

Democratic Republic of the Congo: Selected Issues and Statistical Appendix

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THE DEMOCRATIC REPUBLIC OF THE CONGO

Selected Issues and Statistical Appendix

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Approved by the African Department

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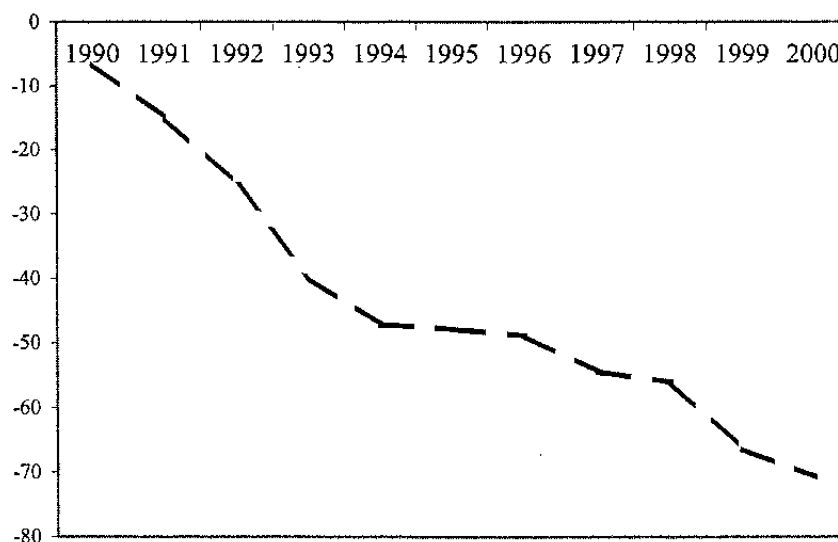
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I. INTRODUCTION

1. The Democratic Republic of the Congo (DRC) has the third-largest land area in Africa, with a population of about 50 million. The country is rich in natural resources, possesses Africa's most extensive network of navigable waterways, and has a vast hydroelectric potential, most of it remaining untapped. Notwithstanding this favorable resource endowment, the DRC's per capita GDP declined steadily from US\$380 in 1985 to US\$224 in 1990 and to US\$85 (or 23 cents a day) in 2000, making it one of the poorest countries in the world (see Figure 1).

2. The dramatic decline in output and income has been the result of misdirected economic and financial policies, pervasive corruption and, especially in the past decade, political turmoil, civil strife, and outright war (since 1998), implying, among other things, the virtual collapse of government control over public finances and public enterprises. Since 1990, the already negative trends have been compounded by an unprecedented cycle of hyperinflation, currency depreciation, dollarization, insufficient saving, financial disintermediation, the spread of epidemics like HIV/AIDS, and generalized impoverishment of the population.

Figure 1. Democratic Republic of the Congo: Cumulative Growth Rates of Real GDP



3. This paper elaborates on specific issues concerning the economic policies of the DRC, the former Zaïre, through end-2000.¹ Section II provides an overview of the country's situation; Section III deals with fiscal issues and trends; Section IV analyzes the phenomenon of hyperinflation; Section V pictures balance of payments developments; Section VI provides information on the country's external debt; and Section VII contains a description of the country's exchange and trade system. The appendix updates available statistical information about recent economic and financial developments in the DRC. The report was prepared by a staff team comprising Jacob Gons, Bernardin Akitoby, Jérôme Fournel, Louis Dicks-Mireaux, Nicholas Staines, and Marilyn Klutstein-Meyer (World Bank).

4. Since early 2001, important changes have occurred in the DRC, including progress toward peace, the start of the inter-Congolese dialogue, and the opening up and liberalization of the economy. Also, the new government adopted an interim program covering the period June 2000–March 2001 that will be monitored by the Fund staff. These new developments are described in the staff report for the 2001 Article IV consultation and discussions on a Fund staff-monitored program (SMP) (EBS/01/94; 6/22/01). The SMP and a strategic list of projects prepared with World Bank assistance address many of the weaknesses in the economy described in the staff report.

¹ The statistical data presented in this paper should be interpreted with caution as their quality and coverage have been affected by civil strife and war resulting in damage to administrative infrastructure and loss of records. In this situation, statistical surveys could not be conducted, and many statistics are outdated. With the exception of fiscal revenue and expenditure, the statistics presented in this paper cover the whole nation, as the authorities estimate economic activity in the areas that are not under government control.

II. OVERVIEW²

5. **The Democratic Republic of the Congo (DRC) is the third largest country in Africa**, with an area of 2.3 million square kilometers (about one-fourth the size of the United States, and more than two-thirds that of the European Union). Its population, estimated at about 50 million (including more than 350 ethnic groups), ranks fourth in Africa. The country occupies the basin of the 4,300-kilometer-long Congo River, with 11 highly diverse provinces stretching from the Great Lakes region to the Atlantic Ocean (see Box 1). With a rapidly growing population estimated at about 8 million, the capital city of Kinshasa is one of the largest in Africa.

Box 1. The DRC's Eleven Provinces

Province	Main City	Area (Sq. Km.)	Population (Millions)	Main Activities	Remarks
Kinshasa	Kinshasa	10,000	6-8	Capital city	
Bas Congo	Matadi	54,000	3.3	Agriculture, port	
Bandundu	Bandundu	296,000	5.6	Agriculture	
Equateur	Mbandaka	403,000	4.9	Coffee, wood	Not under control of govt.
Province Orientale	Kisangani	503,000	5.7	Gold	Not under control of govt.
Kasai Occidental	Kananga	154,000	3.8	Diamond, agriculture	
Kasai Oriental	Mbuji-Mayi	170,000	4.1	Diamond, agriculture	
Katanga	Lubumbashi	497,000	6.2	Minerals (copper, etc.)	
Nord Kivu	Goma	59,000	3.7	Agriculture	Not under control of govt.
Sud Kivu	Bukavu	65,000	3.3	Agriculture	Not under control of govt.
Maniema	Kindu	132,000	1.4	Agriculture, minerals	Not under control of govt.

6. **The DRC is potentially one of Africa's richest countries, but this potential has not been translated so far into a reduction of poverty.** Indeed, even before the recent civil strife and war, social indicators were very low (see Box 2), and a large part of the population relied on informal activities to survive (mainly small-scale trading and cultivation of small plots). The formal economy rests on four pillars:

- **Agriculture.** This sector (including forestry) accounts for about 55 percent of GDP and employs about two-thirds of the labor force. It includes two main subsectors:

² This section is based on an issues note prepared by the World Bank staff for a donor information meeting on the DRC in Paris on July 3, 2001, and on the *Rapport des Conseillers Economiques de l'Union Européenne en République Démocratique du Congo, 1999*, (Kinshasa; 9/1/00).

- i. **small farming** (the principal food crops are manioc, plantains, sugarcane, maize, peanuts, bananas, rice, and yams; chicken, goats, pigs, and sheep are raised); because of the war, most small farmers have returned to subsistence farming; and
 - ii. **export products** (in particular forestry products, coffee, tobacco, palm kernels, cotton, and rubber); however, agriculture exports declined by 75 percent between 1997 and 1999.
- **Mining.** The DRC has extensive mineral resources, including copper, cobalt, industrial diamonds, uranium, tin, gold, silver, coal, zinc, manganese, tungsten, and cadmium, as well as offshore petroleum (see Box 3). Mining accounts for about 90 percent of the DRC's export earnings;
 - **Manufacturing.** Manufacturing activities remain limited (about 5 percent of GDP). The main activities include mineral processing, followed by petroleum and cement production—and also tires, shoes, textiles, cigarettes, beer, and processed food.
 - **Services.** Services account for almost 30 percent of GDP and 19 percent of employment, including transportation, government, communication, and banking. Tourism is not significant.

Box 2. Key Social Indicators

Even before the recent civil strife and war, living conditions were worse in the DRC than in many other African countries (reliable statistics on the current situation are not available):

- Life expectancy (1995) was 53 years in the cities, and 43 years in rural areas.
- Illiteracy (1995) was 32.7 percent overall, and 42 percent for women (school attendance fell from 72 percent in 1979 to 59 percent in 1995).
- Infant mortality (1995) was 101 per 1,000 in the cities, and 161 per 1,000 in rural areas.

