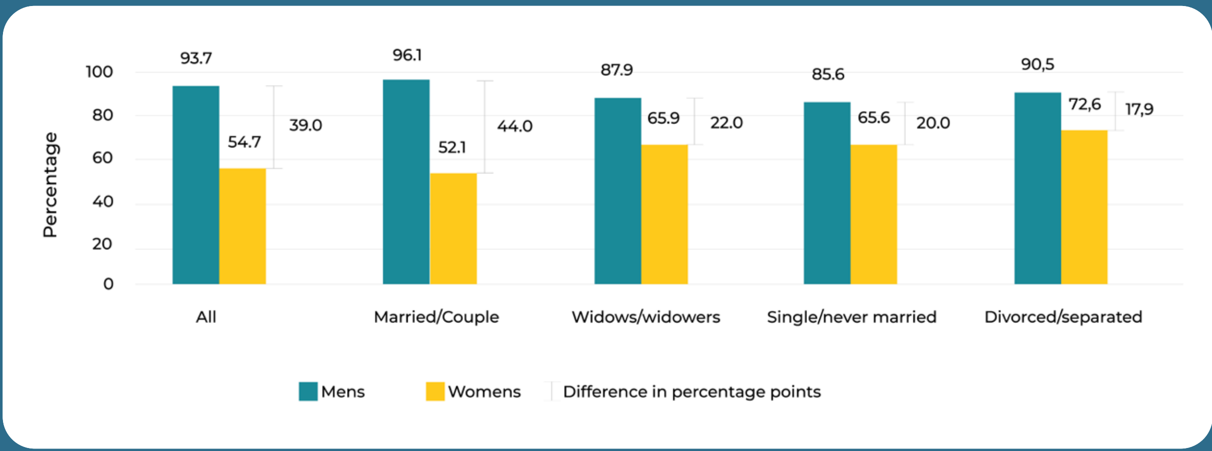
b. Marriage and Women's Activity Rates Worldwide

However, marriage is a significant factor in understanding issues of inequality. Indeed, marriage and motherhood have distinct effects on the activity rates of men and women. Employment opportunities for women have significantly increased since World War II, a period when married women were limited in their employment due to «marriage bars» and discrimination, thus reinforcing the traditional model of the male breadwinner. However, domestic and family responsibilities continue to have a determining influence on women's employment, unlike men.

At the global level, marriage seems to inhibit women's activity rates, while having the opposite effect on men. Data from a sample of 93 countries indicate that only just over half of married or partnered women aged 25 to 54 are active, at 52.1%, compared to 65.6% of single or never-married women and 72.6% of divorced or separated women (see Figure below). In contrast, men's activity rates vary much less based on their marital status, and it is married or partnered men who have the highest activity rate, at 96.1%. Thus, the differences in activity rates between men and women are more pronounced for married or partnered individuals, while the gap, although still significant, somewhat narrows between single, divorced, separated, or widowed men and women (see figure below).

It appears that marriage reinforces traditional gender roles, while singleness, separation, divorce, or widowhood tend to partially mitigate the role differences between sexes. These findings underscore the persistent impact of social norms and marriage-related expectations on women's participation in the labor market. To promote gender equality and women's empowerment, it is necessary to challenge these traditional patterns and support policies and measures that facilitate the balance between family and professional responsibilities for married or partnered women.

Figure 15 ›› **Individuals activity rates, aged 25 to 54, by sex and marital status, world, latest available year**



Source: UN Women 2024

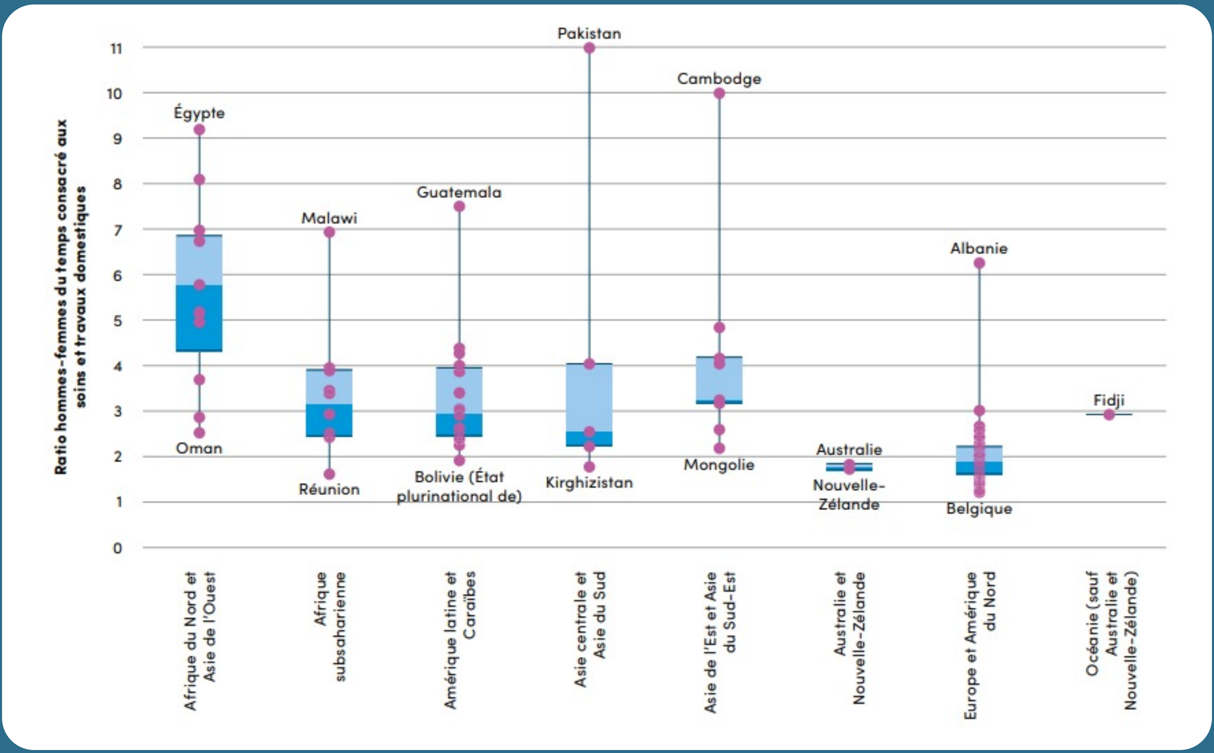
c. *Budgets of Time Worldwide*

Time-use surveys reveal that globally, taking into account both paid and unpaid work, women work on average more hours than men. Women spend three times as much time on caregiving and household chores as men. While gender inequalities vary from country to country, they are particularly pronounced in developing countries. In the North Africa and Middle East region, for example, women perform six times more caregiving and household tasks than men (see figure below), representing the largest gap. Gender inequalities also persist in high-income countries, but they are less glaring.

How can we explain the reduction in the gap between caregiving and household tasks performed by women and men in high-income countries? In countries where this time is low, there is greater availability of support services such as childcare services and domestic help, which can reduce women's unpaid workload. However, social norms and expectations persist, limiting the renegotiation of traditional roles assigned to women in caregiving.

It is important to acknowledge these inequalities and promote policies and measures aimed at reducing women's unpaid workload, fostering work-family balance, and encouraging a more equitable division of household tasks between genders. This will contribute to women's economic empowerment and the achievement of gender equality.

Figure 16 ›› Men-women ratio of time spent on caregiving and household work, by region, 2018



Source: UN Women 2024

The main challenges to address in order to reduce gender inequalities include: (i) integrating gender into development policies, programs, and projects across all sectors; (ii) integrating gender into macroeconomic policies; (iii) combating harmful social norms; (iv) enhancing women's economic empowerment; (v) implementing incentives for girls' and women's education.

II.3. Price Dynamics

Projections from Congo Challenge indicate that the inflation dynamics moderately slowed down in March 2024 but are expected to remain very high for an extended period compared to February 2023. As shown in the table below, prices would continue to rise in March 2024.

In terms of the weekly inflation rate, it is projected to be 0.42% in the fourth week of March 2024, representing an increase of 84.66% compared to the rate recorded at the end of February 2024, which stood at 0.23%.

As for the cumulative inflation rate, it would reach 3.95% in the fourth week of March 2024, compared to 2.73% one month earlier, indicating a positive variation of 44.85%.

Regarding the year-on-year inflation, projections from Congo Challenge suggest that it would be 21.53% in the fourth week of March 2024, compared to 21.70% one month earlier, indicating a decrease of 0.75%. At this rate, our projections anticipate an inflation level of 15.93% by the end of 2024, compared to the 16.82% recorded in February 2024.

Several factors could explain the acceleration of prices observed between March 2024 and February 2024. These factors may include :

The increase in prices of raw materials : The DRC is a net importer of raw materials, including food products, fuel, and manufactured goods. The rise in prices of these raw materials has led to increased import costs, contributing to inflation.

The depreciation of the Congolese franc : The Congolese franc lost nearly 2% of its value against the US dollar between January 2024 and February 2024. This depreciation has made imports more expensive, also contributing to inflationary pressures.

