

CONGO CHALLENGE THE MONTHLY BULLETIN



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

Issue 65 | September 2022

Kinshasa, DRC

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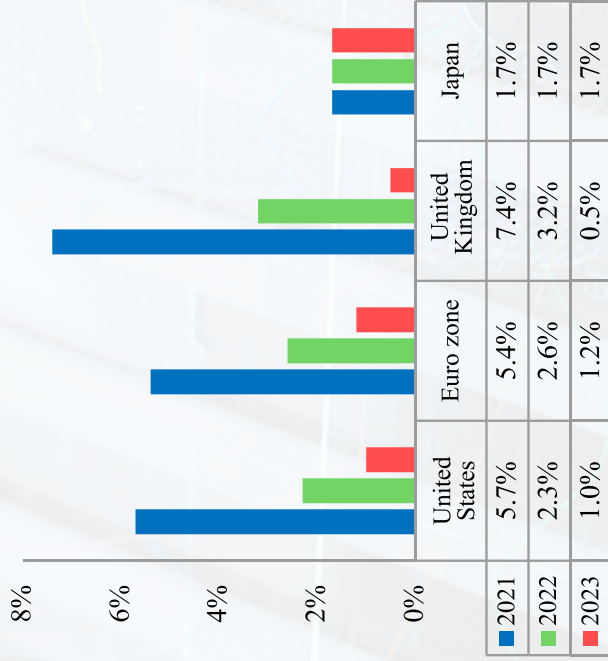
**EVOLUTION OF THE ECONOMIC
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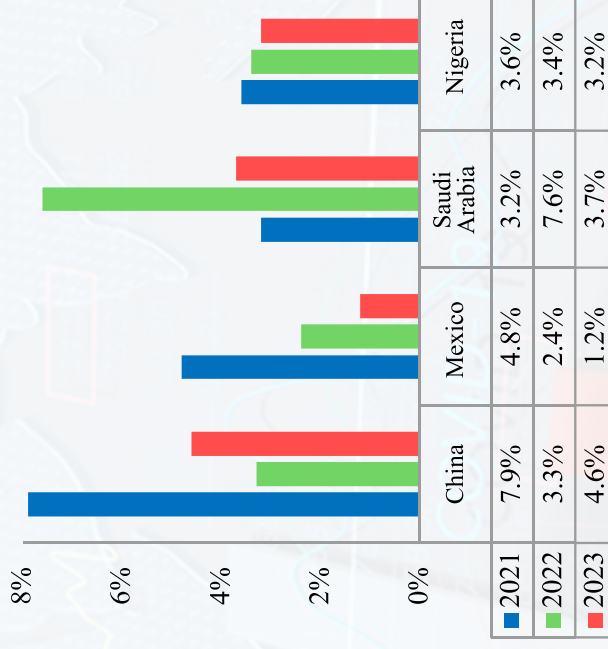
Kinshasa, DRC

Global Economic Growth Projections

Advanced countries



Emerging countries



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Matata Ponyo Mapon

What I think

The world needs a new political order

I think that the current world political order is outdated. It is dominated by the United States and the European Union, which are less even-handed in dealing with the major political issues that pit nations against each other. This is Western unilateralism. Previously, the world political order was based on the balance of power between two political and military blocs: the Eastern bloc and the Western bloc. This was the era of the Cold War. The Eastern bloc was composed of all the countries of the Union of Soviet Socialist Republics, USSR in acronym. Created in December 1922, it was led by Russia, the largest military power in the group. The political and economic ideology was socialism, a doctrine of organization that gives precedence to the general interest over particular interests, by means of a concerted organization. The State or the community constitutes one of the major actors of the market which takes care of the socio-economic balance of the society. Beyond that, there were countries throughout the world that claimed to be close to this bloc, because they had the same political ideology. These were socialist or communist countries. The Western Bloc consisted mainly of the United States and the countries of Western Europe. It was led by the United States, the largest military power in the group. The political-economic ideology was and continues to be capitalism, a system of production whose foundations are enterprise and the freedom of the market. Beyond that, there were other countries in the world that claimed to be part of this bloc, because they were of the same political ideology. They were capitalist countries. Most of the countries in the world belonged to one of these blocs. However, some countries were neither in the East nor in the West. They were called "non-aligned countries". This period of tense balance ended with the collapse of the USSR in 1991.

I think that in the absence of a political counterweight to the Western bloc, the world political order is threatened with collapse. The world is permanently out of balance in favor of the West, which dictates what others should or should not do. This is the "democratic" dictatorship.

Either you are with us, then you are an angel. Or you are not with us, then you are a devil. The Security Council, the United Nations body responsible for maintaining international peace and security, is no longer able to play its role effectively. Created in 1945, in the aftermath of the Second World War, the Security Council is composed of 15 members, five of whom are permanent members, the victors of that war. These are the United States of America, Great Britain and France, which are from the Western bloc, and Russia and China, which are from the Eastern bloc. Each of the permanent members has the right of veto, which allows them to block any resolution or decision, regardless of the majority opinion in the Council. This system worked more or less wonderfully until the collapse of the USSR in 1991. Since then, some permanent members of the West, aware of the absence of a strong political and military counterweight, have sometimes dispensed with the Security Council to settle crucial questions of international peace and security outside the requirements established by the UN Charter. Thus, the fate of a nation and a people can sometimes be decided by the council of ministers or the parliament of another country! The United States of America attacked Iraq on March 20, 2003, despite the hostility of France, China and Russia and without the approval of the Security Council. The reason given was that this country had weapons of mass destruction, which was not true. The Americans presented the Security Council



with false evidence of the existence of these weapons to justify their attack.

Who could have imagined it!

Thus, Iraq was bombed under Operation Iraq Freedom, its president was hanged, and the future of a country and a people was destroyed. Because of this state lie, Iraq has become a non-state today. No one has spoken about the injustice of the state. No one spoke of the international tribunal. France, a permanent member of the Security Council, also initiated a war against Libya, despite the abstention of Russia and China. In the name of the so-called "preservation of peace and democracy in Libya", the attack took place. The country was destroyed, and its president was killed. Today, Libya has become a non-state, and its insecure situation is now destabilizing neighboring countries. The injustice or barbarity has not been underlined in the face of this. Just recently, Syria almost fell victim to this ambivalent "Western justice". Attacked from within by a Western-backed rebellion, the Syrian government survived only thanks to the saving intervention of the Russian army. And yet, the West demanded his departure from power before peace could be restored in Syria. President François Hollande declared it openly in front of the Russian President, Vladimir Putin in Paris. Had it not been for the Russian military counterweight, Syria would perhaps today resemble Iraq or Libya. So, if Russia had intervened to protect Iraq, and later Libya, would these two countries be non-states today? The answer is probably no.

I think that the war in Ukraine demonstrates sufficiently the inability of the current world political order to regulate international peace and security

for the benefit of all UN member countries in an equitable manner. No military power on the Security Council has been able to prevent Russia from invading Ukraine. And yet, the United States and Europe warned the world of this attack with irrefutable evidence. Moreover, they are not able to impose an end to the war in Ukraine. Russia is simply doing what they did in Iraq and Libya respectively. Tomorrow China will do to Taiwan what Russia is doing to Ukraine today. The day after tomorrow, Great Britain will seek a testing ground for its weapons. The five permanent members of the Security Council belong to the closed club of the world's great military powers. This is the real Security Council. They never go to war with each other directly. Wolves, they say, do not eat each other. This is international justice, or rather international injustice. The strongest are always right, the weakest are always wrong. We must therefore reinvent the world political order. It is necessary to re-establish a counterweight to the Western power, described by some as imperialism and by President Vladimir Putin as a unipolar world order. That is why most developing countries, without accepting the apparent injustice in Ukraine, silently support Russia's basic philosophy of recreating a political and military counterweight to the West. Ultimately, the current world political order is unjust and destructive in the long run. It deserves to be thoroughly rethought for the benefit of everyone, including the West. Prevention is better than cure. Otherwise, with the rise of Eastern bloc economies and armies like China and India, alongside a military power like Russia looking for allies, World War III may be inevitable.

Kinshasa, September 17, 2022.

Executive Summary

Economic situation

- **At the international level**, economic growth in advanced countries is expected to slow to 2.5% in 2022 and in emerging countries to 3.6% in the same year, according to IMF economic projections. In the face of this slowdown in global economic activity, targeted fiscal support should help mitigate the impact of this potential recession on the most vulnerable populations.
- According to OECD projections, inflation is expected to be higher than expected during 2022, accelerated by food, energy and transport prices. With these upward pressures on prices, more aggressive monetary tightening policies are becoming inevitable, including a gradual increase in interest rates.
- During the month of September 2022, stock market indexes continued the decline that began at the end of the previous month. These poor stock market performances are dependent on the firm commitment of central banks to maintain tight monetary policies in order to curb the price increases observed in the majority of countries.
- In the international foreign exchange market, the US dollar continued to appreciate sharply against the euro and the British pound during this month of September 2022, mainly due to the Fed's willingness to continue its rate hike policy. On the Asian continent, the Chinese yuan has also declined against the greenback, and this may be exacerbated by the slowing global economy that threatens China's exports.
- In terms of commodities, copper prices trended downward during September 2022, as manufacturing activity in China weakened. Gold prices also weakened as a result of upward pressure on U.S. bond markets. In the crude oil market, prices consolidated their downward trend on negative economic expectations related to the recession.
- International trade growth declined remarkably in the second quarter of 2022, driven by the strong appreciation of the U.S. dollar. According to OECD figures, growth in merchandise exports and imports slowed to 2.2% and 2.5% respectively by the end of August 2022. Therefore, the complete lifting of sanitary restrictions in China should help boost international trade, given the commercial weight of the Chinese economy in global transactions.
- **At the national level**, as in the previous month, the macroeconomic framework remained broadly stable. Indeed, the dynamics of the exchange rate remained broadly stable in September 2022. Compared to its level at the end of August 2022, the exchange rate depreciated slightly by 0.06 percent on the interbank market and appreciated slightly by 0.82 percent on the parallel market. In the goods and services market, the weekly inflation rate was 0.29 percent in the fourth week of September 2022. This resulted in a cumulative inflation rate of 9.35% compared to 7.99% at the close of the previous month. The year-on-year inflation rate stood at 11.43% in the fourth week of September 2022. At this rate, the inflation rate at the end of December 2022 is expected to be 13.02% compared to 12.49% achieved at the end of August 2022. Compared to the situation of the previous year, an acceleration in prices of 146.59% was observed between the end of December 2021 (5.28%) and the expected inflation at the end of December 2022 (13.02%).
- On the public finance side, the Treasury recorded a deficit of 452,314.00 million CDF in the fourth week of September 2022. This deficit is the result of a level of expenditure of 1,414,686 million CDF against revenue of 962,372 million CDF. Salaries accounted for 23.94% of total expenditures, while capital expenditures accounted for only 10.16% of the same total. It should be noted that these data refer to the fourth week of the month and may change at the close of the month, particularly as a result of the continued payment of government employees' salaries.
- Finally, the economic news of September 2022 was marked by several notable events. More explicitly, these events are presented below: (i) the controversy surrounding the shortage of petroleum products (fuel) in Kinshasa; (ii) the tabling of the 2023 budget proposal with the National Assembly; and (iii) the publication of the technical assistance report - the IMF's financial

sector stability review and the increase in the value of the minimum share capital of banks operating in the DRC.

Political situation

The month of September 2022 was particularly marked by the following political events (i) the controversy over the emoluments of national deputies; (ii) the conflict between the Teke and Yaka communities in Mai-Ndombe; (iii) the corruption scandal at the presidency of the republic; (iv) the admission of failure by Monusco on Rwandan aggression; and (v) the reactions after President Félix Tshisekedi's speech at the 77th General Assembly of the United Nations.

Opponent Martin Fayulu has made accusations of widespread corruption to the office of the National Assembly, which he has asked to resign, after he revealed that a national deputy was receiving US\$21,000 in monthly emoluments, a subject that has sparked public debate with various opposing reactions.

While peace is still far from being achieved in the eastern part of the country, which is still plagued by instability due to recurrent conflicts dating back several years, it is now the turn of the western part, and more particularly in Bandundu, where a conflict has been raging between the Teke and the Yaka for several weeks. These two communities are said to be fighting over land and taxes, fighting and killing each other, and causing mass displacement.

In the fight against corruption, the scandal arising from the content of the hidden camera videos on the alleged acts of corruption of Mr. Vidiye Tshimanga, strategic advisor to President Felix Tshisekedi, who promised foreign investors access to the country's mines in exchange for a commission, was the subject of

controversy and moral pressure that led this executive of the Head of State's pre-square to throw in the towel and be the subject of a judicial interpellation.

In addition, in view of the security situation that has remained unchanged in the eastern part of the DRC, particularly in North and South Kivu as well as in Ituri where MONUSCO troops have been deployed for several years, voices are increasingly being raised to criticize the admission of impotence, which has been well recognized by the Secretary General of the United Nations, and the inability of UN troops to ensure the protection of Congolese civilians.

Finally, the speech of the Head of State at the 77th UN General Assembly in New York, dated September 20, 2022, was the subject of a cross-reading in the political class where a good portion applauded the denunciation of the aggression of the DRC by Rwanda under the guise of the rebel movement M23.