HIV/AIDS prevalence has increased over the last years to reach 5 percent, that is, over 2 million people, with large disparities across regions (4.6 percent in Kinshasa, 0.6 percent in Kasai, 8.6 percent in Katanga, and 16 percent in Goma). In Kinshasa, 15 percent of infants under five years are infected.¹

The DRC was the first African country to design and implement an HIV/AIDS program (with the support of the World Bank), but the situation has worsened dramatically as a result of the deep economic crisis, the conflicts and the related displacements of people, and the presence of foreign troops originating from highly affected countries.

The government has set up a small unit to coordinate local and international efforts (Programme National de Lutte contre le SIDA, PNLS). With the support of bilateral donors, the PNLS has developed a sound strategy, for which significant support is needed.

¹ Data provided by the Programme National de Lutte contre le SIDA.

Box 3. Mining Sector

The DRC used to be an important producer of copper, cobalt, diamonds, gold, and other base metals. Historically, mining accounted for 25 percent of the country's gross domestic product, 25 percent of total budgetary revenue, and about three-quarters of total export revenues. It provided 7 percent of employment.

Starting in 1985, the mining industry of the DRC entered a phase of steep decline:

- By the late 1990s, copper production by the state-owned La Générale des Carrières et des Mines (GECAMINES) had declined to 5 percent of peak 1985 output level of more than 500,000 tons, while cobalt production fell by 70 percent in the period to about 5,000 tons per year.
- Production of zinc (about 200,000 tons per year) and the by-product cadmium, also produced by GECAMINES, ceased.
- Gold production has been virtually nil, compared to 6 tons per year of capacity.
- Manganese production was discontinued at the Kisenge Mining Enterprise (EMK-MN), where capacity was 360,000 tons per year.
- The columbium-tantalum and monazite operations were discontinued.
- With the sharp fall in GECAMINES' output, diamonds became the largest source of export earnings. Because of frequent changes in marketing policies (including nationalization and the banning of foreigners from diamond producing areas), large amounts of diamonds were exported through the parallel market. A monopoly to commercialize artisanal diamonds granted in 2000 to a foreign company, was rescinded in early 2001.

Reasons for this dismal performance include: (i) the huge financial losses of state-owned enterprises, associated with an excessive tax burden that prevented them from renovating plant and equipment; (ii) a legal and regulatory framework not conducive to the development of operations by the private sector; (iii) a marked institutional disorganization; and (iv) the weakness of the regulatory institutions in charge of the sector.

7. The war has taken a heavy toll on the country:

- **Although detailed data are missing, about 200,000 persons, mostly civilians, may have been killed.** The increased mortality associated with the collapse of physical and social infrastructure is estimated to have claimed about 3 million deaths since 1997.³ The Food and Agriculture Organization (FAO) estimates that about one-third of the population (i.e., 16 million people) are starving or malnourished;
- **Damage to infrastructure has been extensive, (compounded by the lack of maintenance).** Transport infrastructure has collapsed. As a result, farmers

³ International Rescue Committee, June 6, 2000.

have great difficulties in commercializing any surplus, while food prices in urban centers are high. Interregional connections are often limited to minimal air transport, and the country has essentially broken down into a set of economic enclaves (see Box 4). Damage to other infrastructure (e.g., power and water) is also extensive, in particular in the eastern provinces;

- **The impact on the public administration has been severe.** Its disintegration allowed for large fiscal evasion, and central government revenue has shrunk to about 5 percent of GDP. As expenditure soared, partly because of a collapse of budgetary control, and partly driven by the war, fiscal deficits mushroomed (see Section III). Most social sectors are no longer financed, while the salaries of most civil servants have dropped to about US\$3–5 a month (compared with the amount of about US\$150 a month that is needed to feed an average household in Kinshasa).

Box 4. The DRC's Prewar Transport Infrastructure

The prewar transport infrastructure was characterized by the following:

- **About 145,000 kilometers of roads, including about 12,000 kilometers of national roads,** 18,000 kilometers of provincial roads, and 115,000 kilometers of rural roads. Only 3,000 kilometers of roads were paved (mainly on the Atlantic Ocean–Kinshasa–Lubumbashi–Zambia axis, and in the eastern provinces). Maintenance of the main roads (about 80,000 kilometers) was under the responsibility of the Office des Routes (and in particular of its district-level units).¹
- **About 5,200 kilometers of railways,** often dating from the colonial era, and operated by several companies—Office National des Transports (ONATRA), Société Nationale des Chemins de fer du Congo (SNCC) and Chemins de fer des Ueles (CFU). Infrastructure has suffered from the lack of maintenance. Most rolling stock and, in particular, locomotives, are in disrepair.
- **About 170 airports/landing areas, including 4 international airports,** managed by the Régie des Voies Aériennes (RVA). Equipment is often obsolete, while the runway on the critical Lubumbashi airport would need substantial rehabilitation.
- **One main port, Matadi** (on the Congo River at about 150 kilometers from the ocean). Traffic has always been modest, compared with other African ports. Infrastructure needs some rehabilitation.
- **Considerable river transport,** in particular in the interior provinces (Equator, Oriental Province, Kasai, and Maniema), operated by both public and private companies. Rehabilitation may be needed in some areas (e.g., dredging and signaling).

¹ Information provided by the Office des Routes.

8. **The past decade of crisis and conflict has taken a heavy toll on utilities.** Even before the war, the system was underdeveloped (see Box 5), and the system has further deteriorated during the war, owing to lack of maintenance and the overall weakening of the companies' technical and administrative capacity. Restoring, and eventually developing, infrastructure is key both for the recovery of economic activity and for the improvement of living conditions.

9. **The public health and education systems have largely collapsed:** teachers and doctors are paid only symbolic amounts, facilities are not maintained, and textbooks and drugs are missing. Part of the prewar system has been taken over by the traditionally well-developed networks of religious institutions (mostly Catholic and Protestant), which, de facto, operate most educational facilities, from primary schools to universities, and a large number of health facilities. The private sector is also developing its activities, in particular in the health sector (polyclinics).

Box 5. Utilities in the DRC

Telecommunications

The fixed network is underdeveloped, and operated by a public company, PTT. Mobile services are functioning in Kinshasa, but the interconnections remain unsatisfactory. Improvement of the cellular phone system could be a magnet for investments (as has been the case in neighboring countries).

Energy

Only 6 percent of the DRC's population has access to electric power (31 percent in Kinshasa), one of the lowest rates worldwide. The system is operated by a 5,000-staff public company, the *Société Nationale d'Electricité* (SNEL). It is characterized by its obsolescence and technical heterogeneity (in particular in the distribution system). Direct war damage seems to have been limited. Cost recovery is low (less than 20 percent).

The DRC has an extraordinary potential for hydropower generation, estimated at more than one-third of Africa's potential. The 1,775 MW Inga power plant, in the lower Congo, is the largest in Africa (although it currently operates at one-third of its capacity). Overall, the generation system includes nine hydropower plants of more than 25 MW, and a large number of smaller ones.

The system is organized around three poles—west (structured around Inga and a transmission line to Kinshasa, and further to the Katanga Province and Zambia), south (mostly within Katanga, to supply the mining industries), and east. The east pole is not connected to the two other poles, and mainly supplies the Kivu provinces and Burundi (with some SNEL facilities in Bujumbura). There is no modern dispatching center.

The DRC is a member of the Southern African Power Pool and exports some of its power to the Republic of Congo, Zimbabwe, and South Africa. There is, however, scope for substantial increase of such exports.

Water

About 30 percent of the population has access to running water, including 70 percent of the urban population. Water supply in urban areas is operated by a centralized, 4,500-staff public company, REGIDESO (93 centers). A national service is in principle responsible for installing systems in rural areas (to be operated and maintained by the population).

The networks are confronted with a series of systemic issues: insufficient production capacity for rapidly expanding urban areas; lack of chemicals and fuel; obsolescence of equipment and lack of spare parts; and weak cost recovery. Specific projects have been identified by REGIDESO for the main urban centers.

III. FISCAL TRENDS AND ISSUES⁴

10. **The fiscal situation in the Democratic Republic of the Congo (DRC) has been extremely weak over the past ten years.** Compared with the annual averages for the late 1970s and the 1980s, the deficit has been larger, and the revenue-to-GDP ratio⁵ has fallen to levels that are among the lowest for sub-Saharan Africa countries.⁶ While there have been significant annual variations over the last decade, the pattern of extreme fiscal weakness holds both for the first and the second half of the 1990s.

