

Congo, Democratic Republic

After slow growth in 2009, the Democratic Republic of Congo (DRC)'s 2010 real gross domestic product (GDP) growth rate, boosted mainly by higher world prices for raw materials, has been estimated at 6.1%, and this pace is projected to continue over the next two years.

Achievement of the HIPC Initiative completion point in June 2010 should lead to social improvements and the application of reforms should benefit the country.

Partnerships with emerging countries (mainly China and India) are allowing the DRC, as a post-conflict country, to broaden its sources of funding for reconstruction.

The economy began to recover in 2010, with estimations showing real gross domestic product (GDP) growth increasing to 6.1% from 2.8% in 2009 and largely driven by mining, which was buoyed by higher world prices. This in turn stimulated the services sector and infrastructure rehabilitation. Contributors to overall growth were mining (11.8%), construction (10.1%) and wholesale and retail trade (6.3%). The economy is expected to grow at around 6.5% over the next two years.

The budget deficit, which had worsened in 2009 as a result of the world economic crisis, improved in 2010 thanks to higher government revenue, but is expected to worsen again in 2011.

Better co-ordination of monetary and budgetary policies cut inflation to 23.2% in 2010 from 46.2% in 2009, and it is expected to fall sharply to around 10% in 2011. The central bank (BCC) reduced its key interest rate five times during the year and it reached 22% in November 2010.

The revival of the world economy and the country's achievement of completion point under the Heavily Indebted Poor Countries (HIPC) Initiative should greatly improve the external position of the Democratic Republic of Congo (DRC). The current-account deficit increased to almost 16% of GDP in 2010, from 10.1% in 2009. It is expected to remain high in 2011 and 2012. Reaching completion point in June 2010 has opened the way to total debt relief of USD 12.3 billion: 11.1 billion under the HIPC Initiative and 1.2 billion under the Multilateral Debt Relief Initiative (MDRI).

The DRC ranks 175th in the World Bank's *Doing Business* report, an improvement of four places mainly due to reforms in setting up businesses, granting building permits and transferring property.

The central bank surveyed commercial-bank loan quality and whether to recapitalise or restructure some banks. Dollarisation is still substantial, with foreign currency making up 85.7% of all bank deposits. Actionable debts were estimated at 4.8% of total debts to the private sector at the end of November 2010, up from 3.6% at the end of December 2009.

Ongoing decentralisation and privatisation are having serious problems, but public-finance management has improved thanks to effective use of resources.

The country's vast road network is still in very poor condition despite efforts to improve it, and electricity supply remains far below the country's needs, but an aid agreement with China and resumption of ties with foreign donors have re-energised these sub-sectors.

The first report by the Extractive Industries Transparency Initiative (EITI) was approved by a multiparty group in January 2010, and several mining contracts have been amended.

Politicians are waiting for general elections due in 2011. Efforts to improve governance have not, however, changed the country's very low ranking in worldwide indexes.

Progress has been made in health and education but most Millennium Development Goals (MDGs) are unlikely to be achieved.

Partnerships with emerging countries include ties with China, India, Korea and Brazil, which are very involved in mining, construction, information and communication technology (ICT), agriculture, technology transfer and social development, with India supplying credit lines, and China grants and soft loans. Chinese enterprises dominate public-works projects and have increased their activity in mining.

Table 1: Macroeconomic indicators

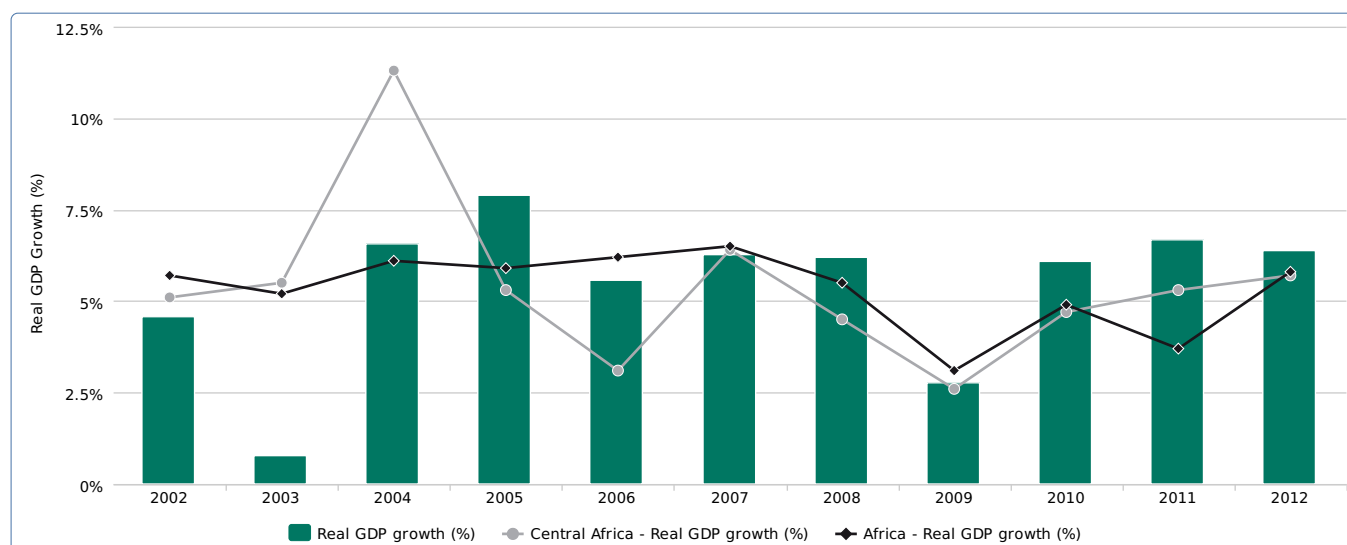
	2009	2010	2011	2012
Real GDP growth	2.8	6.1	6.7	6.4
CPI inflation	46.2	23.2	10.2	9.8
Budget balance % GDP	-4.1	-0.5	-8.3	-6.6
Current account % GDP	-10.1	-15.7	-16.7	-14.3

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Figure 1: Real GDP growth (C)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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