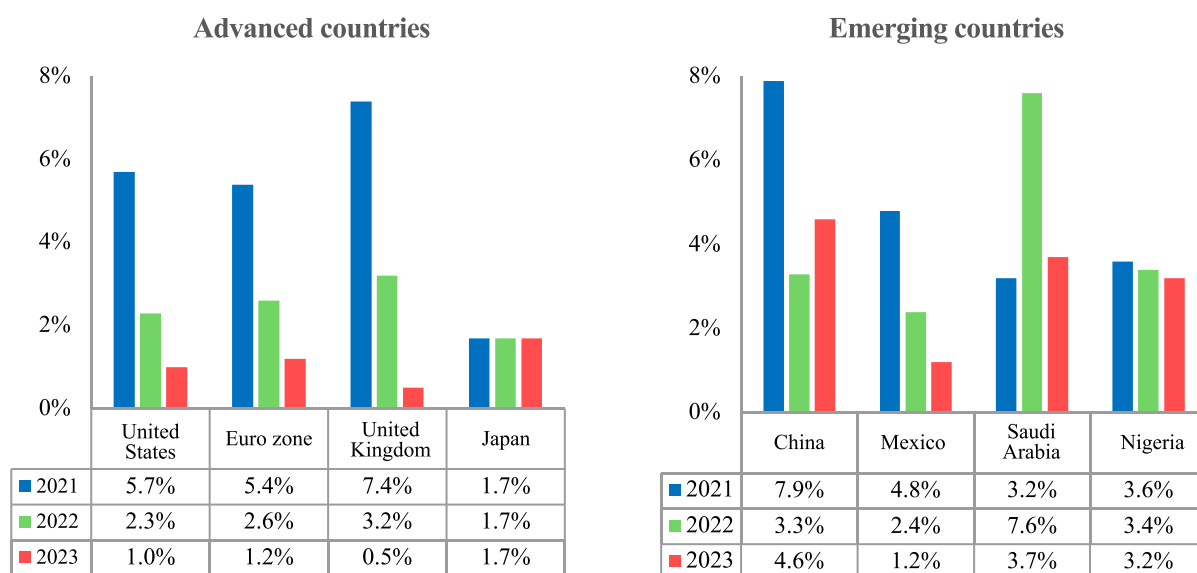
1. International context

I.1. Economic growth

Since the beginning of 2022, the global economy has faced an increasingly bleak and uncertain outlook. After being rocked by the Covid-19 pandemic in 2020, the world is experiencing the heavy negative fallout from Russia's invasion of Ukraine. According to the

economic projections of the International Monetary Fund (IMF), growth in advanced countries is expected to slow from 5.2% in 2021 to 2.5% by the end of 2022, and in emerging countries from 6.8% to 3.6% between the two years.

Figure 1 » GLOBAL ECONOMIC GROWTH PROJECTIONS



Source : IMF.

Figure 1 shows a more severe slowdown in economic growth in the advanced economies than in the emerging economies. This slowdown would be achieved mainly against the backdrop of stalled growth in the US and European economies. In the face of this deceleration in global economic activity, targeted fiscal support should

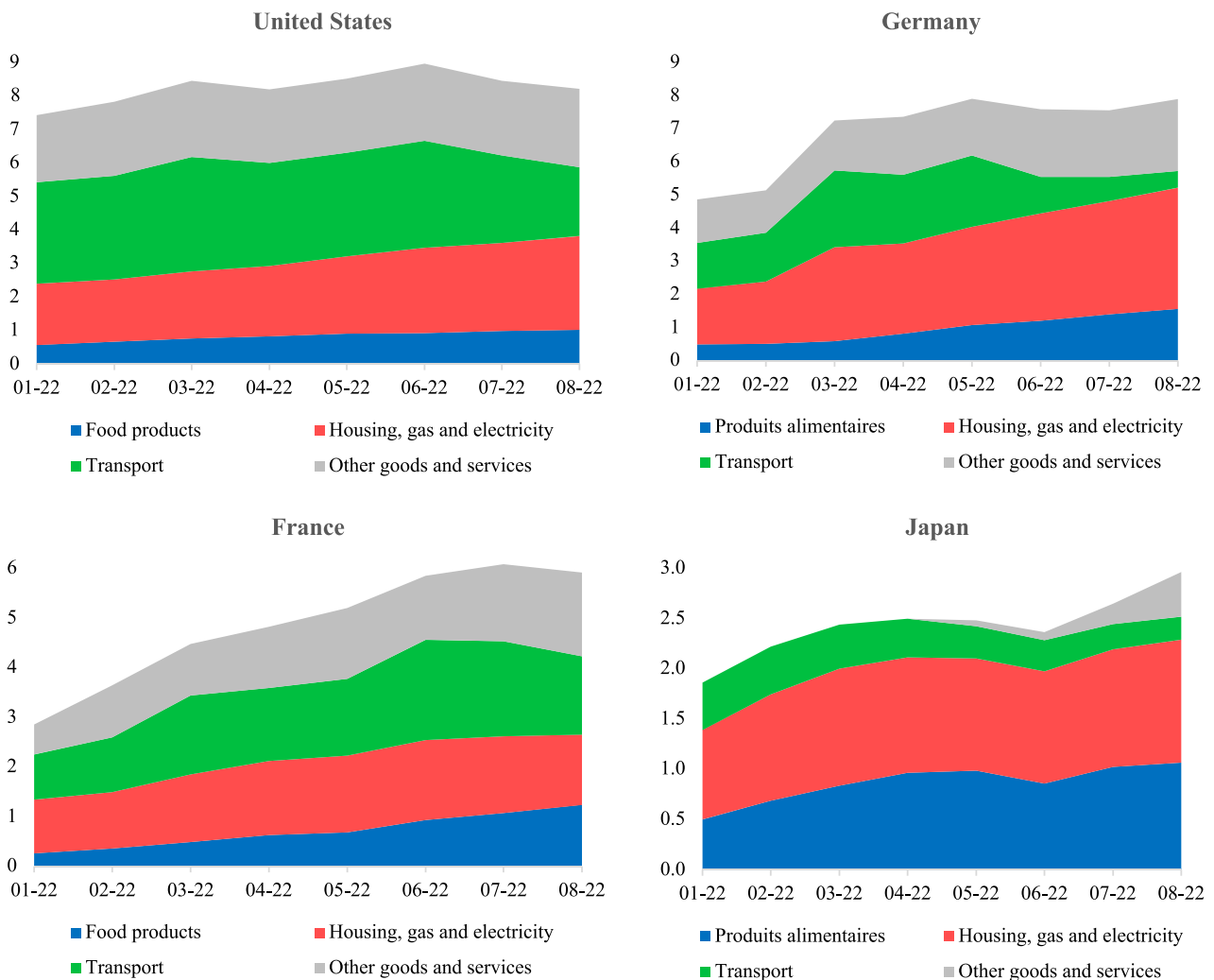
help cushion the effect of this potential recession on the most vulnerable segments of the population, while ensuring that such support does not impede the monetary tightening policies advocated by central banks to counteract the inflationary spiral.

I.2. Inflation

According to OECD projections, inflation will be higher than expected during 2022. These upward pressures on prices have been fueled by a supply shock associated with the Russian-Ukrainian war. With these risks to the inflation outlook, more aggressive monetary tightening is becoming inevitable. The

most notable increases have been in the United States and European countries, leading to a tightening of financial conditions in these economies. As Figure 2 shows, the main drivers of accelerating inflation are (i) food prices, (ii) energy prices, and (iii) service costs in the transportation sector.

Figure 2 » PRÉVISIONS DU TAUX D'INFLATION DANS LE MONDE



Source: OECD.

At its current level, inflation undeniably poses a risk to future macroeconomic stability. Bringing it back to the targets set by central banks should be the top priority of policymakers. To achieve this, central banks need to implement policies that gradually raise interest rate levels. This monetary

tightening should be sufficient to steer the path of inflation rates to pre-pandemic levels within two years. However, this tight policy will have real economic costs, including raising the specter of a global recession in 2023 and increasing the level of unemployment.

Box 1. High inflation and slowing growth: Is the world heading for a new stagflation ?

0. Introduction

Global economic growth is slowing after last year's extraordinarily strong rebound. This slowdown coincides with a sharp rise in global inflation to record highs. Growth over the next decade is expected to be considerably weaker than in the past two decades. Although global inflation is expected to return close to its 2019 average by 2024, there is a growing risk that it will remain elevated as distortions in the aggregate supply of goods and services persist and some of the structural factors that have dampened inflation over the past three decades dissipate. These developments raise the prospect of a period of stagflation, that is, a period of low growth and high inflation, similar to what happened in the 1970s.

The experience of the 1970s is a reminder of the damage this could do to the global economy and, in particular, to the economies of emerging and developing countries (EDCs). Indeed, the stagflation of the 1970s resulted in a global recession and a series of financial crises in the economies of emerging and developing countries. The current risks of stagflation are the subject of much debate. Some researchers warn that the recent surge in inflation around the world could mark a permanent increase in price pressures after two decades of low and stable inflation. Some also note parallels between the current episode and the stagflation of the 1970s, including similar negative real interest rates in both episodes. However, others have pointed to differences with the 1970s, particularly in the conduct of monetary policy. These differences could help prevent another episode of stagflation. These include the anti-inflation expertise accumulated since the 1980s as well as recent evidence of broad stability in long-term inflation expectations.

While markets now expect inflation to decline in the near future, while remaining elevated, particularly as global growth cools, monetary policy tightens, fiscal support withdraws, energy and food prices stabilize, and supply bottlenecks ease; the real risk of a deterioration in inflation expectations, as was the case in the 1970s, raises the specter of a global economic downturn. The real risk of a deterioration in inflation expectations, as was the case in the 1970s, raises the specter of a global economic downturn. The interest rate increases needed to bring inflation back to target will be greater than those currently anticipated by financial markets, which could trigger a global recession as was the case in 1982, which coincided with a series of financial crises and marked the beginning of a prolonged period of weak growth in many emerging countries.

In this context of a very uncertain global economic outlook, it is therefore important to analyze the following three questions :

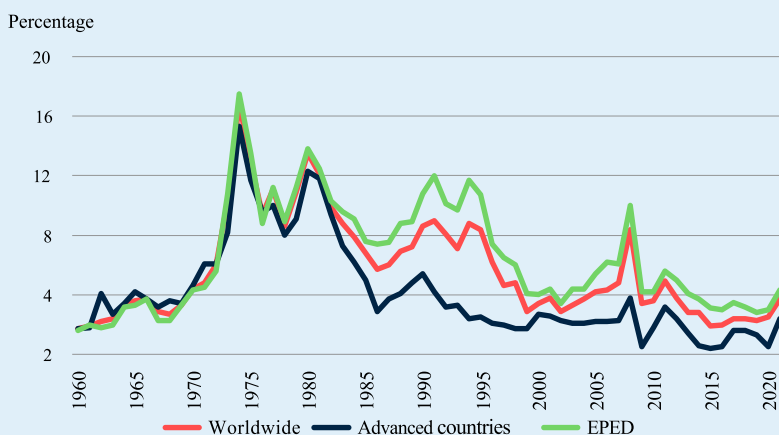
- How have inflation and growth changed over time ?
- How does the current period compare to the stagflation of the 1970s ?
- What are the challenges that stagflation risks pose today for emerging and developing countries ?



1. Evolution of inflation

The evolution of global inflation is reflected in three main trends. First, there was a rapid rise in inflation in the 1960s and 1970s, followed by a trend of stable and low inflation from the 1980s onwards. Inflationary surges resumed with the Covid-19 pandemic, which had enormous adverse effects on the global economy.

Figure 3 » INFLATION OVER TIME (1960 - 2020)



Source : World Bank (September 2022).

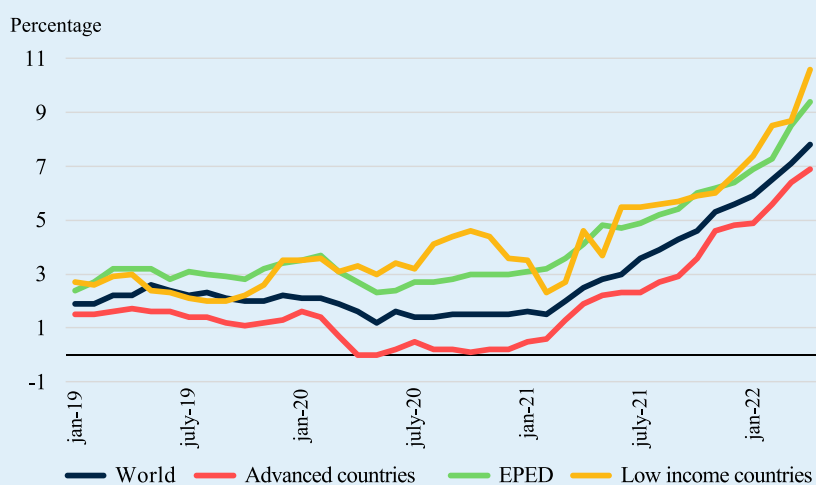
Inflation in the 1960s and 1970s rose steadily from 1.7 percent to 4.4 percent in a decade. In 1973, with the first oil shock, inflation soared to 10.3 percent. Inflation then rose sharply through the rest of the 1970s and remained high until the global recession of 1982, with inflation averaging 11.3 percent per year over the period, more than three times the 3.6 percent average for the previous decade.