11. **During the 1996–2000 period, the cash deficit averaged 80 percent of total revenue (with little or no payment of debt service), and the revenue-to-GDP ratio stood at about 5 percent.**⁷ With the new government assuming power in 1997, stabilization measures were adopted that yielded some results in 1998, with a revenue-to-GDP ratio near 6 percent of GDP and a cash deficit below 50 percent of overall revenue. However, the resumption of the war in August 1998 rekindled the cycle of budget deficit monetization, high inflation, and currency depreciation, and the revenue-to-GDP ratio fell further to 3.6 percent, excluding off-budget revenue, in 2000 and to 4.8 percent, including off-budget revenues in that year. The cash budget deficit widened again to 80 percent of overall revenue in 2000⁸. The deficit has been financed primarily by monetization and the accumulation of external and internal arrears (see Statistical Appendix Tables 13–15).

12. **The available information still understates the true extent of the deficit.** While reliable data are hard to come by, and information on off-budget expenditure is only partial, the deficit in 2000 is higher than 10 percent of GDP when external arrears and quasi-fiscal

⁴ Prepared by Jérôme Fournel.

⁵ Over the period 1975–82, the revenue-to-GDP ratio amounted to 12.4 percent, compared with a 5 percent average during the last decade. Over the same period, the deficit on a commitment basis was 6.7 percent of GDP, compared with 12.2 percent of GDP over the last decade.

⁶ Actually, the DRC's ratio was the lowest according to available data over the period 1995–98. Madagascar and Sierra Leone, ranking just above the DRC, had revenue-to-GDP ratios of 8.6 percent and 9.0 percent, respectively.

⁷ Except in 1997, when the revenue-to-GDP ratio reached some 9 percent, according to available data. The nominal GDP for that year was, however, subject to greater inaccuracies than for other years, and such a strong revenue performance, and a parallel increase in expenditure relative to GDP, seems unlikely.

⁸ Including scheduled external debt-service payments, the deficit on a commitment basis is about 120 percent of overall revenue.

activities of the central bank⁹ and public enterprises are included. Available data on recent arrears for wages, pensions, and supplies of goods and services are limited. The only data on domestic debt to the nonbank sector are those on claims verified prior to May 1997.

13. The weak fiscal performance described above relates to specific weaknesses in fiscal policy and management, which affect both revenue and expenditure.

A. Weaknesses in Revenue Performance

14. **The tax system lacks rationality, distorts the economy, and is a management conundrum.** The structure of the tax system is complex, owing to a plethora of taxes and other levies and to the multiplicity of rates that applies to each of them (particularly for customs duties, the turnover tax, and excises). The objectives of the various levies are unclear, particularly the excises, which are aimed at both protecting domestic industry and boosting the tax yield, without any prioritization. In addition, the tax base is narrow owing to the numerous exemptions and deductions that affect the assessment of the various levies. Consequently, the yield of many taxes is low. The turnover tax, for instance, generates less than 1 percent of GDP, whereas in most countries value-added-tax (VAT)-type turnover taxes have a yield of 7–8 percent of GDP.

15. **Discretionary decisions in the form of exceptions to ordinary law, particularly for public enterprises,** routinely were taken by the Minister of Finance and served as the basis for offsetting mechanisms that affect transparency in the application of the system's principles and rules. Thus, the taxation of large public enterprises, such as GECAMINES (mining company) and MIBA (diamond company), does not conform to ordinary law. Their tax payments have been negotiated in recent years. This process compromises the efforts to rationalize the tax system and the stability of fiscal revenue.

16. **The three main tax- and nontax- collecting agencies¹⁰ are poorly staffed (especially in terms of training and experience) and poorly equipped.** For example, the Office des Douanes et Accises (OFIDA) has no database of prices of imported goods against which to check declared values, while the Direction Générale des Contributions (DGC) has neither a reliable identification system for monitoring taxpayers nor a specialized unit for large taxpayers. In addition, the system of paying taxes through commercial banks by mainly using stamps has proved to be highly unreliable and fraud prone, as evidenced by the

⁹ The interest paid on advances from the central bank amounted to less than CGF 0.5 billion in 2000, equivalent to a rate of about 6 percent. This left the central bank with substantial losses compared with its key rate of 120 percent, which, in turn, was well below the inflation rate.

¹⁰ Broadly, OFIDA collects customs and excises, the DGC collects direct and indirect domestic taxes, and the Direction Générale des Recettes Administratives, Judiciaires, Domaniales, et de Participations (DGRAD) centralizes administrative revenue.

misappropriation of funds, shortages of stamps, falsification of documents, and fraudulent operations at several levels.

17. In addition to these general factors, three main causes may be considered as important sources of revenue underperformance in the past few years:

- The first factor stems from the use of the official exchange rate to assess the value of the taxable base for import and export duties and more generally, for all revenues whose taxable base is expressed in—or related to—dollar-terms.¹¹ Against a background of a widening gap between the official and the parallel market exchange rates,¹² the use of the official exchange rate lowers the effective taxation rate. With about 60 percent of revenue having a dollar-denominated base, the loss in revenue collection is huge.
- The second factor is the diversion of revenues to specific accounts outside the control of the treasury. In 2000, an amount equivalent to at least 1.2 percent of GDP was kept outside the treasury account (*compte général du Trésor*) at the central bank. The taxation of petroleum products at the distribution level is a significant example of such schemes. In 2000, no revenue was collected by the treasury from this source.¹³ The annual taxation, however, amounted to CGF 2.6 billion, of which a substantial part was directly offset against petroleum deliveries “free of charge” to government administrations and the military, and the rest was used for other “sovereign” purposes through a special account under the control of the presidency.
- The third factor in revenue underperformance may be traced to the domestic income and profit taxes, which bear the bulk of the impact of high inflation

¹¹ Besides import and export duties, this includes, in particular, the taxation of petroleum products, and the taxes negotiated with GECAMINES and MIBA, whose own revenues are for the greater part in U.S. dollars.

¹² In 2000, the official exchange rate was on average three times lower than the market rate. It was six times lower than the market exchange rate in early May 2001. In February 2001, an “adjustment factor” of 1.8 was applied to the valuation of imports to somewhat limit the negative effects of this gap on import duties. Taking into account this 1.8 factor, the market rate was still more than three times higher than the effective exchange rate used for taxation.

¹³ Another example can be found with the mining company, GECAMINES, which paid to the treasury less than 6 percent of the amount actually due (CGF 1,062 million). It kept a portion of the amounts due to meet its own payroll; these unrecorded advances from the treasury alone totaled CGF 1.3 billion.

through the "Tanzi effect."¹⁴ This effect is, however, partially tempered by the use of withholding mechanisms (for income taxes) and of taxation multipliers (applied to the tax base to limit its erosion) to adjust for inflation.

B. Weaknesses in Expenditure Management

18. The inability of the authorities to adjust expenditures to the low levels of revenue collection and, hence, the existence of a continuous large deficit financed both by arrears (domestic and external) and by an unbridled monetization is the second main feature of the fiscal position of the DRC over the past decade, and especially over the last three years. Two intertwined characteristics provide an explanation for this underachievement: (i) the composition of expenditure and the increasing share of sovereign and security outlays, and (ii) the collapse of budget processes and controls.

19. **With respect to the first characteristic, sovereign and security expenditure represents a substantial proportion of overall expenditure, while wages and investment expenses have been severely curtailed.** The provisional data on the 2000 budget execution illustrate the shift in the composition of expenditure. The aggregate level of cash expenditure was in line with the initial budget projection when excluding off-budget expenditure (CGF 23.4 billion compared with CGF 24.9 billion projected). However, the composition of expenditure differs considerably from that of the initial budget projection. Personnel and investment expenses are lower by more than half the projected amount even though inflation was higher than projected. By comparison, sovereign and security expenditure (including related off-budget expenditures) was substantially higher than projected and accounted for more than 70 percent of overall revenue.