The increase in demand : The ongoing economic recovery in the DRC has resulted in increased demand for goods and services, which could also contribute to inflation.

Poor coordination between the Central Bank of Congo and the government : The monetary financing by the Central Bank (non-compliance with the stability pact), lack of control over expenditure chains, and non-essential spending create excess liquidity of Congolese francs in the economy, thus accelerating the pace of inflation.

Overall, medium-term inflation expectations remain unanchored at the Central Bank's inflation target (7%), and upward risks to inflation could lead to further tensions in energy and food costs.

Table 1 : Inflation Trend (March 2024)

	Weekly inflation	Cumulative inflation	Year-on-year inflation	Annualised inflation
Week 1	0.14	2.87	21.55	15.87
Week 2	0.17	3.05	21.29	15.87
Week 3	0.33	3.39	21.33	15.54
Week 4	0.42	3.95	21.53	15.93

Source: Congo Challenge Projections, March 2023.

II.4. Exchange Rate and Foreign Reserves

Projections from Congo Challenge indicate that the exchange rate would have depreciated in March 2024. On the interbank market, the exchange rate would be 2,772.54 in the fourth week of March, compared to 2,757.89 at the end of February 2024, representing a depreciation of 0.53%.

On the parallel market, the exchange rate would be 2,785.24 in the fourth week of March 2024, compared to 2,755.03 in February 2024, indicating a depreciation of 1.08%.

Table 2 : Exchange Rate Trend

	Closing February 2024	W1	W2	W3	W4	Variation February 2024 - March 2024
Interbank market	2 757.89	2 759.45	2 771.22	2 754.44	2 772.54	0.53%
Parallel market	2 755.03	2 749.64	2 768.44	2 767.50	2 785.24	1.08%

Source: Congo Challenge projections, March 2024.

Regarding foreign reserves, projections from Congo Challenge indicate that they would not have increased between February 2024 and March 2024. Thus, foreign reserves would amount to 5.042 billion USD in March 2024. When measured in terms of months of imports, the import coverage by foreign reserves would be 2,720 months of imports.

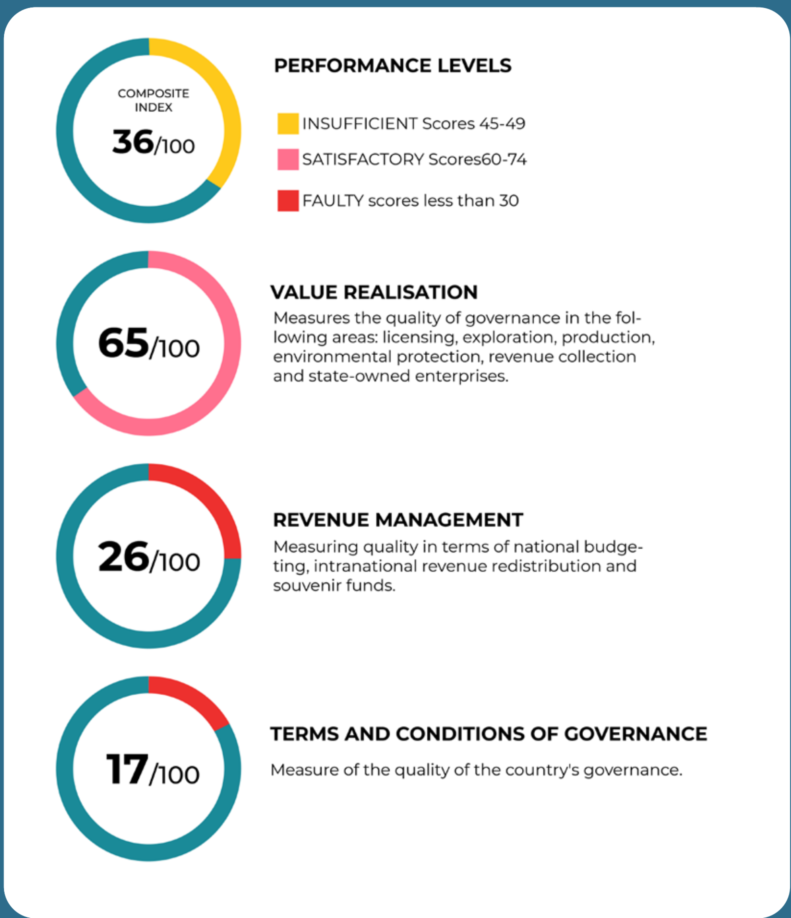
Box 2 : Natural Resource Governance Index (NRGI) in DRC shows a low score

The Natural Resource Governance Institute (NRGI) produces the Natural Resource Governance Index (NRGI) as a diagnostic tool to measure the governance of the oil, gas, and mining sectors in certain countries, as well as to identify opportunities for policy and practice reforms at the global, regional, and national levels.

Norway, Canada, Chile, Ghana, and Botswana are often ranked as examples of good natural resource governance. These countries have established a strong regulatory framework (with a small gap between laws and practice), high transparency in the management of oil and mining revenues, and have used these revenues responsibly for sustainable development. However, the Democratic Republic of Congo (DRC) has declined one point compared to the 2020 interim assessment, with a score dropping from 37 to 36 out of 100, placing it in the «Low» performance category in terms of natural resource governance. Indeed, transparency and monitoring gaps highlight the risks of corruption and those related to energy transition.

The governance of the licensing process is the least well-rated aspect of natural resource governance in the DRC. This is mainly due to the low scores given to laws related to transparency of beneficial ownership and disclosure of assets by officials and politically exposed persons (two important tools for corruption prevention), as well as the inadequate scores concerning effective public disclosure of this information.

Figure 17 ›› **INatural Resource Governance Index (NRGI) and its components in DRC.**



Source: Natural Resource Governance Institute

According to the components of the Natural Resource Governance Index (NRGI), the «value realization» component shows a satisfactory score (thanks to the implementation of the new 2018 Mining Code) compared to the «revenue management» and «general governance conditions» components, which display poor scores.

a. Value Realization

Satisfactory management efforts, but the DRC needs to implement rules regarding licensing and the publication of financial interests.

The implementation of the new 2018 Mining Code appears to promise a stronger foundation of transparency in terms of full and regular disclosure of contracts and the local impact of mining operations. Despite this legal progress, there remains a gap between existing rules and their implementation, primarily concerning the open bidding process for mining licenses and contracts, the full and regular disclosure of contracts, as well as environmental and social impact assessments and their mitigation and rehabilitation plans. State-owned portfolio companies are still not obligated to publish their annual reports. This constitutes a significant obstacle to the government's stated commitment to curbing the opacity surrounding several operations of public enterprises.

The efforts made by Gécamines in disclosing information on production and revenue transfers to the State are the reasons why the score has slightly improved. However, the progress made in terms of transparency rules governing Gécamines is not reflected in practice. This gap in law enforcement is due to several reasons. Firstly, during the period covered by the study, the state-owned company did not disclose its financial reports – the financial statements for 2020 were published in 2021. Furthermore, the company did not disclose information on sold productions (it regressed by -25 points in this area compared to the 2020 interim assessment) and its code of conduct. Moreover, even though an independent body audited the annual financial reports for 2017-2018, these documents are still not published. Gécamines, which is increasingly involved in non-mining activities, has also not published any reports in that regard. Lastly, Congolese mining laws do not specify the shares of production allocated to the company and the state to ensure that there are no transfers that are not covered by the rules.

The Mining Code, in Article 7, requires disclosure of the real ownership of companies, as recommended by the EITI Standard (Requirement 2.5). However, this practice, which could enable better transparency, needs improvement. The data must be comprehensive, and the practice should be extended to all companies and politically exposed persons. In fact, the relaxed EITI report only mentioned one politically exposed real owner. There is a serious problem with disclosing the beneficial owners of extractive industries in the DRC.

The new Mining Code obliges companies to disclose information on their production, exports, and payments made. Data on production, exports, and payments by companies are scattered across multiple sites and, in most cases, are not published.

b. Revenue Management

National budgeting and the mining fund lack transparency, leading to poor performance in the «Revenue Management» component of the mining sector.

In the 2020 interim assessment, the score for the «Revenue Management» component of the mining sector decreased by 5 points compared to the 2017 edition, from 35 to 30 points. In 2021, the decline continued with an additional loss of 4 points compared to the 2020 interim assessment, resulting in a score of 26. As a result, this component moved from the «Weak» performance range in the 2017 NRGI to «Poor» in the 2021 NRGI. This decline in performance is primarily due to two reasons.

The Mining Fund (FOMIN), like all other state-owned enterprises, is not under the control of the National Assembly. Furthermore, the management of the mining fund is not clear because there are no numerical rules or transparent practices regarding the movements of this sovereign fund. The investment rules do not prohibit the FOMIN from engaging in investments without prior approval from the budgetary authority.

Additionally, since the 2017 NRGI, the score for the sub-component «National Budgeting,» which includes indicators such as an up-to-date common web portal containing reserves, production, and exports, as well as fiscal rules and disclosure of the national budget and debt, has remained in the «Weak» performance range.