Over the following decades, many studies have noted the remarkable decline in global inflation from a peak of 16.9% in 1974 to 2.3% in 2019. This trend decline has been widespread, covering both advanced economies and EPEDs. Between 1974 and 2019, inflation in advanced economies fell from 15.3% to 1.3%, while in DCs it rose from 17.5% to 2.6%. There are two main explanations for these low inflation levels. First, there is the mandate of the monetary authorities, which assigns price stability as the primary objective of monetary policy. Second, there have been the virtuous effects of rapid globalization and liberalization of product, labor and financial markets. Until 2019, before the Covid-19 pandemic emerged, inflation was below target ranges in almost all advanced economies and in about half of the emerging economies.

However, since the beginning of the pandemic, global inflation has been very volatile (see Figure 4). In the early stages of the pandemic, between January and April 2020, global inflation fell by about 1 percentage point amid a collapse in demand and falling oil prices. In May 2020, however, global inflation began to recover as activity picked up following the easing of containment measures that had been enacted during the first wave of the pandemic. On the other hand, the Russian-Ukrainian conflict, resulting in soaring commodity prices, as well as supply disruptions due to new waves of the pandemic and movement restrictions in China, have fueled inflation to levels not seen in several years.



Figure 4 » INFLATION OVER TIME (2019 - 2022)



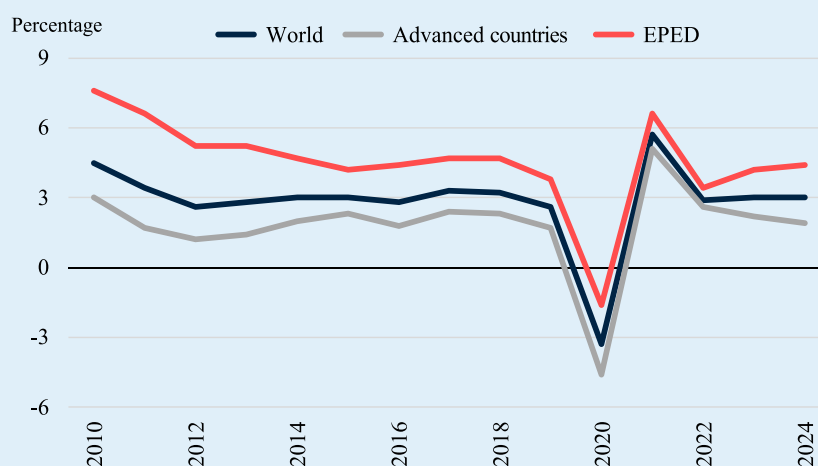
Source : World Bank (September 2022).

The drivers of recent inflation developments have not been the same since January 2020. While demand shocks were the main driver of inflation in the first half of 2020, oil and supply shocks have become more influential in pushing inflation higher since early 2021, particularly in advanced economies.

2. Evolution of growth

After two decades of robust global growth in the 1950s and 1960s, the 1970s saw a sharp slowdown in global growth. Overall, global growth in the 1970s averaged 4.1 percent per year, well below the rates of 5.5 percent and 5.1 percent, respectively, recorded in the 1960s and 1950s. Global supply shocks that pushed up inflation, such as the two oil shocks of the 1970s, also depressed growth, which remained at relatively low levels before rebounding from the financial crisis. This rebound from the global financial crisis of 2007-09 was followed by the eurozone crisis in 2010-12. With the arrival of the pandemic in 2020, global growth collapsed. It then rebounded to 5.7% in 2021, supported by unprecedented fiscal and monetary policies, although a slowdown is expected. In 2022, growth is expected to be 2.9% and 3% in 2023, mainly due to the war in Ukraine and the withdrawal of support measures in a context of high inflation. Global growth is expected to remain at 3% in 2024, with output in advanced economies returning to its pre-pandemic trend. Recovery will be slower in the EPEDs, however, where output will remain about 5% below pre-pandemic trends even in 2024.

Figure 5 » GROWTH OVER TIME



3. Back to a stagflation episode ?

The rapid emergence of above-target inflation around the world raises concerns about the end of an era of low inflation. The forces supporting global output expansion in recent decades—including technological advances, the shift of labor out of agriculture in many emerging and developing countries, globalization, and rapid population growth—have been strongly disinflationary. When these factors fade, along with recent supply shocks, inflationary pressures could intensify, echoing the experience of the 1970s, when large supply shocks were experienced. A key difference that mitigates the risk of such a situation recurring is that improved monetary policy frameworks in advanced economies and many emerging markets have enhanced the credibility of central banks and helped anchor long-term inflation expectations.

The current environment resembles that of the early 1970s in three key respects: (i) short-term supply shocks and high global inflation, preceded by a prolonged period of very accommodative monetary policy in the major economies, as well as a recent sharp fiscal expansion; (ii) prospects for weaker growth over the longer term, echoing the unanticipated slowdown in potential growth in the 1970s; and (iii) the vulnerabilities of emerging and developing countries to the tightening of monetary policy in advanced countries that will be necessary to control inflation. The supply disruptions caused by the pandemic and the recent shock to world energy and food prices resemble the oil shocks of 1973 and 1979-80. Then and now, monetary policy was generally very accommodative in the run-up to these shocks, with negative interest rates in real (inflation-adjusted) terms for several years. Moreover, the global economy is recovering from the global recession associated with the 2020 pandemic, just as it did during the stagflationary period that followed the 1975 global recession. Finally, the vulnerabilities of EPEDs are significant: these countries face today, as they did in the early 1980s, high debt and inflation and weak fiscal positions, making them vulnerable to tighter financial conditions.

There are, however, important cyclical and structural differences between the 1970s and the current situation. The magnitude of commodity price shocks now has been smaller than in the 1970s. For now, global inflation in 2022 is even less widespread than it was in the 1970s, and core inflation has remained relatively low in most countries, although it has recently increased. This contrasts with the situation in 1979-80, when a sharp acceleration in global inflation was widespread in virtually all sectors. Moreover, monetary policy frameworks have become increasingly focused on price stability over time. In the 1970s, central banks were often faced with conflicting objectives of high output and price stability. Today, central banks in advanced economies and many emerging markets now have clear mandates for price stability, usually expressed as an explicit inflation target.



4. Conclusion

The tightening of policies in the late 1970s and early 1980s to contain high inflation played a major role in triggering a global recession in 1982 and financial crises in emerging markets. This experience illustrates the risk of inflation remaining high in a low-growth environment, forcing a strong monetary policy response, and triggering a global recession and financial crises in emerging countries. One of the main lessons of 1970 is that central banks must act preventively to avoid a loss of confidence in their commitment to maintain low inflation - now specified in their inflation targets. Fiscal policy must also play its part, as monetary policy will have difficulty being credible if fiscal positions are not sustainable.





I.3. Financial market

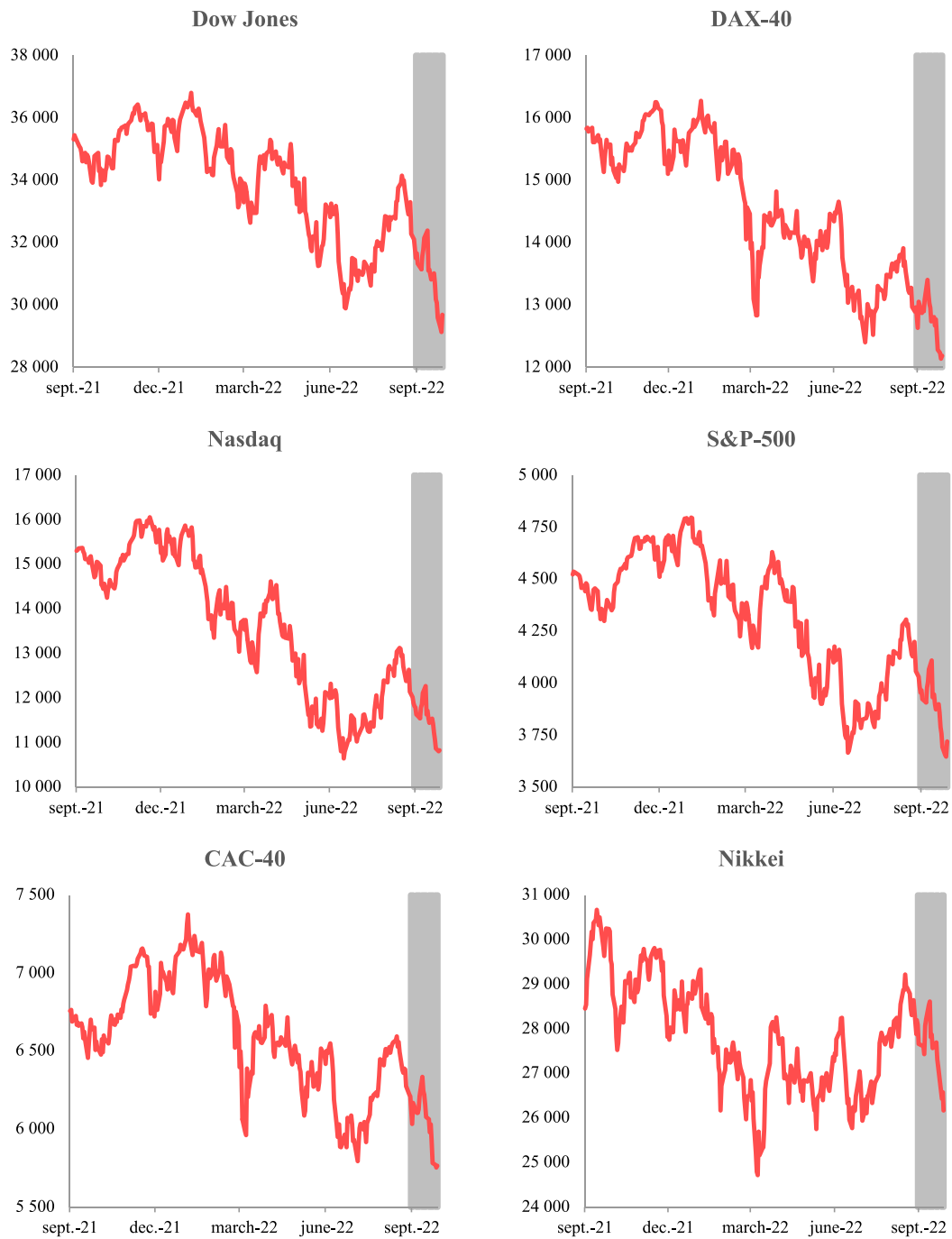
During the month of September 2022, the stock market indices continued their decline that began in the last half of the previous month. On Wall Street, the Dow Jones, the S&P-500 and the Nasdaq reached lows of 29,135 points, 3,650 points and 10,830 points respectively. The same is true on the European continent. On the Paris stock exchange, the CAC-40 was close to a low of almost 5,765 points; and on the Frankfurt stock exchange, the low was around 12,140 points for the DAX-40 index. The Tokyo Stock Exchange was also characterized by this same bearish dynamic, with the Japanese Nikkei index posting a low of nearly 26,170 points at the end of September 2022.

The reason for the poor performance of equity markets is the strong commitment of central banks to continue with tightening monetary policies to curb the price increases observed around the world. This has slowed the demand for equity assets and in turn has led to a decline in their prices. Thus, the prerequisite for improving the level of financial confidence remains the establishment of post-war economic conditions conducive to growth, which will have to be able to dissuade the quantitative tightening plans advocated by central banks to fight inflation.





Figure 6 » DAILY TRENDS IN THE MAIN STOCK MARKET INDICES



Source : Macrotrends.



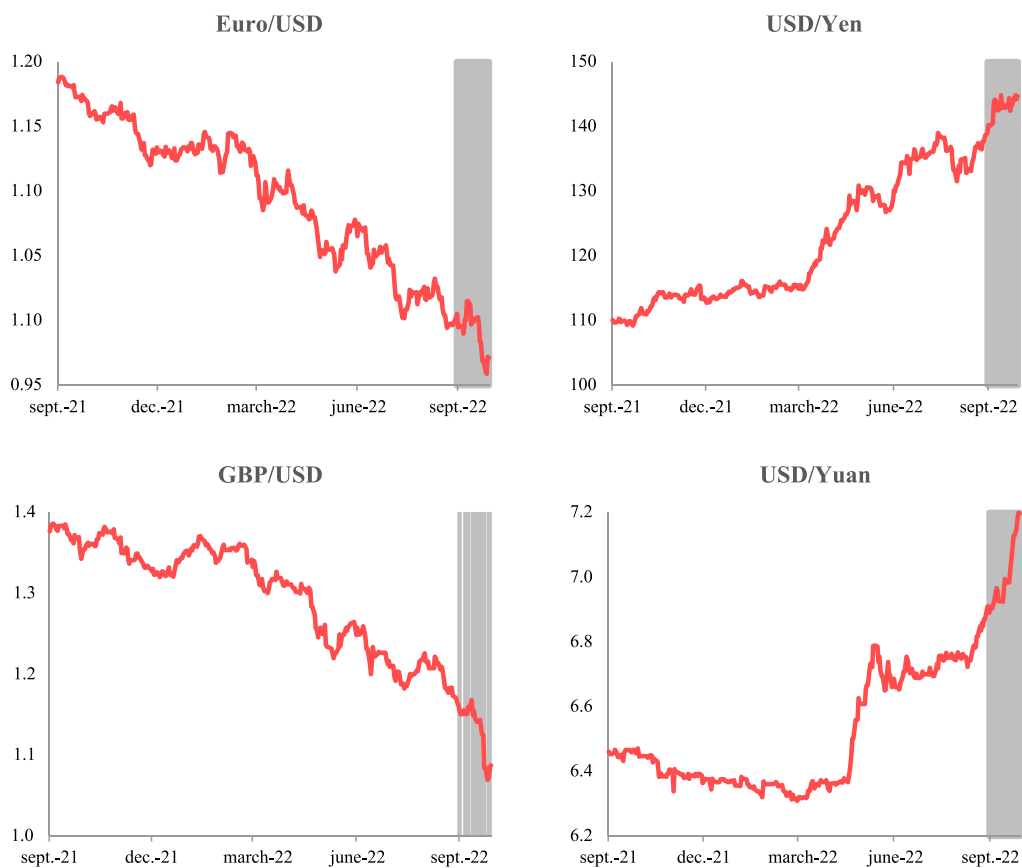
I.4. Foreign exchange market

Following the collapse of gains in equity assets, given the Fed's willingness to continue its restrictive monetary policy, demand for the safe haven U.S. dollar has been boosted. At the same time, inflation in the Eurozone reached new highs in the month of September 2022 and is expected to continue to rise in the coming months. As a result, the U.S. currency has appreciated significantly against both the Euro and the British Pound during the current month.