20. Real wages, in particular, have declined substantially in the last two years; and in 2000 the wage bill represented only 27 percent of overall cash expenditure¹⁵ (about 2.3 percent of GDP). The decline has been even more pronounced for civil service wages, as military wages were partially shielded from inflation in the past.¹⁶ In the course of the 2000 fiscal year, the pay scale for all civil servants was doubled, so that by year's end they were receiving between CGF 665 and CGF 6,650 per month, with most receiving about

¹⁴ The Tanzi effect relates to the lag between the tax base valuation and the tax collection (e.g., taxes on corporate profits of year t are due and collected in year $t+i$). In an environment characterized by a high level of inflation, this lag results in a tax revenue loss for the government.

¹⁵ Such a low level for the wage bill occurred before, but was partly reversed as a result of nominal wage increases.

¹⁶ These wages were paid in U.S. dollars until 1999, and then partially indexed to the U.S. dollar. The indexation was abolished in early 2001.

CGF 1,000.¹⁷ Although active (nonmilitary) and retired (civilian and military) personnel currently receiving pay number approximately 389,000 (84,000 of whom are retired), there is no central file of government employees, and information on employees effectively on duty is poor. Government employees in occupied territories, estimated at 120,000, are not paid.¹⁸

21. **The second factor explaining the weak expenditure performance is the total absence of control over expenditure.** Again, taking the 2000 fiscal year as an example, it is estimated that only a marginal proportion of expenditure (less than 2 percent, according to some estimates) was executed through normal procedures. Most expenditure was paid either (i) from diverted revenue sources without any control, or (ii) through direct payment orders to the central bank without the prior knowledge of the treasury, or (iii) through fast-track procedures. In any event, these procedures strongly differ from the country's formal and rather orthodox budget practices (see Box 6 below for a brief description of the normal budget execution process and its recent evolution).

22. Overall, the proliferation of parallel channels deprived the Ministry of Finance of its capacity to record and control expenditure.¹⁹ In addition, the certainty of being able to finance expenditure with central bank advances certainly favored a "benign neglect" attitude toward enforcing controls. The budgets and cash-flow plans that at some point were designed to control expenditure proved ineffective, and no timely adjustments could be made to expenditure to match shortfalls in revenue.

¹⁷ Converted at the market exchange rate in early 2001, the wage scale was equivalent to less than US\$3 to US\$30 per month, with most employees earning less than US\$5 per month.

¹⁸ In contrast, government worker refugees from the eastern provinces are, in principle, being paid, and are included in the total of 389,000 government employees.

¹⁹ To give some order of magnitude and illustrate the inability of the Ministry of Finance to exercise adequate expenditure control, at end-February 2001 the stock of 2000 expenditure that needed to be regularized (expenditure paid without approval by the director of the treasury) amounted to 30 percent of total annual recorded outlays.

Box 6. General Fiscal Management in the DRC

The government expenditure cycle is based in principle on (i) an expenditure preparation, commitment, and validation phase, and (ii) a payment authorization and payment execution phase. The first phase is carried out by various appropriations managers (ministers) and is supervised by the Minister of Economy, Finance, and the Budget through the Directorate of Budgetary Control. The second phase is carried out by the Treasurer-Payment Authorization Officer, with payment handled primarily by the Central Bank of the Congo (BCC) acting as government cashier.

The budget is based on an administrative, economic, and operational classification adopted in 1997. The expenditure chain is essentially manual, although each of the major central departments (budget, treasury, and BCC) has its own computer applications that are partial at best. The Public Accounting Department and the tax-collecting agencies have largely been deprived of their recording and monitoring roles in the expenditure and tax collection management process. In 1997, in an effort to reduce corruption, the functions of public accountants and tax officers were taken over by the BCC, commercial banks, and other financial institutions to handle the bulk of financial flows both for payment and for tax collection.

If the execution process phases mentioned above had been adhered to, budget execution data should in principle be provided by the treasury. However, the use of parallel expenditure channels and fast-track procedures have shifted the focus onto the central bank as, de facto, the only source of data (exclusively on a cash basis and still partial). These data are then reprocessed by the treasury to come up with some budget execution figure along a simplified classification, as the central bank data are not broken down.

IV. HYPERINFLATION IN THE DEMOCRATIC REPUBLIC OF THE CONGO²⁰

23. The Democratic Republic of the Congo (DRC) experienced hyperinflation throughout the 1990s. For instance, from October 1990 to December 1995, the cumulative increase in prices was 6.3 billion percent. This note analyzes the causes and consequences of such dramatic hyperinflation. It also explores policies that can be implemented to break the vicious circle of hyperinflation.²¹

A. Causes of Hyperinflation in the DRC

24. The primary cause of hyperinflation in the DRC lies in the uncontrolled budgetary deficit financed by money creation. As can be seen in Figure 2, there is a strong correlation between the fiscal deficit (on a cash basis), net credit to the government, and the average inflation rate (as measured by the consumer price index). The deficit arises from the breakdown of public administration against the backdrop of political instability, governance problems, civil strife, and war. In this context, there has been an extraordinary weakening of fiscal performance, as evidenced by the fall in fiscal revenue, and the collapse of the expenditure control system (see Section III).

25. Reflecting the drop in revenue and the surging of expenditure, the government cash deficit reached extremely high levels. In the absence of external borrowing options, recourse was taken to central bank credit to finance the budget.²² As a result, the government accounted for the bulk of the increase in money, thereby completely crowding out the private sector. Broad money grew by 160 percent in 1998, 382 percent in 1999, and 493 percent in 2000, while net credit to government surged by 104 percent, 392 percent, and 317 percent during the same three years.

B. Macroeconomic Consequences of Hyperinflation

26. The vicious circle of hyperinflation has led to a breakdown of financial intermediation, an uncontrolled spiral of exchange rate depreciation, increased dollarization, and compounded the fall in fiscal revenue. Moreover, by creating macroeconomic instability and uncertainty, and jeopardizing the transactions role of money, hyperinflation has also had a contractionary impact on key macroeconomic variables, such as investment, savings, GDP, and real wages.

²⁰ Prepared by Bernardin Akitoby.

²¹ For the political economy of hyperinflation in the Democratic Republic of the Congo, see Philippe Beaugrand "Congo's Hyperinflation Decade"(unpublished).

²² The accumulation of external payments arrears with multilateral and bilateral creditors prevented the contracting of new loans (see Sections V and VI).

27. **Financial disintermediation.** Owing to the collapse of the domestic payments system, banks have ceased operating as financial institutions. Sight deposits represented less than 2 percent of broad money over the 1996–2000 period, and have been largely demonetized, as checks and bank transfers have been used almost exclusively for transactions with the central government, at a steep discount. A shortage of banknotes prevented banks from withdrawing excess reserves from the central bank. The excess reserves of commercial banks are equivalent to about 50 percent of their local currency deposit base. In the absence of formal financial intermediation, banking activity has been confined to the brokerage of foreign exchange transactions between importers and exporters.

28. **Depreciation of the parallel market exchange rate.** As a direct consequence of the hyperinflation, the parallel market exchange rate has experienced a sharp depreciation. There is a strong correlation between the inflation rate and the parallel exchange rate, suggesting that the latter truly reflects the differential of inflation rates, as predicted by the theory of relative purchasing power. Since the fixing of the official exchange rate, the gap between the official and parallel exchange rates widened, rising from 44 percent at end-1998 to 545 percent in mid-May 2001 (see Figure 2D).

29. **Dollarization.** As in most cases of hyperinflation, several years of hyperinflation have left a trail of strong inertial inflationary expectations and an extensive dollarization of the economy,²³ based on informal institutions and arrangements centered on exchange bureaus. The dollarization has been fueled both by currency substitution and asset substitution practices. The quoting of prices in foreign currency terms (U.S. dollars and Belgian francs) has been pervasive, while most people, including wage earners, have relied on foreign currency as a store of value.