However, the absence of a centralized internet portal containing all information on reserves, production, and exports in the mining sector, as well as budgetary rules to manage budget balance and debt levels since the 2017 NRGI, prevents the «National Budgeting» sub-component from moving into higher performance ranges.

c. Conditions générales de gouvernance

Very weak general governance conditions are unable to support good management of the extractive sector. The mining sector in the DRC is characterized by a lack of enforcement of mining rules and laws.

NRGI does not produce the indicators for «General Governance Conditions» itself. The NRGI relies on data from external and credible sources, including global governance indicators and the open data repository. This component assesses the underlying context that shapes activities in all sectors based on indicators such as voice and accountability, government effectiveness, regulatory quality, rule of law, control of corruption, political stability and absence of violence, and open data.

The «General Governance Conditions» component has recorded a progress of 5 points, increasing from a score of 12 in the 2017 NRGI and the 2020 interim assessment to 17 in the 2021 edition. However, despite this slight progress, the component still remains in the «Poor» performance range.

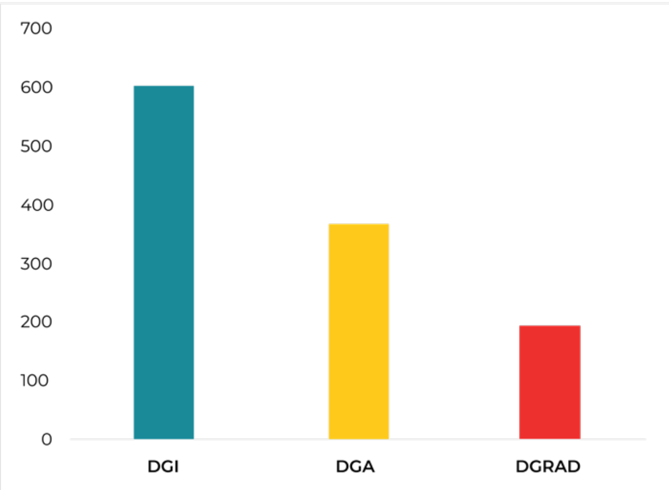
Overall, the mining sector of the Democratic Republic of Congo (DRC) has decreased by one point compared to the 2020 interim assessment, with a score of 36 out of 100, placing it in the «Weak» performance range. The progress was more significant between the 2017 index and the 2020 interim assessment, where the score increased from 33 to 37. This increase, at that time, was largely due to the revision of the Mining Code and regulations in 2018. The NRGI 2021 allowed NRGI researchers to make the following key observations:

- The mining sector in the DRC is characterized by a lack of enforcement of mining rules and laws.
- Despite satisfactory improvements in «Value Realization,» the DRC still needs to implement certain rules regarding license allocation and the disclosure of financial interests.
- The «Revenue Management» of the DRC's mining sector is deficient due to the absence of an up-to-date common web portal containing information on reserves, production, and exports, as well as the lack of digital fiscal rules and the non-implementation of the Mining Fund for Future Generations (FOMIN).
- General governance conditions are deficient and are unable to positively influence the management of the extractive sector in the best interest of the state and its citizens.
- The hydrocarbon sector performs better than the mining sector, which has a rather poor score in its «Revenue Management» and a larger gap between rules and their implementation.
- NRGI recommends the following measures to improve the governance of the DRC's mining sector:
- Establish mechanisms and policies to combat corruption in the mining sector.
- Require regular publication of audited financial reports of state-owned enterprises.
- Mandate audits and the publication of audit reports.
- Empower the National Assembly to oversee the activities of state-owned mining companies.
- Introduce a fiscal rule for monitoring the country's budgetary operations, expenses, and debts, as is the case in Senegal and the Economic Community of West African States (ECOWAS) region in general.
- Quarterly and disaggregated publication of payments received by government entities from various oil companies, preferably by project and region.
- Clarify rules regarding financial movements of the mining fund.
- Disclose updated and project-specific mining statistics, including payment flow, on the Ministry of Mines' website.
- Require the disclosure of financial reports from FOMIN.
- Publish data on reserves, production, exports, and revenues of the extractive sector on a single online portal.
- Demand the publication of contracts and their updates on the websites of the Extractive Industries Transparency Initiative (EITI) and the Ministry of Mines.

II.5. Public Finances

According to the Central Bank of Congo, as of March 22, 2024, the public revenues mobilized by financial authorities amounted to 1,290.2 billion CDF, while expenditures stood at 1,309.1 billion CDF. The operations account showed a deficit of 18.9 million CDF. Compared to the March forecasts, both expenditures and revenues realized were significantly lower, amounting to 1,508.5 billion CDF and 1,572.2 billion CDF, respectively.

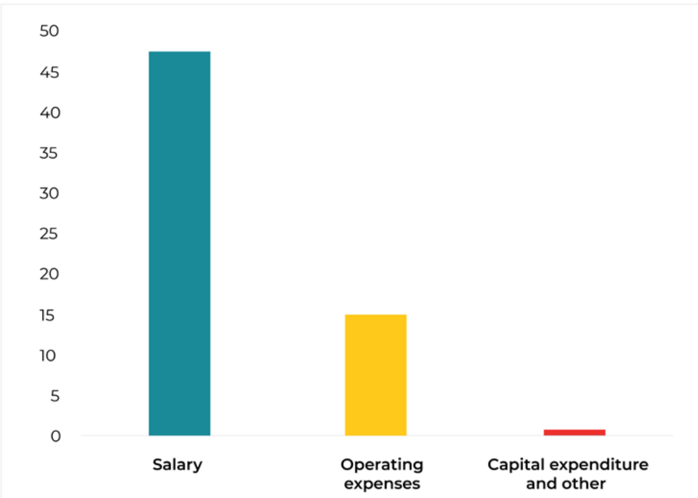
Figure 18 ›› **Distribution of public revenues in March 2024 (in million CDF)**



Source: Central Bank of Congo (BCC)

Regarding the public revenues for this month of March, it is worth noting that the General Tax Directorate (DGI) contributed 601.3 billion CDF, while other financial authorities, including the General Customs Directorate (DGDA) and the General Directorate of Administrative and Financial Affairs (DGRAD), mobilized 365.4 billion CDF and 191.2 billion CDF, respectively.

Figure 19 ›› **Evolution of the distribution of public expenditures (%)**



Source: Central Bank of Congo (BCC)

As of March 15, 2024, the portion of expenditures allocated to the remuneration of state officials accounted for 47.43% of the total public expenditures. On the other hand, the share of capital expenditures and other expenses stood at 0.63%, while the portion dedicated to the functioning of institutions reached 14.82%. A significant portion of the state's resources was allocated to the remuneration of state officials, with a minimal part allocated to capital investments, while the remaining amount was dedicated to the operating expenses of public institutions.

The government intends to raise 30 million USD through Treasury Bonds issued in US dollars with a maturity of 6 months. Additionally, an auction of Treasury Bonds worth 60 million USD is planned for a duration of one year and three months. According to the Treasury plan execution of the Ministry of Finance, as of the indicated date, 192.3 billion CDF represents the amount of repayments of matured securities.

Box 3 : Final report of citizen control on the use of funds allocated to elections in the DRC: Budget credibility

The Center for Research on Public Finance and Local Development (CREFDL) conducted a comparative study of budgets and public procurement conducted by the Independent National Electoral Commission (CENI) of the Democratic Republic of Congo, in the context of the 2016-2019 and 2021-2024 electoral operations. This work, supported by the German NGO Democracy Reporting International (DRI), is part of citizen control, which aims to promote transparency and accountability of authorities in financial governance.

This study examines the impact of procurement procedures on the credibility of election results. It is based on the verification of the application of the public procurement code and the effectiveness of CENI's commitments to promote transparency and trust among stakeholders in the electoral process. Through this monitoring, CENI can rationalize and improve the quality of election-related expenses and increase transparency in the public procurement system.

To conduct this work, experts analyzed approximately 1500 documents collected from institutions and conducted interviews with around fifty government officials. The report resulting from the investigations outlines the following facts: [Please provide the specific facts you would like to be translated.

The report on the investigations describes the following facts:

I. Budget Management

I.1. Findings on Remuneration and Operating Expenses

Table n°3 : Summary of Budget Forecasts and Execution of CENI's Budget (in Congolese Francs)

Heading	2016-2019			2021- end November 2023		
	Voted	Executed	Execution rate	Voted	Executed	Execution rate
Exceptional expenditure on own resources	2 523 899 527 729	1 059 285 170 015	41,97	1 529 000 000 000	176 595 308 221	11,55
How the institutions work	84843911907	144 005 499 668	169,73	44 926 266 973	1 222 102 657 624	2 720,24
Economic, social, cultural and scientific initiatives	1 727 221 329	81 064 701 092	4 693,36	3 444 384 143	143 396 245 251	4 163,19
Investments from own resources	4 012 410 773	0	0,00	76 406 323 108	0	0,00
Remuneration	335 099 402 638	68 947 880 680	59,31	72 633 120 465	66 578 796 339	91,66
Total	2 949 582 474 376	1 353 303 251 455	49,56	1 726 410 094 689	1 608 673 007 435	93,18
Exchange rates	Average rate: 927.97 CDF/USD; 936.5 CDF/USD in 2015; 945 CDF/USD in 2016; 1465.9 CDF/USD in 2017; 1813.4 CDF/USD in 2018; 1747.8 CDF/USD 2006 CDF/USD (2021); 2130 CDF/USD (2022); 2021 CDF/USD (2023); 2500 CDF/ USD (2024)					

Source: Ministry for the Budget/Finance

- The CENI activated a budget line to provide financial assistance to certain NGOs and companies, even though it is not within its prerogatives.