On the Asian continent, the Japanese Yen curve has been rising throughout the current month, reflecting the depreciation of the Japanese currency against the greenback, due in particular to the rise in US bond rates. In Beijing, the Chinese currency also suffered from the greenback's offensive. This decline in the Chinese Yuan is expected to be exacerbated by the slowdown in the global economy, which poses a threat to Chinese exports as it is likely to contract manufacturing activity in China.



Figure 7 » DAILY EVOLUTION OF THE MAIN EXCHANGE RATES



Source : Macrotrends.

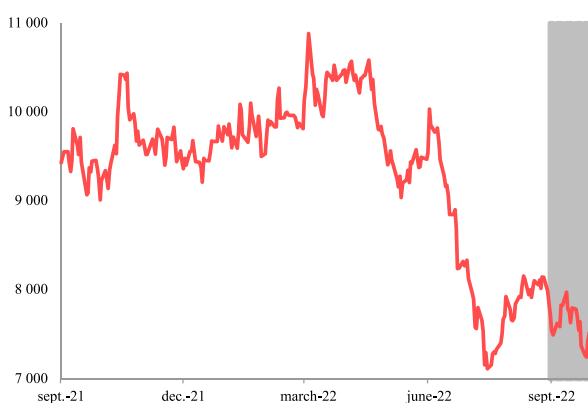


1.5. Market for strategic products

- Copper

After having temporarily increased the previous month due to technical purchases related to the need for cleaner energy, copper prices confirmed their overall downward trend during this month of September 2022. Indeed, in the last week of the current month, prices for the red metal posted a low of USD 7,250 per metric ton. This is likely to be attributed to weakening manufacturing activity in China, given concerns about the global economic recession.

Figure 8 » DAILY EVOLUTION OF COPPER PRICES (IN USD PER TON)



Source : Macrotrends.

- Gold

During the month of September 2022, gold prices consolidated the decline that began in the latter half of the previous August. At the close of the current month, gold was valued at nearly USD 1,630 per ounce. Upside pressure in the U.S. bond markets is said to have dampened the appeal of the yellow metal. Indeed, the appreciation of the greenback has led to a low attractiveness of gold as a store of value, given the negative correlation between the US currency and the yellow metal. This situation is likely to persist as

long as the Fed remains determined to fight inflation caused by rising energy, food and transportation prices (see subsection 2).

Figure 9 » DAILY EVOLUTION OF GOLD PRICES (IN USD PER OUNCE)



Source : Macrotrends.

- Oil

Since June 2022, crude oil prices have moved in a sawtooth pattern, but with a general downward trend. The same observation was made during the month of September 2022, with lows of USD 83 per barrel and USD 77 per barrel respectively on the European (Brent) and US (WTI) markets. This fall in prices is the result of negative economic expectations and geopolitical risks, in particular after Russia's announcements regarding the annexation of Eastern Ukraine. Indeed, the combination of these two factors - the slowdown in global economic activity and the energy crisis intimately linked to Russian supply - would be sufficient to keep black gold prices on a downward trajectory. In order to reverse the trend, it will be essential for OPEC+ countries to rely on a gradual production reduction scheme in order to alleviate these downward pressures accentuated by the Iranian nuclear compromise. This austerity policy should therefore support a relative stability of crude oil prices.



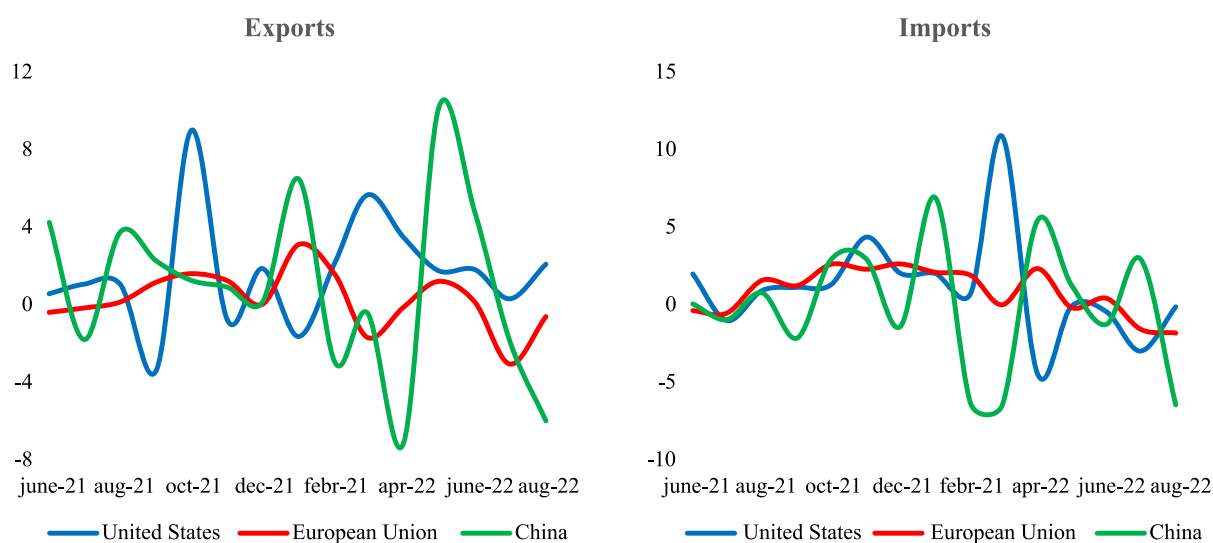
Figure 10 » DAILY EVOLUTION OF OIL PRICES (IN USD PER BARREL)



I.6. International trade

As a result of the strong appreciation of the U.S. currency, growth in international trade declined significantly in the second quarter of 2022. OECD data show that export and import growth slowed to 2.2% and 2.5% respectively, compared with increases of 4.6% and 6.1% respectively in the previous quarter. While

high commodity prices, exacerbated by the Ukraine-Russia war, continued to fuel nominal merchandise trade growth, the slowdown in value growth reflects in part the strong position of the U.S. dollar relative to other major currencies, such as the euro or yuan.

Figure 11 » GROWTH OF MERCHANDISE TRADE

Source : OCDE.

After being boosted in the first quarter of 2022 by higher energy prices, U.S. export growth has declined significantly to the point of 2.1% in August 2022. In the European Union, merchandise exports also declined slightly from the first quarter of 2022, showing a negative change of -0.6% in August 2022, while imports have declined more rapidly since early 2022. After peaking at over 10% in May 2022, merchandise

exports declined in East Asia between June and August 2022. Containment measures in China appear to have continued to disrupt economic activity in the region and inflationary pressures have remarkably weighed on foreign demand for goods. The full lifting of sanitary restrictions in China would have to wait for a revival in international trade, given the commercial weight of the Chinese economy in global transactions.

Box 2. Ukraine War: What about the effectiveness of Western sanctions against Russia ?

1. Context of the conflict

Ukraine was once part of the Union of Soviet Socialist Republics (USSR). Following the fall of the Berlin Wall in 1989, the beginnings of an independent state emerged in Ukraine. On August 24, 1991, the political sovereignty of Ukraine was proclaimed, thus preceding the breakup of the USSR.

A few years after its independence, Ukraine was led by a pro-Russian President, Victor Yanukovich. He refused to sign an association agreement with the European Union in favor of an agreement with Russia in 2013. This decision led to further protests in the country, given the previous memories of Soviet rule. This protest movement led to the flight of the pro-Russian President in February 2014.



Faced with this lost battle, Russia came to support Crimea to help it gain independence from Ukraine. In 2014, Crimea was attached to Russia. In the shadow of these tensions lies the revealed will of the West to proceed with the accession of Ukraine to the North Atlantic Treaty Organization (NATO). This state of affairs is at the origin of the invasion of Ukraine by Russia since February 2022.

2. Economic consequences of Western sanctions

After President Vladimir Putin signed treaties to annex some regions of eastern Ukraine, the United States introduced new sanctions against the Russian economy. The purpose of these sanctions is to deter Russia from continuing its bloody armed struggles. European Union (EU) countries are also considering new sanctions, with the aim of limiting Russia's ability to finance the war.

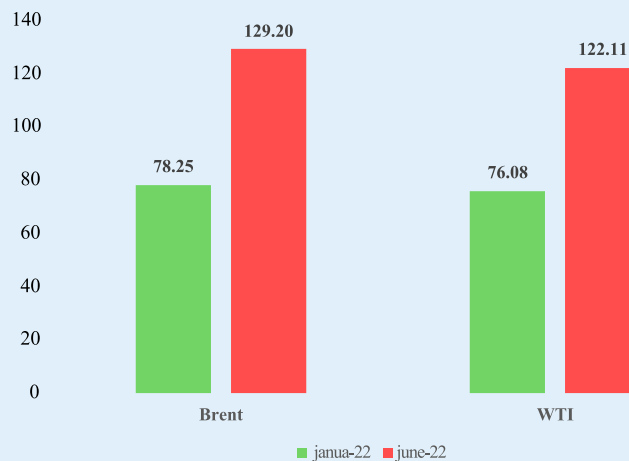
In terms of U.S. measures, sanctions have been imposed on 278 members of the Russian parliament for authorizing the referendums that led to the annexation of four Ukrainian regions (Donetsk, Lugansk, Kherson and Zaporizhia). Other organizations outside of Russia providing direct support to the Russian army are also targeted. In terms of European measures, a new set of sanctions drafted by the European Commission again proposes a ban on imports of steel, iron, wood and cement from Russia into the EU, as well as the export of high-tech products to Russia.

Table 1 » INVENTORY OF NEW SANCTIONS IMPOSED ON RUSSIA

	United States	European Union
Financial measures	<ul style="list-style-type: none"> Prohibition on making debt payments using foreign currency held in U.S. banks ; Withdrawal of the main Russian banks from the international financial messaging system SWIFT. 	<ul style="list-style-type: none"> Exclusion of major Russian banks from the European financial system ; Ban on Russian companies borrowing from European banks ; Limitation of deposits that Russian individuals can make in European banks.
Oil and Gas	<ul style="list-style-type: none"> Ban on all imports of Russian oil and gas. 	<ul style="list-style-type: none"> Ban on Russian oil imports by sea ; Ban on all imports of refined petroleum products from Russia ; Ban on the import of Russian coal.
Goods and Services sector	<ul style="list-style-type: none"> Ban on export of luxury goods to Russia ; Ban on all Russian flights from American space. 	<ul style="list-style-type: none"> Ban on export of luxury goods to Russia ; Ban on all Russian flights from European space.

Source : Congo Challenge.

This conflict between Ukraine and Russia has led to a rise in energy costs, given the importance of the Russian economy for the energy supply of Western Europe. In the space of six months, crude oil prices have risen by more than 50% (see Figure 12), passing the symbolic mark of USD 120 per barrel by mid-2022. It is this significant price increase that has increased Russia's ability to finance the war, as sales of energy products account for nearly half of total Russian exports. As a result, these oil and gas revenues are expected to ensure Russia's strong financial self-sufficiency, despite the Western sanctions imposed on its economy.

Figure 12 >> CHANGE IN CRUDE OIL PRICES

Source : Macrotrends.

Moreover, the introduction of sanctions against Russia weakens the country, particularly by blocking its access to the high-tech components that its military sector needs. Also, in the aviation sector, these sanctions have hindered Russia's access to some parts essential for the maintenance and repair of its aircraft, which would slow down the development of activities in the Russian aviation industry. However, it should be noted that these restrictive measures are not aimed at the Russian company, but rather at its managers. That is why sectors such as food, agriculture, health and pharmaceuticals are excluded from the restrictive measures that have been imposed.

In response to Western sanctions, Russia has banned exports to the West of more than 200 products, including vehicles, agricultural and electrical equipment, and telecommunications services. Also, interest payments to foreign holders of government bonds are blocked, preventing foreign investors with Russian equity holdings from securitizing them. Clearly, the Russian economy appears more resilient in the face of economic sanctions imposed by the Western alliance.

In view of the above-mentioned facts, it is not unreasonable to conjecture the limited effectiveness of the measures taken by the Western alliance in order to suffocate the Russian economy. In addition, it should be noted that the EU has not imposed sanctions on Russian gas, as it depends on it for about 40% of its energy consumption needs. In its current state, the world does not seem to be able to do without Russia's services. Are we on the verge of a new world order ?