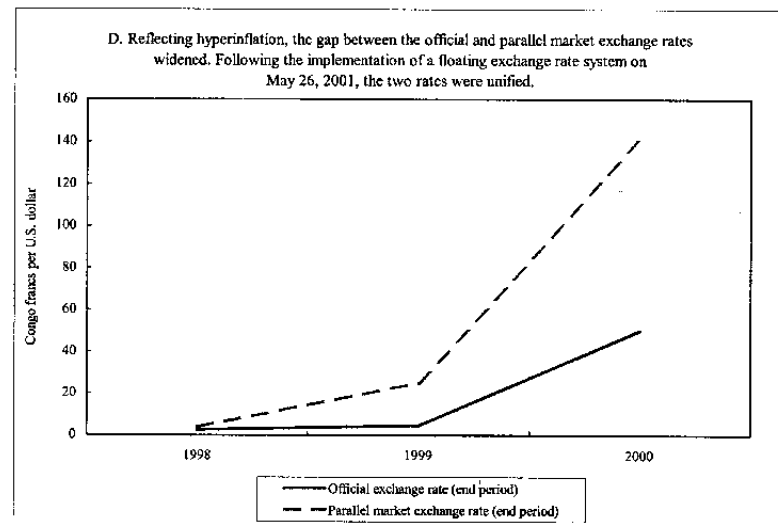
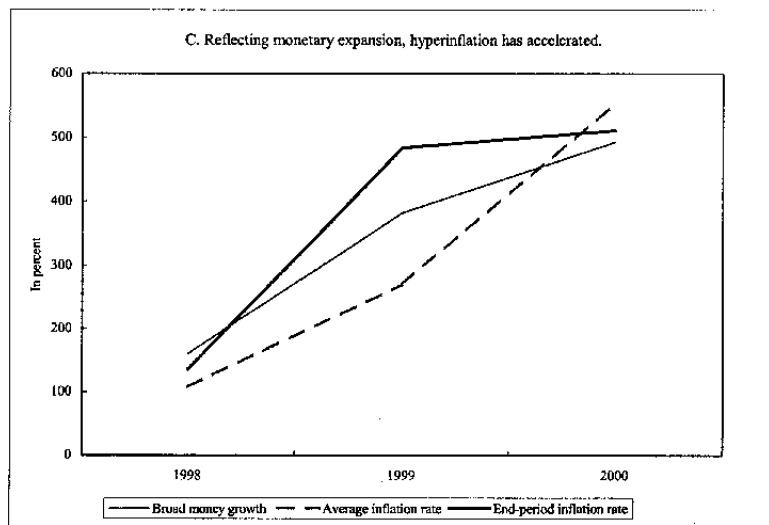
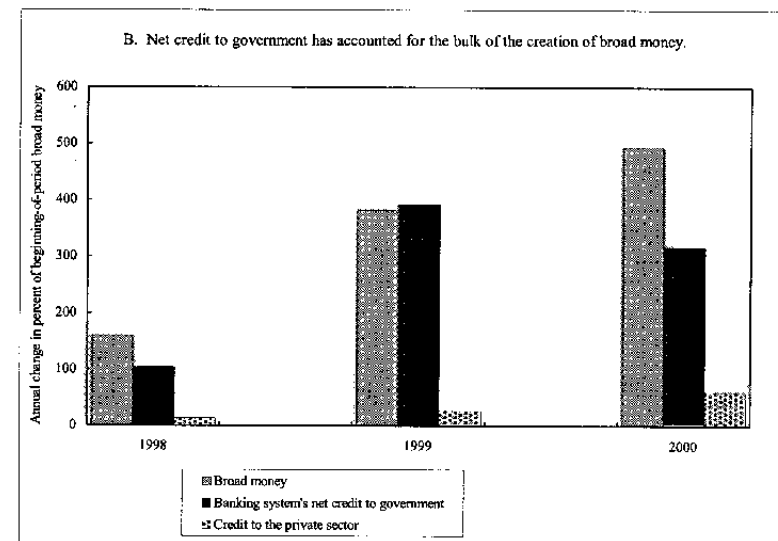
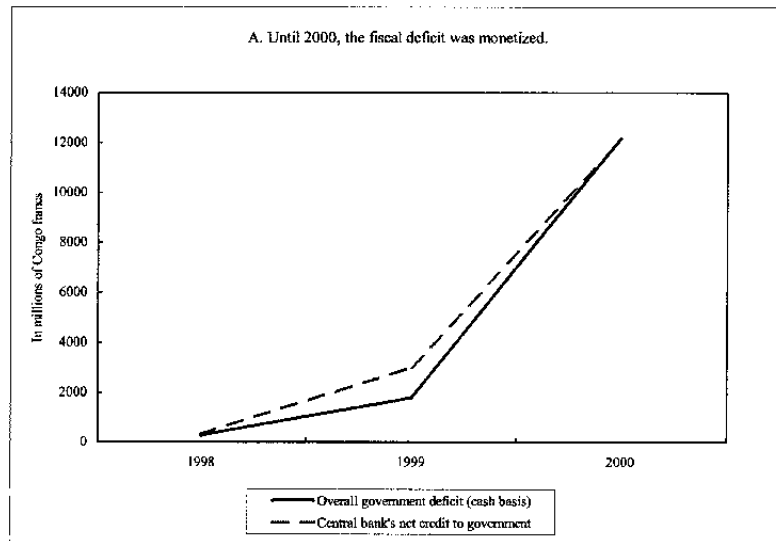
30. **Decline in fiscal revenue.** Hyperinflation has reduced nonmining government revenue in real terms, thereby contributing to rising fiscal deficits. This adverse impact comes about through two channels:

- As the tax system is not indexed, the usual lags in collection, combined with manipulated delays in payment, have led to the erosion of real revenues. This negative effect is known as the Tanzi-Olivera effect.²⁴ The importance of the Tanzi-Olivera effect in the context of hyperinflation has been underscored by Dornbusch (1993).

²³ The rate of dollarization is reported to be about 80 percent.

²⁴ See Olivera (1967) and Tanzi (1977 and 1978).

Figure 2. Democratic Republic of the Congo: Fiscal Deficit, Money, Prices, and Exchange Rates, 1998-2000



- With the deterioration in tax compliance, the tax yield of a given tax structure has declined. Moreover, the tax base has been shrinking as a result of the decline in economic activity and the thriving nonofficial economy.

31. **Depressed investment and saving.** As shown by Fischer (1993) and Barro (1995), hyperinflation has a negative impact on capital formation, by creating macroeconomic instability and uncertainty. This negative impact on investment spending in real terms has also been present in the case of the DRC. In parallel with the decline in investment, domestic saving has also been discouraged by interest rates that are substantially negative in real terms. Also, as hyperinflation makes the holding of real balances more expensive than consumption, households consume more and save less.

32. **Output contraction.** The negative impact on output comes about mainly through the investment channel. In the DRC, prolonged depressed investment has led to a sharp decline in output.

33. **Decline in real wages.** Several years of hyperinflation have all but eroded real wages in both the private and public sectors. Data compiled by the central bank show that in the private sector the real wage index has declined by more than 99 percent during 1996–99. The decline can be attributed to inelastic labor supply and to an insufficiently flexible wage setting in the face of hyperinflation. In the public sector, wages also have experienced a sharp decline in real terms, despite frequent wage increases. The erosion of wages has depressed the consumption of wages earners (considered to have a high marginal propensity to consume), thereby contributing to output contraction.

C. Stopping Hyperinflation

34. Stopping hyperinflation in the DRC requires a decisive stabilization policy, underpinned by a strong political will. The experience gained from short-lived stabilization efforts in 1995 and 1997 clearly shows how to lend credibility to the anti-inflation strategy: a substantial tightening of the fiscal stance is key to stop hyperinflation. An anti-inflation program would, therefore, include revenue-enhancing and expenditure-restraining measures. However, improving revenue collection and effectively controlling expenditure require strong political commitment. As described in the accompanying staff report, the new government of the DRC has demonstrated its commitment in this area.

Analytical framework for stabilization program

35. The following analytical model, which captures the specificities of the DRC's economy, shows how the recourse to money creation for financing large fiscal deficits creates hyperinflation dynamics.

Consider an open economy with exogenous output (y_t).

Government deficit

36. The government cannot issue bonds to the public and finances its primary deficit solely through seignorage, while interest payments on foreign public debt are accumulated as arrears. The government budget in nominal terms is given by the following:

$$D_t = (g_t - \mu_t) \cdot P_t \cdot y_t \quad (1)$$

where g_t is noninterest expenditure (as a share of nominal GDP), μ_t is government revenue (as a share of nominal GDP), and P_t is the price of output.

The financing of the deficit is given by

$$D_t = \dot{M}_t \quad (2)$$

where \dot{M}_t is the change in nominal money stock at a given time t .

Money market equilibrium

37. The demand for money can be summarized by the quantity equation

$$M_t \cdot V_t = P_t \cdot y_t \quad (3)$$

where income velocity of money, V_t , is assumed to be variable, as is the case in a country with high inflation.