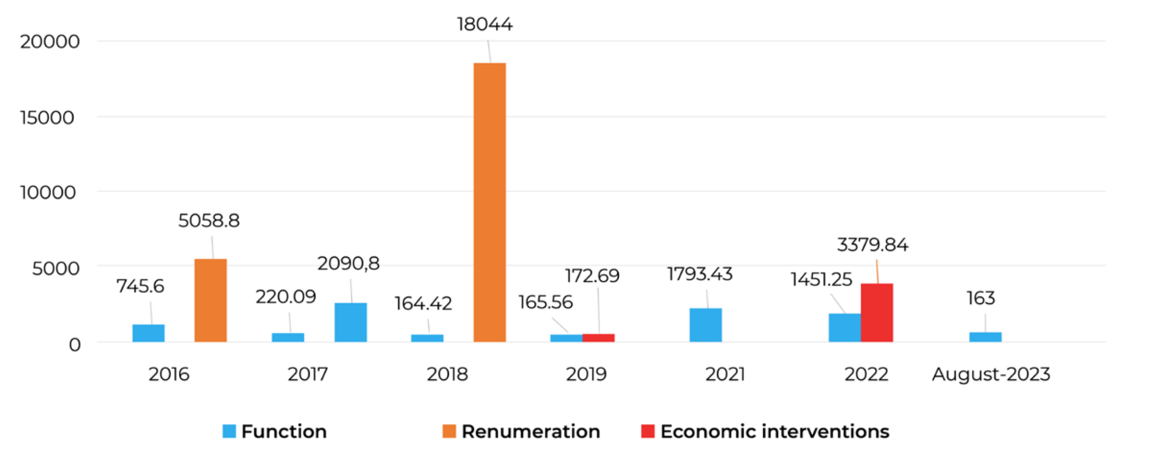
- These irregular payments amount to 252,867 USD per year, representing 2.29% of the budget category funds. In its financial report for the 2022-2023 fiscal year, the CENI does not mention the identity of the beneficiary companies and NGOs receiving these various funds. 80% of civil society organizations participating in CENI coordination meetings have no information about these payments.

- Regarding the number of permanent staff members at the CENI, it increased from 1,369 in 2020 to 3,240 in 2022, resulting in an increase of 1,871 employees (57.7%). After investigation, experts discovered that the funds paid to the CENI also remunerate 117 employees who are not accounted for in the public expenditure system. This leads to wage disparities among employees of the same rank. Sometimes, collaborating agents are treated better than their hierarchical superiors.

• The analysis also revealed the payment of undue benefits to political personnel at the CENI, in violation of the legal framework. The 2021 Finance Law sets the installation fees for the President of the CENI, who holds the rank of a Minister, at $9,000, and $8,866 for a Budget member with the rank of Vice-Minister. The total expenses amount to $133,137, while the CENI received $2 million from the Government in December 2021. Furthermore, the provision of vehicles to the 15 members of the CENI immediately upon their installation is irregular. This indicates misappropriation of public funds, as it is not recognized by the decree establishing the threshold for allowances of public officials upon installation.

• Non-compliance with the budget commitment plan, which has a disproportionate impact on public finances. For example, the budget allocation titled «Special Intervention Fund,» which finances elections, had a payment rate of 6,725.3% in 2021, 17,237.3% in 2022, and 14,520.7% as of the end of November 2023.

Trend in budget overruns



I.2. Disbursement of Funds for Electoral Operations

Schedule of disbursements of funds for electoral operations May 2016 to November 2023					
Period	Revision of the electoral register	Direct elections in one sequence Presidential, national legislative and provincial elections	Direct elections : Presidential, National and Provincial Legislative, Urban, Municipal and Local	Indirect elections : Senators, Governors and Vice-Governors, Cooptation of traditional chiefs, elections of urban councillors, mayors, burgomasters and sector chiefs.	Total
May 2016-April 2017	400 821 568,8				400 821 568,8
January to December 2018		414 550 815,55			414 550 815,6
Jan-Apr 2019				2 046 524,32	2046524,32
November-December 2021	103 154 432				103 154 432
January to December 2022	500 000 000				500 000 000
January to April 2023			61 273 353		61 273 353
May-23			56 665 683		56 665 683
Jul-23			240 386 430		240 150 294
November 2023			130 000 000		130 000 000
TOTAL	**1 003 976 001**	**414 550 815,55**	**488 325 466**	**2 046 524,32**	**1 908 662 671**

Source: Ministry of Finance/CENI

- The study reveals a 25.1% increase in CENI expenses between the two electoral cycles. From December 2021 to November 2023, the Government made a payment of $1,091,479,898 to the CENI to finance electoral operations, against a demand of $1.1 billion. Compared to the approved budgets of $711 million, there is an execution rate of 153%, exceeding 53.31%. On its part, the CENI stated that it only received $930 million. The gap between the declared amount received and the amount disbursed by the treasury is $161 million.

- The detailed budget for electoral operations remains unclear and is not submitted during the preparation of the annual Finance Law, which is usually done by the end of July. The CENI always mentions the lack of control over the electoral cycle, according to experts from the General Directorate of Budget Policies and Programming at the Ministry of Budget. However, it represents 71.28% of the CENI's budgetary allocations.

- The study reveals that the public expenditure system does not function within the CENI. Public funds are made available through opaque mechanisms, notably without the issuance of commitment orders, liquidation, certification, or payment orders. To provide funding to the CENI, the Government makes funds available through a disbursement or emergency procedure. According to the instructions regarding the execution of the Finance Law, eligible expenses under this procedure include communication and telecommunications, secret research expenses, special intervention funds, aid and relief, supplies, and small materials. No service can claim a renewal of funds availability if the use of previously received funds is not justified.

- Due to the lack of adherence to the public expenditure chain, the last two electoral cycles consumed approximately $2 billion invested in electoral operations expenses, equivalent to the current budget of the local development program for 145 territories, which should improve, among other things, 40,000 km of agricultural access roads.

Conclusion

The Democratic Republic of Congo has made significant progress in terms of transparency in public procurement spending carried out by the CENI with the establishment of the CGPMP. Making information available to the general public through the Ministry of Budget and Finance (Directorate of Accountability) and the ARMP is an indicator to ensure that public expenditure contributes to development promotion.

The management of the CENI is also marked by frequent use of special authorizations, operating outside the budget framework. Thus, the budget allocated to electoral operations is characterized by opacity, lack of credibility, and accuracy of figures.

RECOMMANDATIONS

To the Government :

- Instruct the CENI to strictly implement the Integrated Public Procurement Management System (SIGMAP).

- Establish a public procurement inspection to combat fraud at the CENI and other public services.

- Transfer CENI expenses to the Program Budget to strengthen results-oriented management, similar to pilot ministries.

- Conduct a thorough review of CENI management after four electoral cycles and draw the necessary conclusions.

To the CENI :

- Harmonize the Public Procurement Plans (PPM) with budget management tools, including the Engagement Plan and the Central Power Treasury Plan.

- Justify the renewal of voter enrollment kits when 50% of those acquired in 2017 are still usable.