3. Conclusion

The Ukraine dispute is reminiscent of the East-West confrontation during the Cold War. On the one hand, President Putin is strictly against Ukraine's membership in NATO and is multiplying his efforts to keep the former USSR countries under his influence. On the other hand, fueled by a deep racial antipathy, the United States and Europe are determined to weaken this disturbing Russian threat as much as possible.

In order to put an end to this impending war, the diplomatic route remains a highly feasible option. But this cooperation is only possible at the price of enormous sacrifices on both sides in terms of transparency. Cooperation could consist of the establishment of a modus vivendi between the world's great powers in order to preserve a climate of peace in the world, thanks in particular to arms control, the limitation of missiles and especially the non-use of nuclear weapons.



2. National context

II.1. Evolution of the national economy

The economic news of September 2022 was marked by several notable events. More explicitly, these events are presented below: (i) the controversy surrounding the shortage of petroleum products (fuel) in Kinshasa; (ii) the tabling of the 2023 budget proposal with the National Assembly; and (iii) the publication of the technical assistance report - a review of the stability of the financial sector carried out by the IMF and an increase in the value of the minimum share capital of banks operating in the DRC.

1. Controversy over the shortage of petroleum products (fuel) in Kinshasa

In early September 2022, the city of Kinshasa experienced major disruptions in the supply of petroleum products, particularly gasoline. This situation has resulted in an increase in queues at various service stations, rationing of the supply of these products, pushing some service providers (mainly in the transport sector) to resort to individual sellers who charge exorbitant prices (up to three times the official prices), with the result that the price of transport (bus, cab, motorcycle) has increased.

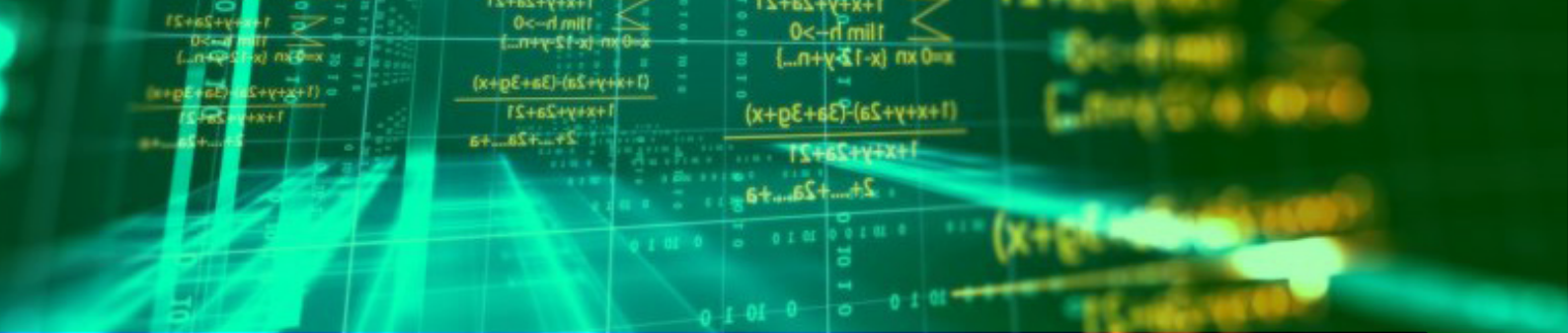
Faced with this situation, the Ministry of Hydrocarbons had, in a statement issued on September 6, 2022, indicated that this situation is due to supply difficulties faced by oil companies, resulting in a significant decline in gasoline stocks. In the said communiqué, it was specified that the city of Kinshasa consumes nearly 1,100 m³ per day and that following this decline, a quota plan will have to be applied to ensure the city in gasoline essentially and avoid the total rupture of stock. It is in this context that the government had consulted with oil companies to implement a quota plan to reduce the daily supply of gasoline from 1,100 m³ to 660 m³. In addition, the Ministry of Hydrocarbons reported that this quota plan provides for a limitation of the volume in liter per vehicle (30 liters of gasoline for jeeps and

transport buses and 20 liters for cars) in order to allow a transitional management of the period of low gasoline stocks pending the expected supply.

However, the Ministry of Hydrocarbons also said that a shipment of gasoline should be received from September 14 to strengthen the stock of oil companies and regulate the situation of supply shortage in the face of a constantly changing demand.

Even though the government claims to have already paid, in August 2022, a total of 121 billion CFA francs equivalent to more than US\$60 million in subsidies for petroleum products at the pump to oil companies (bringing the total economic subsidy paid to oil and logistics companies since the beginning of 2022 to US\$336 million out of a total of US\$400 million), the oil companies believe that this shortage is linked to the supply difficulties they are facing, in particular because of delays in payment of their shortfall by the government. For them, this shortage of supply is causing long queues of vehicles in the capital's petrol stations and the aviation sector is not spared and many planes are grounded with the result that flights are cancelled due to the lack of kerosene.

Thus, they believe that the government should accelerate the payment of their debts by the state to restock. According to them: "it is enough for the Government to reimburse the loss of income due to the subsidy system estimated at 400 million dollars, to abolish this system and to fix the real price, for the problem to be solved in an effective and sustainable manner". They believe that in a liberal economy such as the DRC's, true prices must be applied. To this end, things must sometimes cost what they really cost according to the law of supply and demand. According to them, this policy of subsidies, although built on two important pillars, namely ethics and social, has shown its limits and it is time to change the paradigm.



On the government side, the Minister of Communication and Media, Patrick Muyaya, explained that the amounts of subsidy of the liter at the pump are important resources to be credited to the Government as social expenditure under direct interventions to preserve the purchasing power of households. He said that for reasons of transparency and orthodox management of public resources, a certain period of time is necessary for the government to proceed with the evaluation and certification of the losses incurred by the oil companies, before considering the disbursement of the subsidy.

However, as of September 16, 2022, the Ministry of National Economy had issued an official communiqué to inform the public of the new order signed by the Minister of National Economy in connection with the setting of prices of land and aviation fuels in all supply areas of the country. Moreover, the Ministry of Economy indicates that this price readjustment takes into account the recent evolution of the parameters of the price structure and also aims at maintaining the balance of the country's supply system in petroleum products. According to the said order, the new price structure is as follows :

- **For land-based fuels :**

Zones	Gasoline	Diesel	Oi
West	2 695 CDF/liter	2 685 CDF/liter	2 300 CDF/liter
North	3 400 CDF/liter	3 350 CDF/liter	2 750 CDF/liter
East	3 400 CDF/liter	3 350 CDF/liter	2 750 CDF/liter
South	3 345 CDF/liter	3 335 CDF/liter	2 850 CDF/liter

- **For aircraft fuel (Jet A1) :**

Zones	Domestic flights	Foreign flights
West	2 075.43 CDF/liter	2 822.28 CDF/liter
East	3 016.10 CDF/liter	3 218.41 CDF/liter
South	2 877.18 CDF/liter	2 964.25 CDF/liter

As indicated in the government communiqué of September 6, 2022, petroleum products intended to supply the city of Kinshasa were received at the port of Banana. However, in their explanatory note addressed to the Director General of the Office Congolais de Contrôle (OCC) in Kinshasa, the services of the provincial agency of the OCC based in Moanda, stated that the fuel that arrived in Moanda was not of good quality and could not be marketed. The provincial agency of the OCC in Moanda mentioned the non-conformity of the cargo of 24,572,374 TMV of Mogas (motor gasoline) coming from Antwerp in Belgium via Lomé in Togo, on board M/T STI PONT IAC on behalf

of PETROCAM and anchored at buoy 16 in Banana/Muanda/DRC since Monday, September 12, 2022.

Indeed, according to the conclusions of the results of analysis, included in the test report No. PP/0822/0522/02/2022 of September 13, 2022, and drawn from the comparison of the latter to the specifications of MOGAS, inform that the MOGAS under analysis is not in compliance with the difference in temperature between 10 and 20% of the evaporated volumes of the distillate which is out of specification. It emerges from the examination of the results of the test report of the country of origin of the product in



question, that the content of total sulphur informed is 430ppm mass, that is to say 0,04% mass, which moreover, is higher than 0,03% mass retained as requirement for the total sulphur in the MOGAS, in accordance with the specification in force in DRC. According to the OCC/Muanda, this cargo should be subjected to the procedure of refolement, unless a possibility of reconditioning or correction of the product at the level of the terminal (SOCIR) within 48 hours.

Faced with this situation, the Minister of Hydrocarbons refuted claims that the cargo of 27,000 metric tons on board the tanker M/T STI Pontiac was of poor quality. In the presence of the Director General of the OCC, the head of SEP Congo and SOCIR, all of whom agreed with this denial, the Minister of Hydrocarbons said he was surprised by the fact that Congo Airways and CAA say they continue to have problems with the supply of kerosene, which forces them to cancel their local flights. He believes that the real purpose of all these controversies is purely political and aimed at government disapproval. He said, however, that the petroleum products received should be regenerated by SOCIR to comply with standards before being marketed. This was clarified by SOCIR and OCC officials respectively, who said that, as usual, fuel found to be non-compliant in the first analysis is easily regenerated by repackaging, with the addition of new products. This will be done, according to the request of all the actors concerned, at the end of a technical meeting.

All of the above elements show that there is an acute lack of leadership and good governance in this sector, but also in the action of the government. It is very surprising to note all these contradictions and lack of consensus between the main actors of such a strategic sector. Thus, it is imperative for the government to take appropriate measures and to explore possible solutions to regulate this situation in a sustainable manner.

2. Tabling of the 2023 Budget Proposal in the National Assembly

On September 15, 2022, the Prime Minister, Jean-Michel Sama Lukonde, tabled the Finance Bill, fiscal year 2023, estimated at USD 14.6 billion, in the National Assembly. The tabling of the bill came after the opening of the September 2022 ordinary session.

On this occasion, the Speaker of the lower house of parliament, Christophe Mboso, called on the government to provide in the 2023 budget law sufficient resources for the financing of quick-impact projects, particularly for projects affecting the domestic production of foodstuffs for everyday consumption, as well as budgetary support for national agricultural research structures. In addition, beyond the mobilization of resources provided for in the 2023 budget law and the opportunities offered by innovative sources of financing, he urged the government to pursue the policy of diversification of the national economy by relying on growth sectors, including the revival of the agricultural sector, the continued rehabilitation of basic infrastructure and agricultural feeder roads and rural electrification.

As a reminder, at the 64^{ème} meeting of the Council of Ministers, the President of the Republic, Félix Tshisekedi, recommended that the 2023 budget devote appropriate resources to investment expenditure in the social sectors, particularly health, education and rural development, as well as infrastructure.

However, while the figure put forward in this draft budget (US\$14.6 billion) appears to be attractive, several questions emerge in relation to the motivations behind the upward revision of the 2023 draft budget, its viability and relevance (expected impact).



Indeed, the significant increase in this proposed 2023 budget is largely due to the fact that 2023 will be an election year in which both the presidential and legislative elections are expected. Thus, the bulk of the revenue that will be collected in 2023 will be used to fund the elections. To this end, the share of resources allocated to investments will remain low. This means that in this context, it will not be possible to adequately meet the social needs of the population (education, health, rural development, etc.). Moreover, as long as the government does not put in place appropriate mechanisms to control public funds, internal mechanisms inherent to each investment project, the country will continue to witness scenes of massive misappropriation of funds as well as corruption. In this context, it is aberrant to expect to obtain the expected impacts in different investment projects.

Also, even with a large budget proposal, it is utopian to expect palpable socio-economic results as long as the funds are not properly allocated and are essentially used to finance the salaries and operations of institutions. Several issues emerge in this regard, including widespread budget overruns within public institutions, the high cost of living of institutions and remuneration levels that are inadequate to the country's socio-economic realities (emoluments of deputies, etc.).

All of these elements show that what is important is not simply the amount of the budget itself, but several factors must be taken into account to ensure the sustainability and relevance of the budget. Thus, appropriate reforms must be carried out in order to provide the country with public finance governance that is in line with the socio-economic needs of the DRC.

3. Publication of the technical assistance report - IMF financial sector stability review and increase in the minimum share capital of banks operating in the DRC

In its Technical Assistance Report - Financial Sector Stability Review of the DRC, published in September 2022, the IMF identified five macro-financial vulnerabilities, including (i) the weakness of the banking system's capital; (ii) the difficulty in assessing non-performing loans (NPLs) following the Covid-19 measures (iii) risks related to financial dollarization; (iv) the breakdown of correspondent banking relationships (RCB) due to de-risking; and (v) the centralization of liquidity of bank subsidiaries in the DRC with parent companies abroad.

In the report, the IMF states that the financial system in the DRC is relatively small, largely dominated by banks and highly concentrated. Total financial assets amount to 24.7 percent of GDP (2021) and bank assets make up 97 percent of the financial system. There are three types of banks: local (4), pan-African (9), and international (2). Two banks hold 55 percent of the banking system's assets. About 90% of credit is located in two of the 26 provinces, Kinshasa and Haut-Katanga.

The report states that aggregate capital is too low and has not grown in line with activity for the past decade. For 2020, the aggregate capital adequacy ratio was 14 percent, well below that of African peers. This ratio fell by a further 200 basis points at the end of September 2021, to 12.1%. While the solvency ratio was above 20% until mid-2017, it has fallen dramatically due to the increase in risk-weighted assets, while regulatory capital has remained essentially the same.