We further assume that velocity is a linear function of money growth

$$V_t = \alpha + \beta \cdot V_{t-1} + \gamma \cdot \hat{M}_{t-1} \quad \alpha, \beta, \text{ and } \gamma > 0; \quad (4)$$

where $\hat{}$ denotes the percentage change. This specification of velocity implies that inflation expectations are adaptive.

Household decisions

38. We assume that the country's financial system is largely underdeveloped and the economy is highly dollarized. Accordingly, the nominal wealth of the representative household consists of nominal money stock and foreign currency (because of the extensive dollarization of the economy). The constraint on the household budget flow is given by the following:

$$\dot{M}_t + (\alpha \cdot E_t + (1 - \alpha) \cdot E_t^p) \cdot \dot{F}_t = (1 - \mu_t) \cdot P_t \cdot y_t - C_t \quad (5)$$

where E_t denotes the official exchange rate which is fixed, E_t^p the parallel market rate, F_t the stock of foreign currency, α the share of transactions carried out at the official rate, and C_t nominal consumption.

For simplicity, we assume that consumption is a share of nominal GDP ($C_t = \delta_t \cdot P_t y_t$).

Balance of payments

39. As is the case of the DRC, we assume that the country (i) is faced with no external borrowing options; and (ii) does not service its external debt, and therefore incurs arrears in external interest payments and amortization. Therefore, in the absence of private capital flows in the capital account, the change in foreign reserves is equal to the current account excluding interest payments:

$$X_t - IM_t = (\alpha \cdot E_t + (1 - \alpha) \cdot E_t^p) \cdot \dot{F}_t, \quad (6)$$

where X_t denotes exports, which are assumed exogenous in dollar terms

($X_t = (\alpha \cdot E_t + (1 - \alpha) \cdot E_t^p) \cdot \bar{X}$), and IM_t is imports defined as a fixed share of GDP ($IM_t = m \cdot P_t y_t$).

The parallel market rate is defined by a modified version of the relative purchasing power theory:

$$\hat{E}_t^p = \lambda \cdot (\hat{P}_t - \hat{P}_t^*) \quad (7)$$

where P_t^* denotes the foreign price level. This equation captures the fact that in the DRC the depreciation of the parallel market rate is highly correlated with the inflation rate.

Goods market equilibrium

40. The above model is closed and fully determined. Combining equations (1), (2), (5), and (6) yields the market-clearing condition on the goods market:

$$P_t y_t = C_t + g_t \cdot P_t y_t + X_t - IM_t \quad (8)$$

Solution of the model: hyperinflation dynamics

41. The model can be solved to show how large fiscal deficits can generate hyperinflation dynamics, which, in turn leads to uncontrolled depreciation of the parallel market exchange rate.

The linear approximation of the percentage change of equation (3) yields the inflation rate²⁵

$$\hat{P}_t = \sigma_1 \cdot \hat{M}_t + \sigma_2 \cdot \hat{V}_t \quad (9)$$

where σ_1 and σ_2 are parameters. For simplicity, we assume that real output growth is zero.

From equation (3), M_t is given by

$$M_t = \frac{P_t \cdot y_t}{V_t} \quad (10)$$

Equations (1) and (2) imply that

$$\frac{\dot{M}_t}{P_t} = (g_t - \mu_t) \cdot y_t \quad (11)$$

Substituting equations (10) and (11) in (9) yields

$$\hat{P}_t = \sigma_1 \cdot (g_t - \mu_t) \cdot V_t + \sigma_2 \cdot \hat{V}_t \quad (12)$$

Equation (12) clearly shows how uncontrolled fiscal deficits can trigger a hyperinflation spiral. First, past fiscal deficits financed through seignorage lead to an exponential growth in the income velocity of money, which, in turn, affects the current inflation rate. Second, the current deficit $(g_t - \mu_t)$ also has a direct impact on the current inflation rate. Through equation (7), the hyperinflation spiral will translate into a spiral of exchange rate depreciation. Thus, the only way of stopping hyperinflation is to drastically reduce the fiscal deficit, which will lead to a decline in income velocity.

Empirical evidence for the DRC

Exchange rate dynamics

42. We estimate equation (7) using monthly data over the period 1990–2000. By applying the ordinary least squares (OLS) method to the data, we obtain the following results:

²⁵ For high inflation, the sum of money and velocity growth rates is no longer a good approximation of the actual inflation rate.

$$\begin{aligned}\hat{E}_t^p &= -0.24 + 1.03(\hat{P}_t - P_t^*) & R^2 &= 0.67 \\ &(2.88) \quad (0.06) & df &= 129 \\ t &= (-0.085) \quad (16.25) & F_{1,129} &= 264.24\end{aligned}\quad (13)$$

Examining the results, we observe that the estimated λ is positive, in accordance with prior expectations. The estimated value suggests that a 1 percent increase in the inflation differential will lead to 1.03 percent depreciation in the parallel market exchange rate. As to the significance of the estimated slope coefficient, the null hypothesis that there is no relationship between inflation and exchange rate depreciation can be rejected at a 0.01 percent level of significance. As the estimated intercept coefficient is not statistically different from zero, we reestimate the equation without an intercept, which gives the following results:

$$\begin{aligned}\hat{E}_t^p &= 1.03(\hat{P}_t - P_t^*) & R^2 &= 0.67 \\ &(0.05) & df &= 130 \\ t &= (19.4)\end{aligned}\quad (14)$$

Inflation dynamics

43. The data used are annual data for the period 1990–2000. Given the short span of the data, these estimates should be interpreted with caution, as the robustness of the results would need to be tested on longer data series.

We estimate the following modified version of the inflation equation:

$$\hat{P}_t = \beta_1 + \beta_2 \cdot DEFG_t + \beta_3 \cdot \hat{V}_t \quad (15)$$

where $DEFG_t$ is the government cash deficit as a share of GDP, and \hat{V}_t the percentage change in income velocity of money. The OLS regression's results are as follows:

$$\begin{aligned}\hat{P}_t &= 171.6 + 253.3(DEFG_t) + 27.9\hat{V}_t & R^2 &= 0.74 \\ &(844.1) \quad (114.13) \quad (5.77) & df &= 8 \\ t &= (0.20) \quad (2.22) \quad (4.83) & F_{2,8} &= 11.89\end{aligned}\quad (16)$$

As the estimated intercept coefficient is not statistically significant, we also run the regression without an intercept:

$$\begin{aligned}\hat{P}_t &= 271.4(DEFG_t) + 28.4\hat{V}_t & R^2 &= 0.74 \\ &(67.38) \quad (5.01) & df &= 9 \\ t &= (4.02) \quad (5.66)\end{aligned}\quad (17)$$

Both estimated coefficients are overwhelmingly significant, and their signs are in accordance with prior expectations. The coefficient of the budget deficit is very large, implying a very rapid disinflation in response to a small decline in the budget deficit ratio from its current level. As observed above, the results of this study should be interpreted with caution. Nevertheless, the results clearly indicate that adoption of a prudent fiscal stance rapidly leads to disinflation.

D. Concluding remarks

44. The following conclusions can be drawn:

- The monetization of fiscal deficits is identified as the primary source of the hyperinflation.
- Based on the analytical framework used in this section, a money-based stabilization program could break the cycle of hyperinflation in the DRC.
- In light of the strong relationship between inflation and the exchange rate, breaking the cycle of hyperinflation will also stabilize the exchange rate.

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V. BALANCE OF PAYMENTS DEVELOPMENTS OVER THE PAST DECADE²⁶

45. **The deterioration in economic activity in the 1990s in the Democratic Republic of the Congo (DRC) was pronounced in the external trade sector.** From its peak in 1989, the U.S. dollar value of exports and imports of goods and services combined had declined by 35 percent by 1996 and by 60 percent by 2000. In addition, in the second half of the 1990s the economy increasingly turned inward: the external trade sector's share of the economy declined from about 70 percent of GDP in the first half of the 1990s to 45 percent in 2000. Moreover, as the decline was more pronounced in exports, the merchandise trade surpluses of the early 1990s turned into a deficit in 1998 reaching US\$275 million or 6 percent of GDP (Statistical Appendix Table 23).²⁷

46. **Both merchandise export volumes and earnings declined by about 70 percent between 1989 and 2000,** with earnings falling from US\$2,400 million to US\$760 million.²⁸ However, while volumes had declined 55 percent by 1996, the decline in earnings by 1996 was a more modest 30 percent. This evolution in exports was driven by three major developments: the collapse of copper prices and exports in the early 1990s and the shift in the composition of exports; the impact of the conflict; and the gains in commodity prices in the early and mid-1990s, followed by their subsequent reversal in the late 1990s.