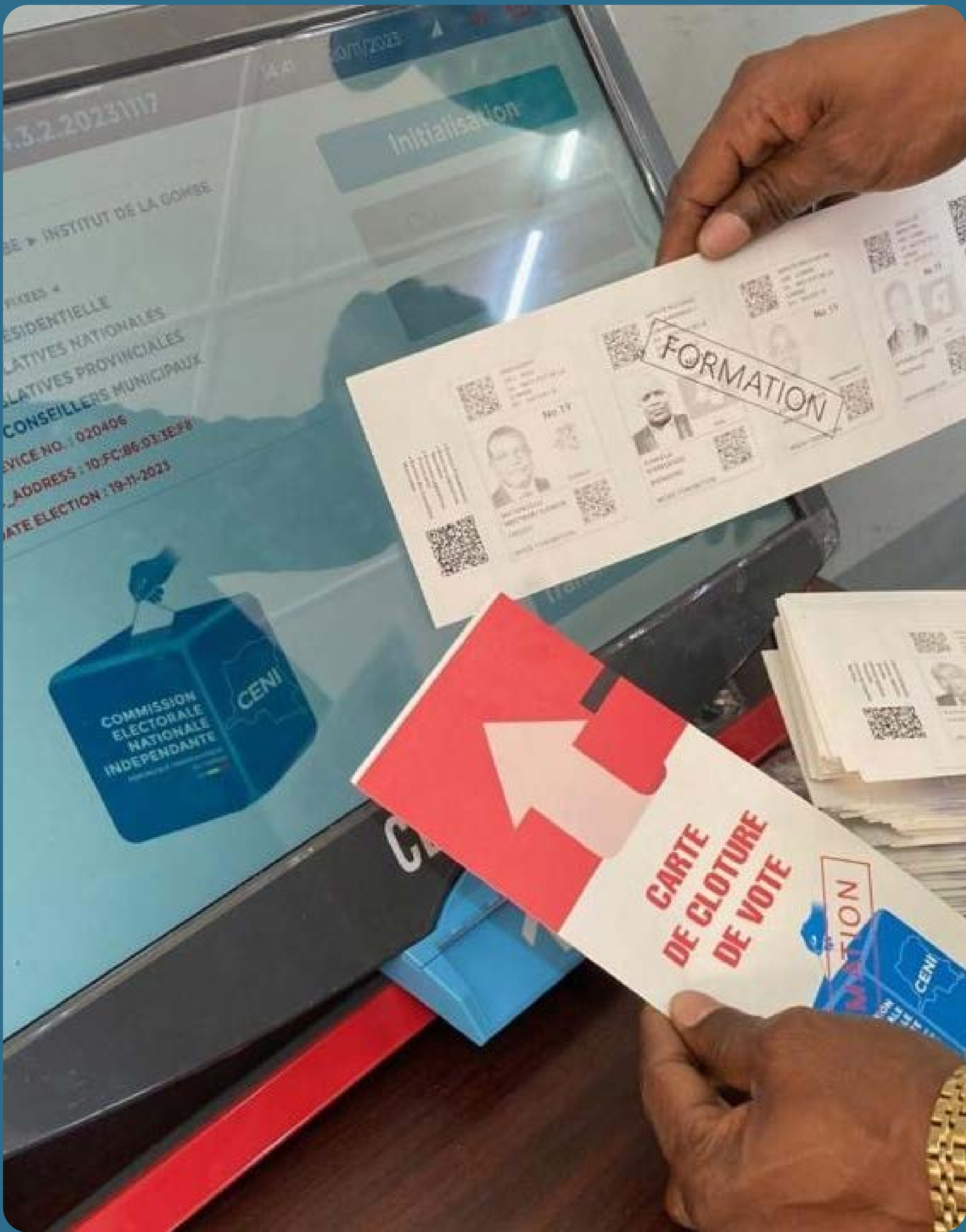
- Provide clarity on the motivations behind the purchase of a significant quantity of ballots and voter cards when their utilization is much lower than the demand.

To Control Bodies (IGF, Court of Auditors, and Parliament) :

Justify to the Congolese taxpayers the absence of control missions in light of the mismanagement of public funds allocated to the CENI.

To the population:

- Appropriation of the report and demand accountability from the CENI.


Initialisation
INSTITUT DE LA GOMBE
CONSEILLERS MUNICIPAUX
DATE ELECTION : 19-11-2023
COMMISSION ELECTORALE NATIONALE INDEPENDANTE
CENI
FORMATION
CARTE DE CLOTURE DE VOTE

II.6. Developments in the political situation

The political news of March 2024 was dominated by the following highlights:

(i) Ongoing conflicts in the east of the country ;
(ii) The new configuration of the National Assembly following the Constitutional Court rulings ;
(iii) Reaction to the lifting of the moratorium on the death penalty in the DRC.

1. Ongoing conflicts in the east of the country

The security situation in the east of the Democratic Republic of Congo is of great concern to a number of sub-regional, regional and even international organisations, due to the increasing deterioration in socio-economic and political-security conditions.

1.a The position of sub-regional, regional and African organisations

- Position of Regional Organisations and Initiatives in Africa

At its meeting on Saturday 9 March 2024, the African Union Peace and Security Council (AU PSC) approved the deployment of the SADC Mission in Eastern DRC (SAMIDRC) and requested the AU Commission to mobilise the necessary resources to support this regional force and help restore peace and security.

Faced with Rwanda's request not to support the troops of southern African countries deployed in the east of the DRC, the PSC, ignoring this correspondence, asked the Commission, under the leadership of Moussa Faki, to speed up the transfer of equipment intended for SADC to provide effective support to SAMIDRC.

The PSC also instructed the AU Commission, in collaboration with SADC, to define the practical modalities for supporting SAMIDRC and to provide regular updates on its activities. In addition, it requested the AU Commission to forward this communiqué to the United Nations Security Council (UNSC) for information and to seek from the UNSC the necessary resources to enable SAMIDRC to fulfil its mandate effectively.

La Communauté de développement de l'Afrique australe (SADC) s'est engagée à rétablir une paix durable dans l'est de la RDC, confrontée à l'instabilité provoquée par les opérations militaires de l'armée rwandaise et de la milice M23. Le Conseil des ministres de la SADC a réaffirmé son soutien à la RDC face à l'expansion de l'influence de la coalition M23-RDF dans le Nord-Kivu.

The Organisation of African, Caribbean and Pacific States (OEACP) has expressed its solidarity with the Democratic Republic of Congo (DRC) and pledges to support the country's efforts to defend its sovereignty through European and international bodies.

The Economic Community of Central African States (ECCAS) favours a peaceful solution to the crisis in the east of the DRC and is calling for the Luanda process to be applied effectively.

- Analysis of the origins of the war in the east of the DRC and what is at stake

At a conference at the University of Kinshasa on 16 March, French-Cameroonian political scientist and journalist Charles Onana analysed the roots of the war in the east of the DRC, dating back to the 1994 genocide in Rwanda. In his view, the conflict is fuelled by Western interests in the region, aimed at appropriating Congolese natural resources.

Onana argues that the West sees the Congo as a commodity to be exploited, which is hampering the country's development efforts. He believes that Rwanda is merely a pawn in this game, used to maintain chaos in the east of the DRC and facilitate access to natural resources.

He calls for a patriotic military commitment to defend Congolese sovereignty in the face of Rwandan threats, stressing that the country's survival is at stake.

1.b. The position of the European Union

The head of European diplomacy, Josep Borrell, stressed on Monday 4 March 2024 that a political solution, not a military one, is needed to resolve the crisis between the DRC and Rwanda. He encouraged the two countries to engage in an inclusive dialogue to tackle the root causes of the conflict.

The EU, concerned by the escalation of violence in the east of the DRC, supports the regional peace processes and calls for the implementation of the decisions taken in Luanda and Nairobi. It condemns Rwanda's support for the M23 and calls for the immediate withdrawal of its military forces from the DRC.

The Belgian Minister of Foreign Affairs, Hadja Lahbib, is also demanding the withdrawal of the Rwandan Defence Forces from Congolese territory. Similarly, the leader of the French party "La France insoumise", Jean-Luc Mélenchon, is calling for sanctions against Rwanda for its military operations in the east of the DRC.

As tensions rise and Presidents Félix Tshisekedi and Paul Kagame contemplate a meeting, the EU insists on a negotiated solution. However, Kinshasa is making this meeting conditional on the withdrawal of Rwandan troops and the cantonment of the M23 rebels.

In response, Kigali is calling for the root causes of the conflict to be addressed, including the concerns of Congolese Tutsis, the repatriation of refugees, an end to hate speech and good governance in the DRC.

Observers criticise Paul Kagame's diversionary strategy, describing him as an aggressor against the DRC and an exploiter of its wealth. The DRC Foreign Minister also denounced Rwanda's cynical exploitation of the tragedy of the Rwandan genocide.

1.c. The position of the UN Security Council

On Saturday, the UN Secretary-General strongly criticised Rwanda for its ongoing military operations in the east of the DRC, in violation of international law. Following an attack by the M23-RDF coalition in North Kivu, which wounded eight peacekeepers, Guterres urged Rwanda to fully respect the sovereignty and territorial integrity of the DRC.

At a time when Rwandan troops are maintaining their positions in Masisi, Nyiragongo and Rutshuru, the UN chief reaffirmed his appeal to all Congolese and foreign armed groups to lay down their arms immediately and commit to the disarmament process without delay. He stressed that the sovereignty and territorial integrity of the DRC must be fully respected, reaffirming Monusco's commitment to protecting civilians.

However, the UN Secretary General's Special Representative in the DRC, Bintou Keita, told the Security Council that there is no lasting military solution to the conflict, insisting on the need for dialogue. She called on all foreign forces operating illegally in the DRC to withdraw.

The United States has condemned the aggressive military incursion by the Rwandan Defence Forces in the east of the DRC. It called for the full recovery of the injured peacekeepers, reiterating its support for Monusco. The US ambassador to the Security Council warned that the UN could reassess Rwanda's credibility as a participant in peacekeeping operations.

The UK has encouraged the DRC and Rwanda to engage in regional peace processes to resolve their conflict. They called for an end to support for violent armed groups in the DRC.

Russia also stressed that only a political solution would lead to lasting stability in the east of the DRC.

The DRC's permanent representative at the UN has called on the Security Council to sanction Rwanda for its repeated criminal actions. He said that the DRC would not accept arrangements designed to perpetuate insecurity and the exploitation of its minerals.

1.d. The Congolese position on the dialogue between Presidents Tshisekedi and Kagame

On TOP CONGO FM, the coordinator of the NGO Justice et État de droit pour le Congo rejects the idea of a dialogue with Rwanda or the M23 to resolve the insecurity in the east of the DRC. Instead, he advocates a national conference to identify the real instigators of the war.