He reports that three banks are currently undercapitalized with the basic solvency requirement at 10 percent. One is in the process of transforming into a microfinance institution and corrective actions are being undertaken in the other two. Four more banks are undercapitalized with the total solvency requirement at 12.5% (core solvency ratio + capital conservation buffer, set at 2.5% as of end-2021). Eight out of fifteen banks have reached the minimum regulatory capital requirement of USD 30 million. Also, the loan portfolio shows high NPLs, at 8.5% of total loans. The system's provisioning is moderate at 69.2 percent of NPLs. The Mission applied a solvency stress test at current capital levels. An estimate of the system's under-provisioning was made on a bank-by-bank basis using the provisioning rates in BCC Instruction 16:

Among the results of this evaluation, which does not include the impact of the classification of restructured or rescheduled receivables and the inclusion of guarantees, the following should be noted:

- The capital adequacy of the system falls to 11% ;
- Two more banks become undercapitalized relative to the basic solvency ratio at 10% (for a total of five undercapitalized banks) ;
- Two additional banks become undercapitalized relative to the total capital requirement at 12.5% (for a total of seven undercapitalized banks) ;
- Recapitalization needs at the end of September 2021: (i) USD 25.5M for a 10% requirement; and (ii) USD 149M for a 12.5% requirement..

In light of these conclusions, the IMF has determined that changes in the minimum share capital are essential for the DRC's financial sector. Thus, as of January 1, 2025, all banks operating in the DRC will

have to increase their minimum share capital from USD 30 million to USD 50 million. According to the IMF, this final goal has some intermediate objectives.

For this purpose, as of January 2023, it will be necessary for the banks' share capital to have increased by USD 5 million, as it will in January 2024. As of January 2025, an additional \$10 million must be added to the banks' capital.

To date, only four banks operating in the DRC have capital that already exceeds USD 50 million. The rest of the banks (seven) do not even reach the USD 30 million threshold. To this end, it is imperative that they update themselves in a process, for which the first deadline was January 2022. To succeed in these capital increase operations, it will be necessary to be able to demonstrate that the activity promises a satisfactory level of profitability, in order to retain the attention of investors.

However, when benchmarked against other African countries where the structure of the economy is heavily dependent on mining activities (Tanzania, Zambia, and Guinea Conakry), the DRC has the lowest return on assets (ROA) and return on equity (ROE). In this context, it will be difficult to find investors for new capital increases.

In addition, the IMF found that outstanding bad loans are high and at the time of the evaluation represented up to 8.7 percent of total credit to the economy. Finally, the level of equity capital, which is used as collateral for loans to the economy, is 14 percent and is quite low compared to Ethiopia, an economy with a comparable population size.

II.1.1. Economic activity

A conference on country risk and investment opportunities in the Democratic Republic of Congo was held in Kinshasa in September 2022. This conference was organized by the Ministry of Finance in collaboration with the Bloomfield Investment Corporation, which assigned a BBB long-term rating and A2 short-term rating with a stable outlook. The purpose of the conference was to provide the public with economic and financial data to attract investment to the country. The Bloomfield Investment agency has presented in its report in general the assets, opportunities and strengths of the country, but also its weaknesses and areas for improvement. It should be noted that this is a rating on the national currency.

This country risk rating report is based on an assessment of the economic environment through the business climate and macroeconomic performance; financial with the management of public finances and the soundness of the monetary and financial system; and political. The rating obtained by the DRC is 5.1 and Bloomfield predicts an improvement in the business climate in the long term.

The Democratic Republic of Congo requested this rating from Bloomfield Investment Corporation following two ratings from two foreign currency agencies. *"The first, by the international rating agency Moody's in 2021, changed the outlook on the DRC's rating from 'Caa1, Stable Outlook' to 'Caa, Positive Outlook' for a possible upgrade. In January 2022, Standard & Poor's upgraded the DRC's rating from 'CCC+, Positive Outlook' to 'B-, Stable Outlook', reflecting the profound structural change in the Congolese economy and favorable developments in the country's external position.*

Some believe that this BBB rating by Bloomfield Investment Corporation is a deception to give a positive image and subsequently attract investment to the country. This position is explained by the fact

that the economic performance of the country is the fruit of the manna of mining resources, as it benefits from the upturn in prices of raw materials of which it is among the major producers in the world (cobalt, copper and diamonds). This economic income that the DRC draws from its natural resources is not eternal, so it is necessary to think about diversifying the economy in order to achieve sustained economic growth in all sectors of activity. Important reforms for the significant progress of the country are not implemented by the governing authorities. These are the reforms in the public administration, in the justice, in the army and in the police.

The FEC through a communiqué made public during the month of September 2022, announced that the local industry is facing the threat of the DGDA whose agents have organized several visits to factories to install in the machines the system of traceability of excise duties (STDA). For the FEC, the DGDA makes a passage in force in order to impose illegally to the economic operators the STDA which will certainly have unfortunate consequences on the national economy: closure of factories, suppression of jobs, increase of prices, decrease of taxes, royalties and taxes perceived by the State.

The FEC recalled that the government had suspended the collection of fees for tax stickers at the 61st meeting of the Council of Ministers and the National Assembly in turn had asked the government that the STDA be established at the expense of the public treasury and not in charge of companies to comply with the regulations in force in terms of prices of products on the market.

II.1.2 Price dynamics

During the month of September 2022, prices moved up overall compared to August 2022.

As for the year-on-year inflation rate, it stood at 11.43% in the fourth week of September 2022, an increase of 10.91% compared to that recorded at the close of August 2022, when it stood at 10.31%.

As for the annualized inflation rate, it is expected to reach 13.02% by the end of this year. This forecast is higher than that of the previous month when annualized inflation was established at 12.49%, a positive variation of 4.20%. At the same time, this forecast is higher than that made at the end of 2021, when the rate was 5.28%.

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

Table 2 » INFLATION TRENDS (SEPTEMBER 2022)

	Weekly inflation	Cumulative inflation	Year-on-year inflation	Annualized inflation
Week 1	0.36	8.39	10.59	12.72
Week 2	0.30	8.72	10.88	12.83
Week 3	0.30	9.04	11.16	12.93
Week 4	0.29	9.35	11.43	13.02

Source : CCO, September 2022.

In addition, it should be noted that other important developments could further compromise the macroeconomic framework. These include: (i) the continuing insecurity in the east of the country, with repeated incursions by armed groups, notably the M23; (ii) the uncertainties regarding the timely supply of sufficient quantities of petroleum products to meet the demands of the population and of the companies; (iii) flight disruptions causing disruption to the movement of people and goods; and (iv) the lack of access to fuel; (iii) flight disruptions causing disruption to the movement of people and goods; (iv) the costs of preparing for and holding elections in 2023; and (v) the continuing Russian invasion of Ukraine and its impact on the price of fuel and other products imported by the DRC.



II.1.3 Exchange rates and foreign exchange reserves

Throughout September 2022, the time profile of the exchange rate remained stable, as it has been since the beginning of the year, both on the interbank market and on the parallel market. However, compared to its level at the end of August 2022, the exchange rate experienced a very slight depreciation of 0.06% on the interbank market, where it fell from 2 011.80 at the

end of August 2022 to 2 013.00 in the fourth week of September 2022.

On the parallel market, the exchange rate also appreciated slightly between the end of August 2022 and the fourth week of September 2022, falling from 2,099.70 to 2,082.50 (a negative variation of 0.82%).

Table 3 » EXCHANGE RATES TRENDS

	Closing august 2022	September 2022				Variation august-september 2022
		Week 1	Week 2	Week 3	Week 4	
Interbank market	2 011.80	-	-	2 012.70	2 013.00	0.06%
Parallel market	2 099.70	-	-	2 082.50	2 082.50	-0.82%

Source : CCO.

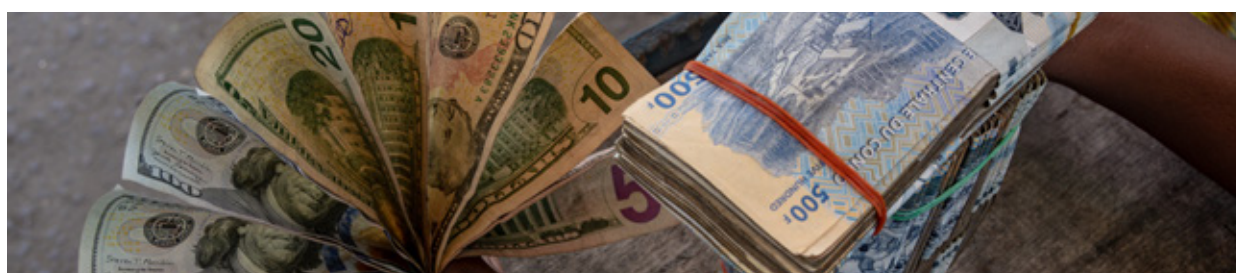
As for foreign exchange reserves, they remained at the same level as at the end of August 2022. They stood at USD 4.17 billion in the fourth week of September 2022, a level identical to that at the end of August 2022. In terms of months of imports, the Congolese economy

has maintained its capacity at the end of August 2022. The coverage of imports by foreign exchange reserves remained at 2.5 months of imports of goods and services in the fourth week of September 2022.

Table 4 » FOREIGN EXCHANGE RESERVES TRENDS

	Closing august 2022	September 2022				Variation august-september 2022
		Week 1	Week 2	Week 3	Week 4	
In billions of USD	4.17	-	-	4.15	4.17	0.00%
In months of imports	2.50	-	-	2.50	2.50	0.00%

Source : CCO.



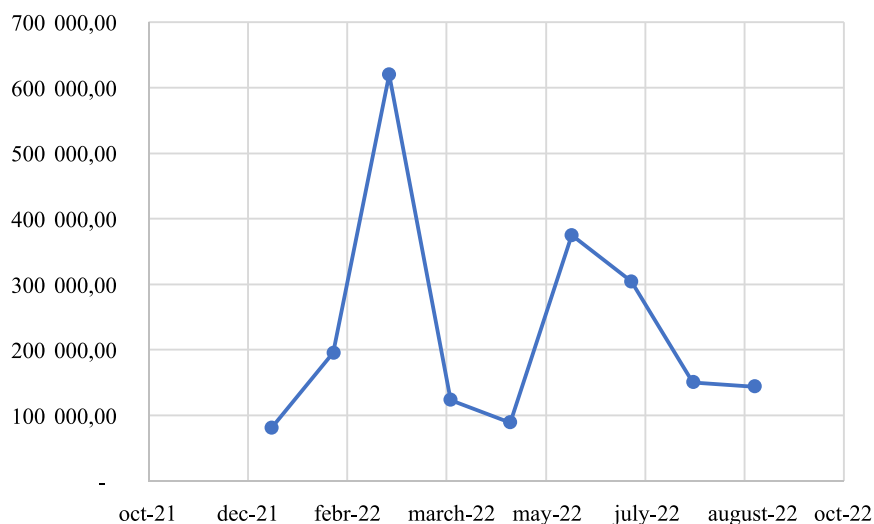
II.1.4 Public finance

CTR (Ministry of Finance) statistics indicate that in the fourth week of September 2022, the Treasury recorded a deficit of 452,314 million CDF. This deficit is the result of an expenditure level of 1,414,686 million CDF against revenue of 962,372 million CDF. The cumulative balance for the fourth week shows a surplus of 99,454 million CFA francs. Capital expenditures in the fourth week of September 2022 were relatively low compared to those in August 2022, at 143,794 million CDF compared to 150,485 million CDF. Compared to some months of the current year, there has been a remarkable decline in capital investment and this reflects a neglect on the part of the government given that it is the engine of continued growth. As the country

is deficient in terms of basic infrastructure and human capital, it is imperative to allocate sufficient resources for the realization of projects that have a great impact on the living conditions of the Congolese population.

In terms of projects, the emphasis is on large infrastructure projects such as the construction of the deep-water port of Banana, the construction of the Inga III dam, the rehabilitation of the old railroads and the construction of new ones, the construction of schools and health centers etc., which will necessarily be the source of job creation and consequently, will favor the improvement of the living conditions of the population.

Figure 13 » CAPITAL EXPENDITURES (IN MILLIONS OF CDF)

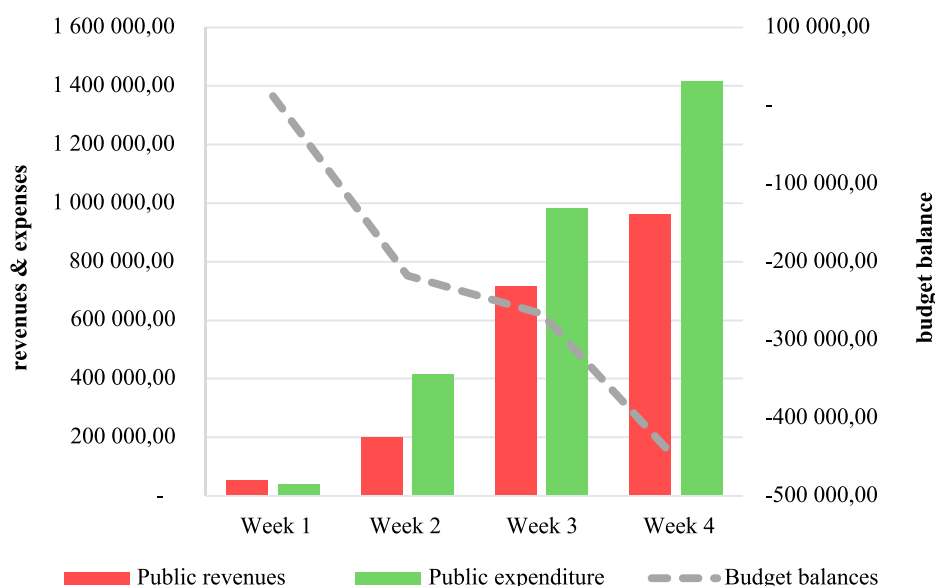


Source : Congo Challenge, based on Ministry of Finance data.