47. **The composition of merchandise exports changed sharply during the 1990s, primarily owing to the collapse of copper exports in the early 1990s.** In 1989, the main sources of export receipts, accounting for about 95 percent of all receipts, were copper (about 45 percent of total earnings, or US\$1,200 million), diamonds (about 25 percent, or US\$600 million), cobalt and crude oil (each about 10 percent) and coffee (about 5 percent). Other exports included zinc, gold, silver, rubber, and timber. Following the collapse of copper exports, diamonds in 2000 became the main source of export earnings (57 percent of total earnings, or US\$435 million). Other significant sources of earnings comprise crude oil (19 percent, or US\$141 million) and cobalt (13 percent, or US\$97 million), copper (6 percent, or US\$45 million), and coffee (1.5 percent, or US\$12 million). Exports of other commodities, such as zinc, silver, gold, rubber, and timber, were zero or negligible in 2000.

²⁶ Prepared by Nicholas Staines.

²⁷ The estimates for the balance of payments since 1998 do not include the UN peacekeeping force. However, most of the transfers budgeted for this mission are allocated for imports of goods and services, and only a small portion are spent locally. Consequently, while inclusion of the UN estimates would affect the trade balance, the current account balance would not be altered significantly.

²⁸ Data for merchandise exports include estimates for unrecorded exports based on surveys undertaken in the 1980s but not subsequently updated.

48. At the start of the 1990s, the export sector, especially for copper and cobalt, was dominated by the GECAMINES company, which was responsible for 50–60 percent (about US\$1,300 million) of all export earnings. However, the dependency of the export sector on copper made the sector, particularly GECAMINES, vulnerable to the sharp decline in copper prices that began in 1989 and reached 30 percent by 1993 and 40 percent by 2000. Moreover, since much of the copper production was only marginally profitable, the decline in copper prices was accompanied by a sharp decline in production; as a result, total copper export earnings had fallen by 87 percent by 1993, and by 96 percent to US\$45 million by 2000. Low profitability, lack of investment and maintenance, the impact of the conflicts and the recent downturn in commodity prices have impeded the ability of GECAMINES to sustain or intensify its earnings from other sources, especially cobalt. By 2000, the export earnings of GECAMINES had collapsed to about 10 percent, or US\$140 million, of its earnings in 1989.²⁹

49. In contrast to copper, export earnings for the other main commodities benefited from a broad increase in commodity prices in the early 1990s, which peaked in 1995 at 50 percent above 1989 levels. Excluding copper, exports earnings in 1996 (US\$1,560 million) were 25 percent higher than in 1989. However, the onset of the war in 1998 and the recent declines in commodity prices (except for oil) led to a significant reversal of these gains, so that by 2000 export earnings, excluding copper, had fallen to US\$715 million, or about 60 percent of earnings in 1989. Moreover, except for crude oil, export volumes for all commodities in 2000 were significantly below their 1989 levels.

50. Production of diamonds is widely distributed. Société Minière de Bakwanga (MIBA), the largest producer of industrial diamonds, accounted for only 18 percent of diamond exports in 2000, the artisanal sector accounted for 38 percent, and the unrecorded parallel market is estimated to account for the remainder. Diamond export earnings peaked at over US\$700 million in 1998 but subsequently declined to about US\$440 million in 2000. This decline was in part owing to weaker prices but was also caused by the installation of monopoly control in 2000 over diamond exports; together these factors reduced export volumes by 35 percent from their level in 1998. Crude oil exports receipts are derived mostly from offshore fields and have therefore been relatively unaffected by the conflict. Oil exports varied between 8 million and 11 million barrels during the 1990s and benefited from the recovery in world prices. Thus, oil export revenue in 2000 reached US\$140 million on 8 million barrels, modestly lower than the earnings of US\$160 million on 10 million barrels in 1989.

51. Total merchandise imports over the second half of the 1990s were in line with economic activity, declining by about 25 percent from 1996 to just over US\$1 billion

²⁹ Another firm, SODIMICO, has a small market share in the copper sector and has experienced a similar decline in export earnings.

in 2000.³⁰ Imports recovered from the conflict-related slump but have remained constrained by the weak economy and damage to the transportation infrastructure, including a sharp increase in shipping and insurance costs. Since 1998, imports have also been severely constrained by the shortage of foreign exchange and the reluctance of exporters to deposit export earnings with the banking sector at the significantly appreciated official rate, rather than at the parallel market rate, or to even repatriate earnings. A significant portion of importers, especially exporters with large import needs, have attempted to bypass this constraint by paying for imports with funds retained overseas, and using the parallel foreign exchange market, leading to a divergence between imports recorded by the central bank and customs data.

52. Refined petroleum imports, the single-largest import commodity, fluctuated significantly during the 1990s, and, while spending increased sharply during the conflict, it generally failed to keep pace with economic activity. Spending on petroleum imports averaged 1.7 percent of GDP in the early 1990s but, except during the conflict, has since only averaged about 1.0 percent of GDP. Similarly, except during the conflict, import volumes have averaged about 40–50 percent of the level recorded in the early 1990s. Moreover, retail price controls and the de facto monopoly on petroleum product imports by COHYDRO (a public enterprise) caused import volumes to slump sharply in 1999 and again in 2000. By 2000, import volumes had fallen to about 20 percent of the level in 1989, resulting in a severe shortage of petroleum products.

53. **A significant portion of merchandise imports is driven by the export sector, especially exports of diamonds, petroleum and copper.** In the early 1990s, the export sector accounted for about 30 percent of total imports, and GECAMINES alone was responsible for about 20 percent of total imports. Export-related imports have since declined in tandem with the level and composition of exports and averaged about 20 percent of imports in the latter half of the 1990s.

54. **Anecdotal evidence suggests that there has been a shift in the composition of imports toward the import of basic commodities, especially food, in part because of the difficulties encountered in domestic agricultural production and in the transporting of foodstuffs from the interior.** However, such evidence also indicates that there has been significant capital imports in sectors that have recently experienced strong foreign direct investment, especially in the capital-intensive telecommunications sector. Aid-related merchandise imports are estimated to have reached US\$110 million in 2000. The import component of external aid (much of it humanitarian assistance) is currently thought to be as high as 95 percent and allocated mostly to merchandise imports, rather than services.

³⁰ Import data are based in part on Central Bank of the Congo (BCC) data, as well as on dated survey estimates. For 1996–2000, the data on aggregate imports have been adjusted to be aligned with customs data and, therefore, are not reliably comparable with data on aggregate imports for 1989–95.

55. **During the 1990s, in addition to the deficit for goods and services, the income account also posted large deficits owing to the US\$350–400 million in scheduled interest payments, including substantial interest on arrears.** The scheduled amortization of principal of external debt was of a similar magnitude. The current account deficit doubled from US\$400 million in 1996 to US\$800 million in 2000 reaching about 18 percent of GDP in the latter year. The prevailing uncertainty and insecurity in the DRC was, until 2000, reflected in sustained private capital outflows as well as negative current private transfers of about US\$350–385 million, or 6–9 percent of GDP over the 1996–99 period. However, net outflows diminished significantly to US\$253 million in 2000, reflecting increased foreign direct investment. These outflows were partially offset by external aid, which had fallen to about US\$70 million in 1997 but increased to about US\$138 million in 2000.

56. The developments outlined above have resulted in large overall balance of payments deficits, which, with the drying up of foreign financing, have been financed mainly through the accumulation of external payments arrears of about US\$700–800 million a year. Gross international reserves have fallen to low levels—at 2.2 weeks of imports at end-2000.

VI. TRENDS IN EXTERNAL DEBT³¹

57. During recent years, the external position of the DRC has remained precarious, reflecting the fiscal stance (exacerbated by security-related spending pressures and the erosion of the tax base) and domestic supply constraints. In the absence of external financial assistance, except for humanitarian purposes, the overall balance of payments position has been primarily financed by the continued accumulation of external debt-service arrears.