Aimé Kilolo points out that Rwanda's aggression against the DRC benefits international financial powers. He calls for a national dialogue to put an end to the war.

FCC supporter Jules Kayembe believes that negotiating from a position of weakness is risky. He recalls that Tshisekedi had refused to talk with Kagame in the past.

Acajou Muangi supports dialogue with Kagame on condition that Rwandan troops are withdrawn from the DRC, while others believe that Tshisekedi should talk to Rwanda to promote peace, despite the hypocrisy of the international community.

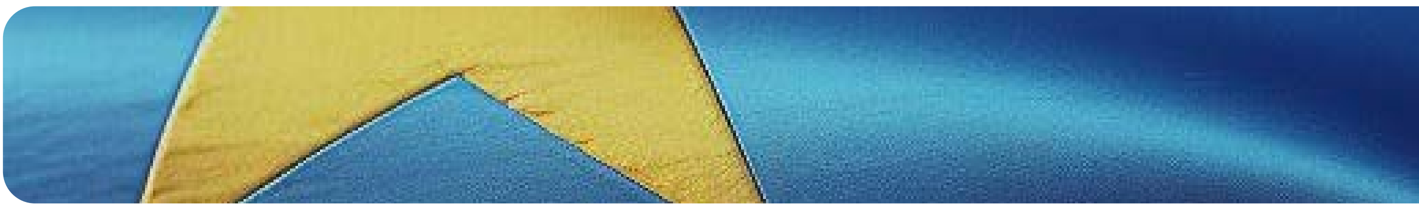
André-Alain Atundu Liongo calls on the Rwandan people to leave Congolese territory and stop exploiting resources before agreeing to dialogue.

The opposition finds it "ridiculous" that Tshisekedi is in dialogue with Kagame, while the Union sacrée de la nation is more conciliatory.

The Lamuka coalition is ready to talk to Tshisekedi about the Rwandan aggression, according to Prince Epenge, one of its communicators.

The ECC recommends that Tshisekedi organise a dialogue to resolve the issues of peace, security and governance.

Former PPRD cadres have joined the rebellion led by Corneille Nangaa, prompting speculation about links between the AFC, the M23 rebels and the PPRD.



1.e. DRC and Russia sign military cooperation agreement

The Russian government has approved a draft military cooperation agreement with the Democratic Republic of Congo (DRC), according to a government resolution published on Tuesday 5 March 2024 on the official legal information portal.

According to the document quoted by the state agency Tass, the agreement provides for joint exercises and manoeuvres, participation in and monitoring of exercises at the invitation of the relevant agencies, visits by warships and fighter aircraft on invitation or request, and training of military personnel, among other forms of cooperation.

Steve Mbikayi, a former Member of Parliament, considers Russia's approval of this agreement to be a major step in the management of the aggression against the DRC by obscure forces, allegedly supported by Rwanda.

He believes that the joint exercises and other planned activities will be an effective deterrent to any attempt by foreign powers to destabilise the DRC. It calls for unity behind the Congolese armed forces to protect the country against any threat.

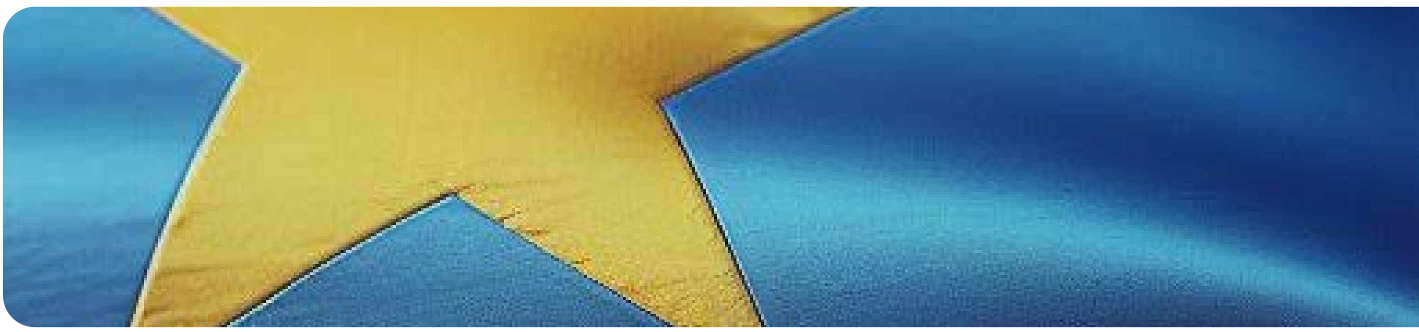
However, the Congolese government denies the recent signing of such an agreement with Russia, stating that it is more a question of Moscow's approval in principle of a draft agreement that could eventually be signed. According to Congolese government spokesman Patrick Muyaya, this step is the result of a process that began in 1999, and the current discussions could lead to the eventual signing of the agreement, without the DRC turning away from its Western partners in favour of Russia.

2. The new configuration of the National Assembly following the Constitutional Court rulings

As announced, the Constitutional Court handed down its rulings on electoral disputes relating to the legislative elections of 20 December 2023 on Tuesday 12 March. Of the 1,923 cases dealt with, 21 were withdrawn, as illustrated by case n°893 from the political grouping AABG against Kibambe Dieudonné from the ACP/A. 525 cases were declared admissible, and 400 others admissible but unfounded. RCN 155, between AEDCA and the A1 political grouping, was declared inadmissible. And the case opposing A2/50 to Bakonga of the ANB was declared admissible but unfounded. In all, 49 deputies provisionally declared elected are leaving the National Assembly, even though they were already sitting there.

2.a. Here are the rulings of the Constitutional Court

Manono/Tanganyika: Deogratias Ilunga of 4AC invalidated in favour of Giovanni Ilunga of ACP/A
Haut-Lomami/Kalongo: Kapia Tumba of the AFDC/A invalidated in favour of Banza Somwe
Sandoa/Lualaba: Adèle Kayinda (ADEC) takes the seat of Marc Makong Kayok (Ensemble)
Tshangu: Michel Omba Taluaka replaces Sakasaka
Mont-Amba: Frédéric Misili replaces Mulanga Ntumba
Moanda/Ville - Kongo Central: Modero Nsimba (AACRD) replaces Robert Myondo (AAAP)
Irumu: MLC Moïse Alingela wins back the seat of Fidèle Kapuye (AMSC)
Lukunga/Kinshasa: Van Kapemba Kabindi (Dypro) proclaimed deputy in place of Kennedy Kapasi Kiala
Libenge: Alfred Nzondomio (AAAP) takes the seat of Robert Oloba (AFDC-A)
Kasongo/Maniema: Alain Sudi Zimamoto invalidated in favour of Udps Aruna Ngarabu
Tshangu/Kinshasa: Jean-Marie Kabengela Ilunga (FPAU) replaces Séraphine Kilubu Kitunga (AB50)
Isiro: Christophe Nangaa (A24) replaces Bakolito Ngandu (AA/UNC)
Malembankulu/Haut Lomami: JC Masangu Mulongo (AE) replaces Didier Longo wa Banza (AB)
Bulungu/Kwilu: Jocelyne Mupeka (AA/C) replaces Cleophas Munganga (PALU)
Bolonga: Mayizana (MLC) replaces Papy Aono Zono (A24)
Tshilenge/Kasaï Oriental: Freddy Tshibangu (UDPS/Tshisekedi) replaces Serge Kalenga Mukendi (A24)
Seke-banza/Kongo-Central : Joachim Mavungu (AB) remplace Edouard Samba Nsitu (AA/UBC)
Idiofa: Minengu Mayumbu Jean de Dieu (UDPS) replaces Marie Tshipoyi (UDPS)



Kikwit : Symphorien Mungala (AACRD) replaces Kidima Mvuba (ANB)
Kabare: Serge Bahati, National Assembly rapporteur, replaced by Claude Nyamugabo
Lubudi: Aje Matembo, quaestor of the provisional bureau, replaced by Mastaki Faustin elected by the Ensemble party and many others.

2.b. Observations and findings

Following its decisions on electoral disputes concerning the provisional results of the national legislative elections of 20 December 2023, the Constitutional Court has definitively validated 49 national deputies and invalidated as many. Modeste Bahati's Alliance des forces fédéralistes du Congo et Alliés (AFDC-A) emerged as the main loser from this decision.

It was a long and difficult night for the forty-nine national MPs who have now been invalidated, particularly for Modeste Bahati Lukwebo's political grouping, nine of whose members were invalidated in favour of other political groupings.

Among them, the rapporteur of the provisional bureau of the National Assembly, Serge Bahati, was invalidated following a petition against the national deputy and current Minister of Labour, Claudine Ndusi of AEDC-A. He was replaced by Claude Nyamugabo, who was declared definitively elected in Kabare territory, South Kivu province. Despite these invalidations, AFDC-A remains the third political force in the National Assembly with 32 national deputies, behind Vital Kamerhe's A/A-UNC, in second place with 37 national deputies.