Salary expenditures in this fourth week accounted for 24 percent of total expenditures. This has become a new habit for the public administration, as the month's payroll operations continue into the next month. For

several months now, the date of the 20th has not been respected for the start of the civil servants' payroll operations.

Figure 14 » PUBLIC SECTOR AGGREGATES AS OF SEPTEMBER 2022 (IN MILLIONS OF CDF)



Source : CTR (Finance Department).

II.2 Evolution of the political situation


The political news of September 2022 was dominated specifically by the facts presented below :

1. The controversy on the emoluments of the National Deputies :

During his press briefing on the security situation in Kwamouth, Martin Fayulu revealed that a national deputy was receiving US\$21,000 per month, considering this illogical insofar as national deputies in the DRC are better paid than those in rich countries

such as France and the United States. He described this as corruption on a grand scale, mismanagement and shameless plundering of public finances by a usurping power in desperate search of internal legitimacy.

To this end, Fayulu demanded the immediate cancellation of this unjustified increase and called for the resignation of the office of the National Assembly. It is on this occasion that he drew the attention of the Court of Auditors, the General Inspectorate of Finance and other institutions of control of public finance management to open public investigations into this management scandal at the National Assembly,



while also asking the Congolese population to closely follow this situation which, in reality, is a purchase of conscience by the robbery of state coffers. Also, he concludes, it is difficult to understand that in the DRC, a country where 70% of the population lives on less than 2 dollars a day, a deputy is paid 15 times more than a university professor, 30 times more than a doctor and 200 times more than a bailiff of the Public Service. This means that a member of parliament from a country ranked among the poorest in the world is paid more than a French or American member of parliament.

By way of reaction, the collective of national deputies from the 26 provinces (C26) not only denounced these remarks, which it described as slander and defamation, maintaining that the salary of a national deputy does not even reach 30% of the sum indicated by the national president of Ecidé. Also, he noted with deep regret the slander and defamation against the elected representatives of the people, in a statement aimed at raising the Congolese people against the national assembly. The collective then maintained that the emolument of the national deputy has remained unchanged since 2021 because it is in accordance with the finance law and does not even reach 30% of the sum mentioned by Fayulu to whom the deputies of the collective asked to consult the national deputies of his political party to have the right information on the salary of a national deputy.

On the other hand, supporting Fayulu's words, the national deputy Delly Sessanga, president of the political party Envol, revealed that the salary of a national deputy does not amount to 21,000 US dollars all of a sudden, but that with the mechanisms of the invisible, one reaches 21,000\$. In fact, for him, a deputy receives 16 million Congolese francs (\$8,000) in terms of emoluments, with other headings that are fed in terms of support, bonuses and that can reach this amount (\$21,000).

In his reaction, Sessanga said that it was four years ago that he was outraged at the then US\$13,000 level of remuneration, which was lower than the level alleged today, and claims that he was vilified by all and called a populist for asking for a reduction capped at US\$4,000.

For its part, in a press release issued on Wednesday, August 31, the Congolese Association for Access to Justice (Acaj) demanded a clarification from the office of the National Assembly on this situation. For this human rights NGO, if these revelations prove to be true, allocating \$21,000 to a deputy would constitute a scandal, and this would be totally at odds with the "people first" policy advocated by the President of the Republic, Felix Tshisekedi.

For the Party of the People for the Reconstruction and the Democracy (PPRD), it is without surprise that all that Joseph Kabila Kabange had predicted well, is realized in the great day. Indeed, Ferdinand Kambere, who is the deputy permanent secretary of the PPRD, said that today, people can call him a prophet. For, he had warned the Head of State that if he wants to build a majority in the Parliament under the ashes of the FCC, it will be a public clamor in the national opinion which finally will notice that the members of this majority are costing too much to the Republic.

Also, he denounced the fact that the Sacred Union, which was formed without political agreement, benefits a group of individuals at the top of the State who are monopolizing the wealth of the population.

In its reaction to all these criticisms, the office of the National Assembly warned the national deputies Delly Sesanga and Jean-Baptiste Kasekwa as well as all those who would support without evidence the remarks of the opponent Martin Fayulu on the salary of deputies.



For the presidential party UDPS, Martin Fayulu would seek to raise the teachers to go on strike, while the start of the school year has been effective since Monday, September 5, 2022. Indeed, according to Augustin Kabuya, Secretary General of the said party, "before talking about the famous emoluments of the deputies, Martin Fayulu had recently published a table, without any basis, of the salaries of African teachers, with the aim of showing that the Congolese teacher earns less than his peers of the continent. And this, with the aim of arousing revolt in the heads of our children's teachers, knowing that the deputy is the budgetary authority.

For its part, the Lamuka platform of Martin Fayulu, through the mouth of its spokesman Prince Epenge persisted and demanded that an investigation be carried out to find out why the deputy would receive this huge sum. According to him, this is a crime organized for years, a pure corruption, as it was the case of the vehicles that some deputies have described as gifts, others as loans.

2. The conflict between the Teke and Yaka communities in Mai-Ndombe

For some time now, a conflict has been raging in the Kwamouth territory in Bandundu province between the Teke and the Yaka, who are fighting over land and taxes, and killing each other.

A central government delegation led by the Minister of the Interior and Security, Daniel Aselo, went to Kwamouth, where a death toll of 30 people was reported, as well as several items of damage, including houses and villages that had been burned.

This security situation, which deteriorated very quickly throughout the month of September, has generated various comments and criticisms in the community.

Reacting to this confused situation in Kwamouth, Martin Fayulu castigated the attitude of the government in power, which, according to him, has not sent the same police and military apparatus it deploys in Kinshasa to repress the marches of Lamuka in order to restore peace in Kwamouth. To this end, in one of his social media posts, Fayulu called on all Congolese living in Kwamouth to remain calm, recalling that the Yaka and Teke are the same people and have always lived in perfect harmony. Urging all Congolese to be vigilant, and above all, not to give in to any instrumentalization or manipulation that would undermine national harmony, Fayulu called on everyone to fight the demon of division.

In addition, while denouncing the presence of foreigners in the Kwamouth region, the Congolese opponent revealed suspicions of the involvement of a black hand behind this conflict. "For, there is indeed something abnormal in this situation and many clues seem to point to a structured and sponsored operation of destabilization of our country, because some villagers seem to have confirmed the presence of foreigners in this region," lamented Martin Fayulu. For him, the situation in Kwamouth further exposes the Democratic Republic of Congo to balkanization, by opening a new front of insecurity in the western part of the DRC.

For his part, National Deputy Juvénal Munubo, elected from Walikale, proposed that Martin Fayulu meet with the Head of State, Félix Tshisekedi, to submit to him possible solutions to end the conflict between the Teke and the Yaka. He also proposed an exchange between the leaders of the communities in conflict, as well as the support of Martin Fayulu for the government's ongoing efforts to find an appropriate solution.

The President of *Nouvel Élan*, Adolphe Muzito, has sounded the alarm on this bloody conflict that could also affect Kinshasa. Indeed, Muzito maintains that he



has seen horrific scenes and inconsolable populations who do not know where to turn. He pointed out that Mongata is already the border of Kinshasa and that there are fears that this movement will reach Kinshasa from Kwamouth, which seems to be almost on the boulevard with the Congo River.

Finally, expressing herself through a singular tweet, Jeanine Mabunda, honorary president of the National Assembly, underlined the danger that lurks at the door of the DR Congo and especially the urgency to push back our limits and our ego to build a country more beautiful than before. Scrutinizing the last socio-political events, the elected representative of Bumba in the ex-province of Equateur pointed out that the country of Patrice Lumumba would be capsizing in the middle of navigation. In spite of the multiple tensions which reign at the moment in the country, Jeanine Mabunda maintained to be comforted to know that "the DRC is one and indivisible. From Lumumba, to Mzée Kabila, through Kasa-Vubu and Mobutu, a beautiful heritage of national unity has been bequeathed to us. She also urged the people of Kwamouth to safeguard peace and not to give in to fratricidal wars.

3. The scandal of corruption, conflict of interest and illegal taking of interest at the presidency of the republic

Suspected of corruption and influence peddling for a history of commissions demanded from investors, Mr. Vidiye Tshimanga, strategic advisor to President Felix Tshisekedi, was arrested and was the subject of the opening by the Public Prosecutor's Office at the Court of Kinshasa/Gombe, of a judicial investigation that led to his being remanded in custody for a few days, who, taking advantage of his position and influence around the leader, offered access to the country's mines in exchange for a commission.

For the record, this legal proceeding follows the publication on social networks of a video through

which Mr. Tshimanga boasts of being one of the key and most influential actors in the entourage of the Head of State, and that as such, he would have enough power to grant mining squares to foreign investors, and this against systematic payment of a commission.

However, these were no ordinary investors. In three meetings, one online and two in person, the duo recorded Vidiye Tshimanga without his knowledge, as he boasted of his closeness to the president and proposed to create a company with them in which he would hold a stake disguised by nominees and opaque offshore arrangements, *"If we do business together, I will take my... percentage of the investment and I will make money,"* he stated bluntly. In return, the Congolese president's strategic advisor continues, he promises to use his influence to obtain mining licenses, avoid red tape for investors and "protect" their investment from meddling officials. Later, he would go so far as to suggest that he was acting on behalf of the president.

From their first online exchange, the Congolese advisor proposed to investors that they partner with his Congolese company, COBAMIN. To this end, Mr. Tshimanga went so far as to describe a deal he had made through COBAMIN with the Toronto-listed Ivanhoe Mines.

Reacting to this case, Ms. Elisabeth Caesens, director of the NGO Resources Matters, maintained that the company obtained the three permits in eight days, a "record time", and has never been found in the Congolese registers of companies jointly owned by COBAMIN and Ivanhoe or its subsidiaries.

In contrast, she said she was able to establish that COBAMIN would obtain its last mining permits - located next to Ivanhoe's - in February 2019, just one month after Felix Tshisekedi succeeded Joseph Kabila as Congo's leader. She added that companies regularly use "all sorts of financial constructions" to make payments to political figures.

Mr. Vidiye, who was obviously tricked by those who were posing as investors, defends himself and claims to have, on the contrary, wanted to trick his interlocutors.

Reacting to the Vidiye case, whistleblower and anti-corruption activist Jean-Jacques Lumumba said he was not surprised by this case, which is one of many on which investigations into corruption in the Congo were being conducted. For him, "after 4 years in power, there is only one person who must question himself, and that is the head of state. We can no longer continue to spare him, thinking that he was not aware of the situation while suspicions of embezzlement are multiplying around him.

Moreover, he said that if the information received is proven and put on the public square, the Congolese will see elements much more shocking than the video of the presidential adviser. And it is with great sadness that we must note that this system of corruption continues and that the same evils are perpetuated. Natural resources are being siphoned off by a small predatory elite.

For the citizen movement Lucha, "To have so many mafia members in his entourage, the leader is either incompetent, in which case he must resign, or he is himself the leader of the mafia and must be brought to justice.

On the side of the Presidency, it was through a communiqué made public on Friday, September 16, 2022 in Kinshasa that the director of the communication cell, Eric Nyindu, reiterated President Tshisekedi's willingness to lead the fight against corruption, a position that finally led Mr. Vidiye to tender his resignation.

Following this act by the concerned, the Congolese Association for Access to Justice (ACAJ), which welcomed the resignation, recommended to the

Attorney General at the Court of Cassation to order a credible and exhaustive judicial investigation.

For his part, Jean-Claude Mputu, spokesman for the coalition "Congo is not for sale", said he also expects the Inspectorate General of Finance (IGF), a similar action by opening an investigation, going beyond the statements, beyond possible sanctions to verify all the claims heard on this case, namely: "the number of offshore accounts, nominees, mines that are distributed to people in the presidency."

Jimmy Kande, president of the Pan-African Anti-Corruption Network (UNIS), in turn hoped that the president would "clean up his act". "The president's inaction would make him practically guilty or an accomplice to this kind of practice, given that he has been presented as the one who would let Vidiye Tshimanga do business on his behalf," he explained.

4. Monusco's admission of failure on the Rwandan aggression

In an interview with France 24 and RFI on September 18, 2022, UN Secretary General Antonio Guterres admitted that the M23 rebel group is behaving more and more like a conventional army with increasingly sophisticated equipment.

The Secretary General threw in the towel by stating loud and clear that "we are in an extremely difficult situation. The M23 was at the root of the last demonstrations because the United Nations is not able to defeat the M23. The truth is that today, the M23 is a modern army, with heavy equipment that is more advanced than the equipment of Monusco. This equipment comes from somewhere. The main thing, in my opinion, is to have a tripartite between the DRC, Rwanda and Uganda, in order to have a joint perception to avoid this permanent situation that always makes us go backwards," said Antonio Guterres lamentably.