The UDPS, the big winner in the electoral disputes, remains the country's leading political force, having won a further ten or so seats.

However, the Alliance des forces démocratiques du Congo (AFDC) is hoping to bounce back after the loss of nine of its national deputies. Its Secretary General assures that Modeste Bahati Lukwebo will fight to assert his rights, even though the Constitutional Court's rulings are final.

The current configuration of the National Assembly has been modified by around 10%, pending the organisation of national legislative elections in three other territories of DR-Congo.

The 49 elected members include figures such as Samy Badibanga, Gilbert Kankonde, Modero Nsimba, Claude Nyamugabo, Jean-Claude Masangu and Maurice Tshikuya. Ministers in office were also proclaimed elected by the Constitutional Court, joining the 32 other members of the government proclaimed elected by CENI last January.

The decisions of the Constitutional Court have not significantly affected the weight of the various political forces in the National Assembly, with the UDPS and Vital Kamerhe's UNC still in the lead. The UDPS and Vital Kamerhe's UNC remain in the lead, and the following is a non-exhaustive list of the 49 MPs who have been re-elected by the Constitutional Court:

Gilbert Kankonde ; Adele Kayinda -Sandoa ; Modero Nsimba -Moanda ; Willy Mishiki -Walikale ; Jean-Marie Kabengela -Tshangu ; Prosper Mastaki -Lubudi ; Madeleine Nikomba -Kisangani ; Jean-Claude Masangu -Malemba Nkulu ; Maurice Tshikuya -Mbuji-Mayi ; Arnaud Ndarabu -Kasongo ; Claude Nyamugabo -Kabare ; José Mpanda -Mbuji-Mayi ; Alexis Gisaro -Uvira ; Christophe Nangaa -Isiro ; Jules Lodi -Katako Kombe ; Taylor Lubanga -Funa ; Samy Badibanga -Katanda ; Alfred Dibangi -Libenge ; Jocelyne Mupeka -Bulungu ; Nene Mayizana -Bolomba ; Freddy Tshibangu -Tshilenge ; Joachim Mavungu -Seke Banza ; Hamisi Singoma -Nyiragongo ; Gilbert Tutu -Poko ; François Mayani -Kalemie ; Symphorien Mangala -Kikwit ; Meschack Mandefu -Kazumba ; Emery Amuri -Kabambare ; Isabelle Yumba -Kamina ; Nazem Nazembe -Lubumbashi ; Didier Mundela -Lubunga ; Moïse Alyegera -Irumu ; Angel Tabo -Djugu ; Jean-Marie Akangabo -Mambasa ; Giovanni Ilunga -Manono ; Eustache Banza -Kalongo ; Jean de Dieu Minengu -Idiofa ; Van Kapinga -Lukunga ; Michel Omba -Tshangu ; Frédéric Fikiri -Mont Amba ; Eden Kalonji -Funa ; Yannick Lumbu -Lubumbashi ; Marie Tiboyi ; Charles Mpunga -Mwene Ditu ; Eugenie Tshela -Kananga...

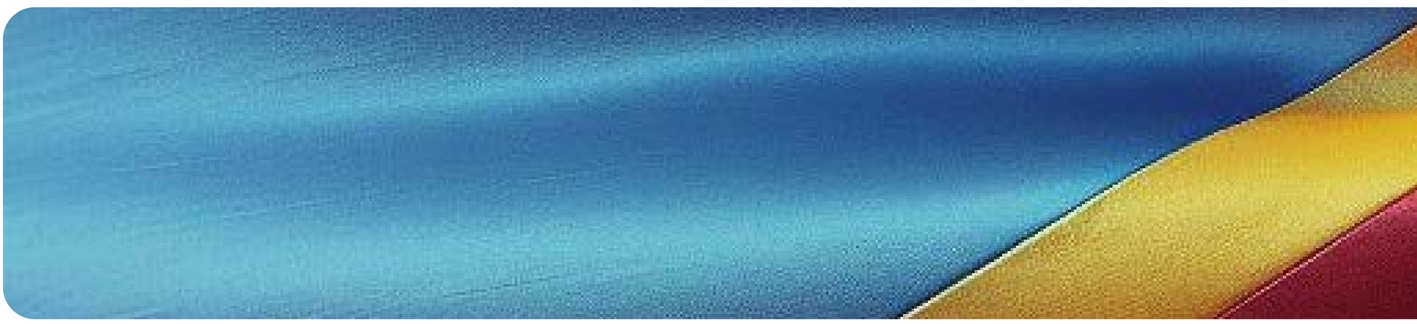
2.c. Feedback

In a press release published on Friday 15 March 2024 and signed by Mr Roland Tshibubua Nyembue and Mr Jean-Baudouin Nzita Mbadu, national coordinator and secretary rapporteur respectively, the NGO Action citoyenne pour la bonne gouvernance judiciaire (Acbgj), which brings together lawyers, magistrates and company lawyers, calls on the political parties to respect the independence of the constitutional court and its legal authority to examine the provisional results proclaimed by the Independent National Electoral Commission (Ceni).

Closely following developments in electoral disputes at the Constitutional Court, these lawyers and magistrates denounce the insulting and slanderous political statements made against the Constitutional Court and its members. They reject any political interference in the management of electoral disputes, aimed at exerting pressure on the judges of the Constitutional Court in order to influence their decisions.

Women's Action for Transparent Elections in Africa (AFETA) encourages the High Court to maintain its position and calls on it to genuinely correct the material errors without being subject to political pressure.

As for the National Assembly, at the opening plenary of the ordinary March session on Friday 15 March 2024 in Kinshasa, it took note of the latest rulings of the Constitutional Court on the publication of the final list of national deputies.



Two new members of the provisional bureau of the National Assembly have been appointed to replace two former members invalidated by the High Court. They are Percy Nzuzi Umba, 30, national deputy elected from the electoral district of Matadi, in Kongo Central, as 1st secretary, and Ron Roger Bimwala, 28, deputy elected from Kinshasa, as 2nd secretary.

A total of one hundred and ten petitions were received by the Constitutional Court registry up to last Friday, challenging the final results of the 2023 national legislative elections published by the Court. Judicial sources told Radio Okapi that the petitioners are hoping to win their case to correct the material errors made during the examination of the legislative electoral disputes of 20 November 2023.

2.d. Recomposition at the National Assembly

Following the rulings handed down on 12 March 2024 by the Constitutional Court concerning the disputes arising from the national legislative elections of 20 December 2023, the political configuration of the National Assembly has been slightly modified.

According to its decisions, the Constitutional Court has included 49 new national MPs in the National Assembly.

In this new legislative arrangement, the ruling UDPS/Tshisekedi party strengthens its position with five additional seats, bringing its total to 75 national deputies, making it the main political force in the National Assembly.

Gentiny Ngobila Mbaka's ACP-A can also be delighted to have won three (3) new seats, bringing its total number of national deputies to 12.

The big loser in the Constitutional Court's decisions is Modeste Bahati, whose two electoral platforms (AFDC-A and AEDC-A) lost more than six (6) seats. The platforms associated with Vital Kamerhe (A/A-UNC and A/VK 2028) followed with the loss of four (4) seats.

However, Dany Banza's AB can take comfort in the fact that it lost only two (2) seats, just as it had won two (2).

Under these circumstances, eight electoral platforms passed the threshold of 20 seats in the National Assembly. These were UDPS/Tshisekedi (75), the Vital Kamerhe platforms (33), the Modeste Bahati platforms (30), Dany Banza's AB (26), the Moïse Katumbi platforms (Avançons - MS and Ensemble) (24), Jean-Pierre Bemba's MLC (23), Tony Kanku's AAAP (22), and Jean-Claude Tshilumbayi's 2A/TDC (20).

2.e. Exiting the government: what's happening?

After more than a month on the job, Augustin Kabuya, Secretary General of the ruling Union pour la Démocratie et le Progrès Social (UDPS) party, concluded his mission as informant entrusted by Head of State Félix Tshisekedi on Tuesday 26 March 2024. On his last day, Kabuya received the delegation from the MLC and its allies, led by the Deputy Prime Minister and Minister of National Defence, Jean-Pierre Bemba Gombo, as part of his consultations.

This noble mission as an informer enabled Augustin Kabuya to determine the true parliamentary majority supporting the Head of State for his second and final term, with a view to forming the future government. After consulting various political forces, Kabuya must submit all his conclusions to the Head of State, who will use his discretionary power to choose the Prime Minister to form the new government.

The fact-finding mission entrusted by the President of the Republic to Augustin Kabuya, National MP and Secretary General of the UDPS, officially ended on Wednesday 27 March. However, his mission report is still being finalised. This document details all the discussions with the various parliamentary political forces, determines the parliamentary majority, the size of the next government and the principles for allocating ministries.

With the end of the whistleblower mission, nothing now stands in the way of the Prime Minister's appointment, with the exception of the submission of the mission's report to the Head of State.