In recent years, the primary role of the United Nations Organization Stabilization Mission in the Democratic Republic of Congo (MONUSCO) has been to protect Congolese civilians. However, the security situation in the eastern Democratic Republic of Congo remains unchanged, and is becoming even more serious than before. The largest UN mission in the world has failed in its mission, sounding like an admission of failure by Monusco.

This statement has caused reactions especially from the Congolese who for the most part have expressed themselves through social networks.

Senator Francine Muyumba said she was concerned about the comments made by UN Secretary General Antonio Guterres. She said that "these kinds of statements reinforce the mistrust of the Congolese people towards the United Nations Organization Stabilization Mission in the Democratic Republic of Congo (Monusco)", and that "the hypocrisy of the UN should stop". He continued: "Today even more than yesterday, the Congolese authorities must obtain the definitive departure of MONUSCO because even the UN Secretary General has just affirmed its inability to confront the rebel groups. There is no longer any justification for their presence in the Democratic Republic of Congo. Civil organizations, citizen movements, NGOs and other associations strongly demand the departure of MONUSCO, which will allow us to get out of the smoke and mirrors of the UN, which while sending a peace mission, hides the need to fight the rebels who are rampant in the Congo."

On the side of the civil society, in an interview granted to Media Congo Press on Monday, September 19, 2022, Jonas Tshiombela coordinator of the New Congolese Civil Society (NSCC), called the Congolese authorities to reframe the UN SG, calling his remarks "extremely serious" and considering them as an "admission of failure" of the UN mission in the DRC.

Mr. Tshiombela felt that this extremely dangerous statement has an almost induced effect of supporting the M23 terrorists, and that this admission of failure by the United Nations deserves a reframing by the Congolese authorities.

We understand why the Security Council renewed the arms embargo against the DRC. How did the M23 acquire such weapons with the complicity of multinationals? Where did they get the money to have such heavy weapons? The Congolese must assume responsibility for taking their destiny into their own hands," said the coordinator of the new Congolese civil society.

While closely following the situation, MP Jean-Jacques Mamba argued that Mr. Guterres has once again reinforced the mistrust of the Congolese towards the peacekeeping mission, which for more than twenty years has not provided any significant solution to the instability in the eastern part of the DRC.

Speaking on the situation of Monusco at the International Conference on Peace in the DRC, held on September 16 in Charleroi, Belgium, Nobel Peace Prize laureate Dr. Denis Mukwege believes that an "unaccountable" and "hasty" withdrawal of Monusco would create a vacuum that would "favor" the enemies of peace. To this end, he explained that for almost 30 years, the DRC has been "torn apart" by repeated wars of aggression and cycles of conflict that have led to a major humanitarian crisis, with millions of deaths, raped women and displaced people. "Despite various peace agreements, from Sun City to Lusaka to Addis Ababa to Nairobi, the war has never stopped. Indeed, the DRC has not been truly pacified throughout its territory and armed violence continues in five provinces. We are therefore still in a context of armed conflict, often with an international dimension, as illustrated by the umpteenth aggression in North Kivu by the M23-Rwandan Defence Forces (RDF)

coalition, which is once again threatening the national sovereignty and territorial integrity of the country, with shocking indifference on the part of the international community, even though Bunagana has been occupied for more than three months.

He went on to say that the processes of mixing and mingling of rebel groups have contributed to the integration of militia into the Congolese security and defense forces, thus planting the seeds for further instability by infiltrating the enemy into the institutions that are supposed to protect the population.

For him, it is in this context that the failure of Monusco to restore peace, protect civilians and stabilize the country must be placed, despite its colossal human and financial resources. He also called on the Congolese not to make the wrong enemies.

5. Reactions after President Félix Tshisekedi's speech at the 76th United Nations Assembly

The President of the Republic, Félix Tshisekedi, addressed the 77th General Assembly of the United Nations in New York on Tuesday, September 20. In particular, he denounced the aggression of his country by its neighbor, "Rwanda under cover of the rebel movement M23."

From the podium of the United Nations, Félix Tshisekedi demonstrated the involvement of Rwanda and its responsibility in the tragedy that the people of the East are living.

Moreover, its goodwill and the hand extended to the Congolese people for peace, have been flouted by some of our neighbors who have found no better way than to thank the DRC for the aggression and support of the terrorist armed group that is ravaging the eastern DRC.

Felix thus clearly pinpointed the current case of Rwanda, which in defiance of international law, the UN Charter and the AU Constitution, has once again not only attacked last March by incursions of its armed forces, but also occupies a locality in the province of North Kivu by an armed terrorist group to which it provides massive support both in terms of war material and troops. This involvement has been sufficiently proven by credible humanitarian and human rights non-governmental organizations through documented and objective reports, bordering on the scientific.

Also, from this podium, the Head of State requested the official distribution to the members of the Security Council of the latest report of the UN experts on the security situation in the East of the DRC, in order to draw all the consequences. "The image and credibility of our organization are at stake. To do otherwise would be to encourage Rwanda to continue its aggression, its war crimes and crimes against humanity in the DRC and, on the other hand, to further fuel the legitimate suspicion of the Congolese on the impartiality of the UN as well as the complicity of some of its members in these crimes," he explained.

Continuing his remarks, the Head of State reaffirmed the determination of the Congolese people and their leaders to defend the integrity of their country in accordance with international law. For him, the time has come to break the cycle of violence in the eastern DRC forever.

It is in this context that he considered it necessary to increase pressure on Rwanda and the M23 and to show more firmness towards them. A call was made for the immediate removal of obstacles and for the restructuring of the FARDC and all restrictive measures on the acquisition of military equipment for the DRC.

For him, the international community should therefore work to ensure the immediate withdrawal of the M23 from occupied localities, the return of displaced Congolese from these localities to their homes, and the unconditional cessation of the Rwandan army's support for this terrorist group, in accordance with the spirit and the letter of the Luanda roadmap. It should also "increase pressure on Rwanda and the M23, whose leaders are, moreover, under UN sanctions, and show more firmness towards them, so that they respect the positions taken by the above-mentioned international organizations.

Several reactions were recorded both from the Congolese and from the DRC's partners.

During his address on Tuesday, September 20 from the rostrum of the 77th session of the United Nations General Assembly, Polish President Andrzej Duda denounced the "complacency" of the West in the face of the situation in Africa, including that of the Democratic Republic of Congo, which continues to count deaths following the aggression of its neighbors, particularly Rwanda. Andrzej Duda decried the double standards of the international community in dealing with the aggression of Ukraine by Russia while the same situation is experienced elsewhere, including the DRC. The Polish president revealed that the world organization has raised the tone in condemning the aggression of Ukraine by Russia. It has mobilized behind Ukraine and taken action against the country of Vladimir Putin, unlike what is happening in the case of Rwanda-Democratic Republic of Congo where it shows some complicity. Although all the evidence accuses Rwanda of aggression against the DRC, the "famous" international community is struggling to take sanctions against the country of Paul Kagame.

Belgian Prime Minister Alexander De Croo called on Thursday, September 22, from the podium of the 77th session of the United Nations General Assembly, for an end to the UN mission in the Democratic Republic

of Congo. Belgium proposed the establishment of another structure to effectively fight against the armed groups that sow terror and desolation in the east of the country. For De Croo, "Monusco must end and be replaced by something else (...) A mission must protect the Congolese people and ensure that armed conflicts cease, and Monusco does not have the infrastructure or the mandate to do so.

Internally, welcoming this speech, Germain Kambinga, welcomed the speech of the President of the Republic, more particularly on the subject of the aggression of which the DRC is victim on behalf of Rwanda. He maintained that it was thus essential, that the international community, through the mouth of the president of the DRC, understood what was the state of mind of the Congolese people and the conviction of the Nation which is ours. We know that it is Rwanda that is acting to destabilize the Congo, it is a very old plan that is the balkanization of our country. The message of the Head of State was clear, the DRC will never abandon Bunangana and the East, the DRC, each of the hundreds of millions of inhabitants will defend its parts of its territory.

For the Deputy Permanent Secretary of the People's Party for Reconstruction and Democracy (PPRD), Ferdinand Kambere, there is reason to criticize the fact that the President of the Republic, Felix Tshisekedi, has denounced Rwanda alone and not Uganda as the authors of the insecurity that persists in eastern DR Congo. For Ferdinand Kambere, it is true that he also demonstrated that the support of the FDLR should not remain an eternal alibi for aggression against our country. But the weakness of this speech is when he denounces Rwanda and leaves Uganda on the other side. And in the meantime, the president is making a speech to castigate Rwanda, while at the same time the government is signing agreements in Nairobi for a regional force to come in support," he said.

3. Political and economic perspectives

On the political level

The next few weeks are going to be tough politically, with the question of the emoluments of national deputies and the electoral issue, particularly with regard to the logistical and financial challenges of the process. In addition, on the security front, there are rumors of infiltration into Kinshasa from the neighboring provinces of Mai Ndombe and Kwilu, with reports of the involvement of a black hand. These factors, combined with corruption, suggest that there will be much unrest in the political sphere.

To this end, it is to be expected that the differences of opinion on the emoluments of the deputies, which are considered, rightly or wrongly, to be astronomical, may further widen the gap with their respective bases.

As for the electoral issue, the current budget session is more than decisive, in that it could, if well negotiated, make a good projection on the thorny issue of financing the elections. The voter identification operations announced to start in December 2022 will be an indicator of what is at stake in this process.

With Bunagana and many of the eastern territories still in the hands of the Rwandan-backed M23, the challenge of retaking these occupied areas seems to remain a priority, alongside the fire that has just been lit in the western part, particularly in the territory of Kwamouth, a gateway to the capital city of Kinshasa. The persistent rumors of the presence of infiltrators in the city could, if left unchecked, create a general panic that would be difficult to control and could give the already impoverished population the opportunity to take to the streets.

In the meantime, there is reason to fear that the total lack of interest on the part of the international community in the involvement of Rwanda via the M-23, which continues to occupy part of Congolese

territory, an aggression that has never been condemned, risks leaving the Congolese abandoned to their own sad fate.

Finally, the image of the Chief's entourage being infested with mafiosi and corrupt individuals should give the Chief the opportunity to clean up his palace. The contrary, an observer warns, is not demonstrable as long as the mafia have demonstrated their capacity for nuisance. In this case, the population expects to see measures to discourage the race to the front to fight the efforts made by the supreme authority to get the country out of its straitjacket, otherwise, the fight against corruption would remain a mere slogan.

On the economic level

The continuation of the Russian-Ukrainian war is throwing the global economy into uncertainty. Indeed, recent developments (notably in September 2022) in this invasion are fuelling concerns about the economic outlook. These are essentially the following facts: (i) the sanctions taken by the European Union against Russia, the Russian response to these sanctions; (ii) the annexation of certain Ukrainian territories by Russia as well as (iii) the important migratory flows of Russians who are deserting their country due to Vladimir Putin's announcement on the recruitment of 350,000 reservists within the population in order to reinforce his positions in Ukraine. Faced with this situation, it is possible to feel the perverse economic effects of this war.

At the national level, although the economy appears to be stable, the DRC's economic outlook is not encouraging. The continuing insecurity in the east of the country with repeated incursions by armed groups, notably the M23; the uncertainties regarding the timely supply of petroleum products in sufficient

quantities to meet the demand of the population and companies; the disruption of flights causing a hindrance to the movement of people and goods; and the continuing Russian invasion of Ukraine with its consequences on the dynamics of the price of fuel and other products imported by the DRC are all factors contributing to the deterioration of the country's economic outlook.

In addition, there are (i) increases in food prices; (ii) corruption and misappropriation of public funds; (iii) growing inequalities among the population; and (iii) uncertainty about the organization of credible and transparent elections in 2023. These elements are precursors of a deterioration of the national economy.

With respect to public finance, it should be noted that no mechanism has been put in place by the government to ensure optimal collection of resources. The rate of collection of public revenues remains mainly dependent on the price of mining products, and therefore on the evolution of the economic situation. The low tax burden in the DRC suggests that economic growth is not providing the state with sufficient financial resources.

Finally, the IMF report highlighted several elements that show that the DRC's financial system remains vulnerable. These include the weakness of the banking system's capital base; the difficulty in assessing non-performing loans (NPLs) following the Covid-19 measures; the risks associated with financial

dollarization; the breakdown of correspondent banking relationships (CBRs) due to de-risking; and the centralization of liquidity of bank subsidiaries in the DRC with their foreign parents. The same report indicates that the financial system in the DRC is relatively small, largely dominated by banks and highly concentrated. In light of the findings of the above report, it is absurd to expect better economic prospects with a vulnerable financial sector.

Thus, in order to alleviate the above-mentioned problems, the government must take the necessary decisions and put in place the appropriate mechanisms to (i) increase the capacity to mobilize public revenue and broaden the tax base; (ii) reduce the cost of living of institutions and increase capital expenditures; (iii) establish the power of the State and definitively resolve the problem linked to the repeated attacks and incursions of armed groups in the east of the country; (iv) put the Congolese economy on the path to diversification; (v) strengthen the financial sector and eliminate its main points of vulnerability; (vi) reduce corruption within the state administration; and (vii) structurally resolve the difficulties of supplying petroleum products.

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Dixit Machiavel

**EVOLUTION OF THE ECONOMIC
AND POLITICAL SITUATION IN THE
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