3. Reactions to the lifting of the moratorium on the death penalty in the DRC

The Government of the Democratic Republic of Congo has officially lifted the moratorium on the death penalty in a circular signed by the Minister of State for Justice and Keeper of the Seals on 13 March 2024. This decision concerns offences such as treachery within the army, participation in any armed insurrectionary movement, urban banditry (such as the Kuluna in Kinshasa, for example) and complicity with the DRC's aggressor countries. The Congolese government's objective is "to rid our country's army of traitors on the one hand, and to stem the upsurge in acts of terrorism and urban banditry resulting in the death of men on the other".

However, this decision raises questions among some Congolese as to the government's motives in a country where the justice system is still an area in need of improvement and does not inspire complete confidence.

It is important to remember that the lifting of the moratorium on the death penalty means that Congolese death row inmates should now be executed for the criminal offences selected by the Congolese government, including association de malfaiteurs and high treason, to name but a few.

3.a. Internal reactions

Hervé Diakese, a lawyer close to opposition politician Moïse Katumbi, has criticised the decision to lift the moratorium on the death penalty, pointing to a lack of confidence in the judicial system and the risk of abuse. For the Alliance for Change (Ach), the decision comes at an inopportune time, when the government has resigned. Claude Lubaya described it as a return to the "dark years of Mobutism", and Martin Fayulu expressed concern about the risks to political opponents. The Archbishop of Kinshasa, Fridolin Ambongo, also criticised the notion of traitor and warned against settling political scores. For Maurice Kale, the lifting of the moratorium heralds planned political assassinations. Professor Raphaêl Nyabirungu believes that the death penalty should not be applied in a judicial system prone to errors and abuses. Jean-Claude Katende, President of ASADHO, denounces a step backwards for human rights and a violation of the Constitution. Denis Mukwege criticises a dangerous measure in a dysfunctional judicial system and calls for the abolition of the death penalty. Lastly, the citizens' movement Lucha highlights the unconstitutional nature of this decision and the risk of summary executions.

3.b. Les réactions au niveau international

The European Union (EU) is "firmly and unequivocally opposed to the use of the death penalty at any time and in any circumstances". Europe also points out that capital punishment "makes any miscarriage of justice irreversible".

For Amnesty International, the decision by the Congolese authorities is "a serious step backwards and a further sign of the Tshisekedi administration's alarming retreat on human rights". In a statement issued on Saturday, human rights organisation Amnesty International strongly protested against Kinshasa's decision.

Amnesty International reaffirms its firm opposition to the death penalty in all cases, arguing that it constitutes "cruel, inhuman and degrading punishment par excellence". The organisation calls on the DRC government to abandon any plans to resume executions and to introduce an official moratorium on executions with a view to abolishing the death penalty. The NGO says it remains "vigilant and committed" in the fight for fundamental rights and calls for immediate action to prevent the resumption of executions in the DRC.

Tigere Chagutah, Amnesty International's Regional Director for Eastern and Southern Africa, expressed his organisation's "deep concern" at the news, adding: "Whether those sentenced to death are in the army or national police, in armed groups or have been involved in gang violence, everyone has the right to life and the right to protection".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III. Political and economic perspectives

On the political front

« Democracy at half-mast in the DRC hemicycle »

The return of the party-state means that pluralist democracy in the hemicycle is under threat. With a largely under-represented opposition, the diversity of voices is stifled. Fewer than 30 elected members face an overwhelming majority that allows no balance, even for legitimate causes. The manoeuvre orchestrated by the head of the Ceni, Denis Kadima, during the “erase the opposition” operation, is an illustration of this.

Under Kabila, despite the difficulties, the parliamentary opposition managed to make itself heard and to take part in the debates. Today, the Lower House, 95% of which is dominated by the Union sacrée, gives the impression of a country in which a one-track mind reigns. Criticism is mounting of Kadima’s role in ousting the opposition from both Houses of Parliament. Many are denouncing a ten-year regression in democracy.

The Udps, a symbol of the struggle for democracy, should dissociate itself from this act of treachery. Reducing the opposition to its simplest expression would be suicidal, as it could pave the way for a revision of the intangible articles of the Constitution, thereby favouring the forces of evil. The confiscation of a people’s rights by one political camp has always led to unforeseen situations. It is crucial to avoid this scenario at all costs, because no one can resist when the course of history changes. Wait and see... as the English say!

On the economic front

The DRC is facing major economic and political challenges, which makes assessing the economic outlook for early 2024 a complex task. Several hypotheses or scenarios are possible, depending on the evolution of the political situation, economic stability and the reforms implemented. Here is an overview of the different prospects that could shape the Congolese economy in early 2024.

Scenario of greater political and economic stability :

In this scenario, the DRC manages to maintain a degree of political stability, which favours an environment conducive to business and investment. The economic reforms undertaken by the government, supported by international partners such as the International Monetary Fund (IMF), are bearing fruit. This is reflected in controlled inflation, a stable exchange rate and improved public finances. Investment in key sectors, such as natural resources, agriculture and infrastructure, is stimulating economic growth. This scenario is highly implausible.

Scenario of persistent political tensions and economic instability :

If political tensions and tribal conflicts continue to escalate, the economic situation in the DRC could deteriorate further. Persistent insecurity in the east of the country could hamper economic activities, particularly mining and agriculture. This could lead to lower government revenues, higher inflation and continued depreciation of the national currency. Foreign investment could be discouraged, which would have a negative impact on economic growth.

Accelerated economic reform scenario :

Faced with economic challenges, the DRC government could step up its reform efforts. Bold measures could be taken to improve governance, strengthen the rule of law, fight corruption and diversify the economy. These reforms could attract private investment, foster private sector development and stimulate economic growth. Increased cooperation with international partners and international financial institutions could also support these reforms.

Scenario of uncertainty linked to external factors :

The DRC's economic outlook could also be influenced by external factors such as fluctuations in commodity prices, the global economic situation and international trade policies. A fall in commodity prices, particularly copper, the DRC's main export, could have a negative impact on the country's export revenues and balance of trade. Similarly, a deterioration in the global economic situation could reduce demand for Congolese products on international markets.

In conclusion, the economic outlook for the DRC is uncertain. It will depend on a number of factors, including inflation, the exchange rate, commodity prices, the security situation and governance.

It is important to stress that this economic outlook is based on assumptions and possible scenarios, and that it may evolve in line with actual political and economic developments. Achieving sustainable economic growth in the DRC will depend on the implementation of structural reforms, political stability and the effective management of the country's natural resources.

DIFFERENT CONGO CHALLENGE PUBLICATIONS

1. CONGO CHALLENGE JOURNAL (BIANNUAL)

The Semestriel (Revue Congo Challenge) is a completely disinterested scientific periodical, published every six months, with the principal aim of promoting scientific studies designed to contribute to the advancement of knowledge in economic sciences and to offer economic operators and political decision-makers a set of recipes likely to enlighten their decision-making or to justify their decisions on a proven scientific basis.

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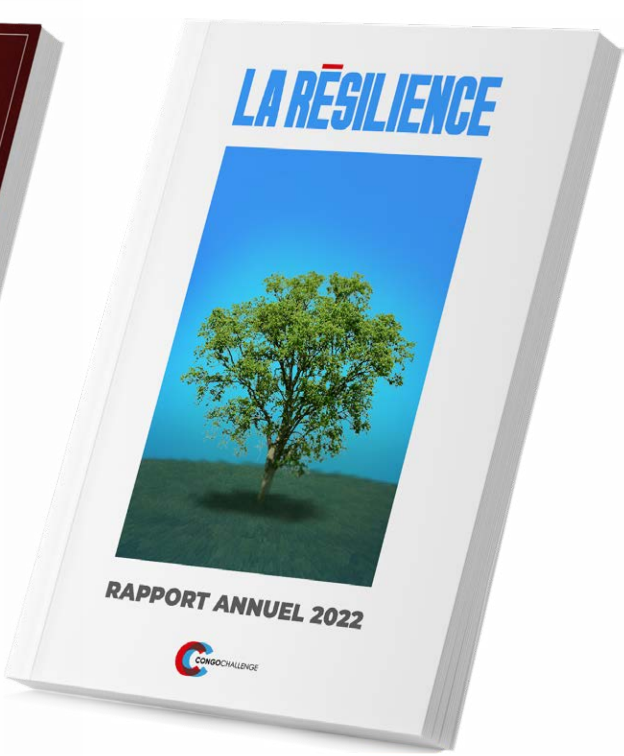
This publication appears every four months and offers a general and precise overview of economic and political developments at national, regional and global level. It enables readers to adjust their forecasts in line with observed developments or to make anticipations taking into account the information package available.

3. THE MONTHLY

Published monthly, this publication provides a factual overview of economic indicators and highlights of the country's monthly political situation.

4. RAPPORTS ANNUELS



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3. Conseil
4. Lobbying
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7. Support for quality management
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Congo Challenge believes in the cardinal values it seeks to convey.

These values are based on :

- Self-sacrifice;
- The sacrifice;
- Hard work.

The Think Tank's ambitions are reflected in three virtues :

- Ethics;
- The moral ;
- Good governance.

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Dixit Machiavel

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ECONOMIC AND POLITICAL DEVELOPMENTS
IN THE DEMOCRATIC REPUBLIC OF CONGO

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