58. The stock of public and publicly guaranteed medium- and long-term external debt is preliminarily estimated to have amounted to US\$12.7 billion at end-2000 (see Table 1 and Statistical Appendix Table 27); this is equivalent to about 280 percent of GDP, or over 15 years of the current diminished value of exports of goods and services and almost 60 years of fiscal revenues in 2000.³² Including short-term (central bank and government) debt and International Finance Corporation (IFC) loans (one of which may have been assumed by the government), total debt is estimated at US\$12.9 billion in 2000. Paris Club creditors accounted for the largest share (72 percent) of total medium and long-term public debt (Figure 3).³³ The six bilateral creditors with the highest exposure are the United States (US\$2.7 billion); France (US\$1.4 billion); Belgium (US\$1.2 billion); Italy (US\$901 million); Germany (US\$862 million); and Japan (US\$791 million). Debt owed to non-Paris Club bilateral creditors amounted to US\$391 million. About one-fifth of bilateral debt is not in arrears, of which some 80 percent (US\$1.4 billion) is on concessional terms. Multilateral creditors accounted for 25 percent of medium- and long-term public debt, owed mainly to the World Bank Group (US\$1.4 billion), the African Development Bank (US\$1.1 billion), and the IMF (US\$506 million).

59. Total external debt service falling due (including on arrears) in 2000 amounted to US\$721 million (US\$438 million, excluding arrears), equivalent to almost 90 percent of exports of goods and nonfactor services and about 330 percent of fiscal revenues.

60. About 75 percent of total public debt is composed of arrears, reflecting the nonpayment of debt-service payments to virtually all creditors since 1992. Concomitantly, no new bilateral loans have been contracted since the early 1990s. Arrears on medium- and long-term debt—principal and interest—at end-2000 amounted to US\$9.4 billion, of which

³¹ Prepared by Messrs. L. Dicks-Mireaux and N. Staines, and Ms. M. Klutstein-Meyer (World Bank).

³² These estimates are subject to change, depending on the receipt of further information from creditors and the outcome of an internal reconciliation exercise by the authorities.

³³ All commercial debt has been classified as part of bilateral debt, pending further clarification of loan details. As a result, possible London Club creditors are included as part of the Paris Club; debt owed to London Club creditors is estimated to account for a relatively small portion of the total amount included under Paris Club debt.

Table 1. Democratic Republic of the Congo: Public and Publicly Guaranteed External Debt, End-2000

(In millions of U.S. dollars)

Creditor	Debt Outstanding and Disbursed Excluding Arrears			Interest Arrears 1/	Total Arrears	Debt Outstanding and Disbursed Including Arrears		Share of Total (In percent)	NPV of Debt
	Principal Arrears								
Multilateral	1,515	1,011	667		1,678	3,194		25	2,484
Of which									
IMF	0	391	115		506	506		4	506
Of which									
IDA	1,093	94	67		161	1,254		10	673
Of which									
IBRD	4	77	43		120	124		1	124
Bilateral/commercial 2/	1,750	3,840	3,870		7,710	9,460		75	9,195
Paris Club	1,644	3,658	3,767		7,424	9,068		72	8,815
Non-Paris Club	106	182	104		286	391		3	380
Total long-/medium-term public debt	3,265	4,851	4,537		9,388	12,653		100	11,679
Of which									
Total arrears	0	4,851	4,537		9,388	9,388		74	9,388
Memorandum items:									
Other debt									
Short-term debt 3/	0	170	0		170	170		...	170
Private long-term debt, IFC 4/	0	16	23		39	39		...	39
Total public and other debt	3,265	5,038	4,560		9,597	12,862		...	11,888

Sources: Congolese authorities; and staff estimates.

1/ Includes cumulative stock of scheduled interest in arrears, interest on interest payments in arrears, late interest, and other charges.

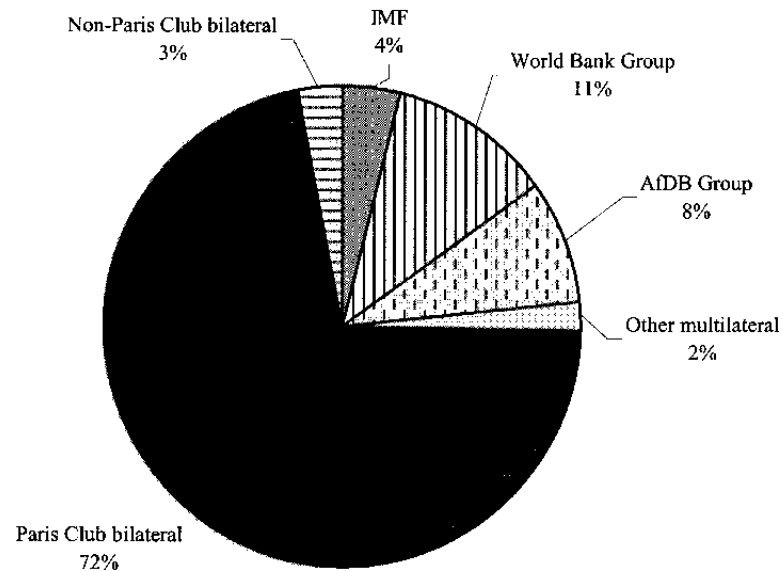
2/ Commercial debt has been classified with bilateral debt pending further clarification of loan details. As a result, possible London Club creditors are included as part of Paris Club; debt owed to London Club creditors is estimated to comprise a relatively small portion of total amount included under Paris Club debt.

3/ Short-term debt of the BCC and the government. All short-term debt is in arrears.

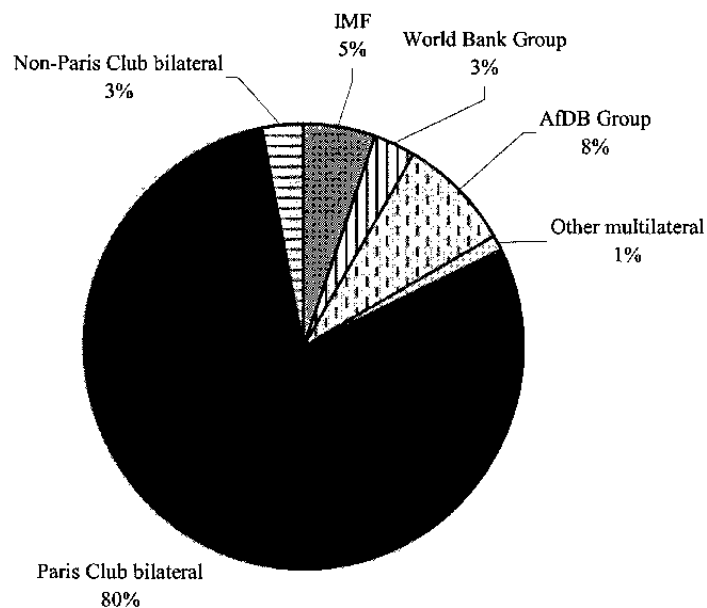
4/ IFC loan that may have been assumed by the government.

Figure 3. Democratic Republic of the Congo: Composition of Medium- and Long-Term External Public and Publicly Guaranteed Debt by Creditor, End-2000

A. Debt Outstanding and Disbursed, Including Arrears



B. Total Arrears



Sources: Congolese authorities and staff estimates.

US\$7.4 billion and US\$286 million in arrears were owed to Paris Club and non-Paris Club bilateral creditors, respectively. As regards multilateral creditors, US\$781 million was owed to the African Development Bank, US\$506 million to the IMF, and US\$280 million to the World Bank Group. At end-2000, the net present value (NPV) of public and publicly guaranteed medium- and long-term debt stood at US\$11.7 billion, less than 10 percent smaller than its nominal value, reflecting the significant stock of outstanding arrears.

61. The last Paris Club rescheduling was in June 1989, in the form of a flow operation on Toronto terms, with a cutoff date of June 30, 1983. Under this agreement, US\$1.5 billion in debt-service obligations falling due over a 13-month period was consolidated and rescheduled. The DRC is eligible for assistance under the Initiative for the Heavily Indebted Poor Countries (HIPC Initiative), subject to its meeting the requirements of the initiative for receiving debt relief.

62. The DRC's external debt is large relative to its resource base and ability to service its debt. Some indication of the sustainability of the level of debt is provided by looking at the ratios of the stock of debt and debt-service payments to selected economic variables: nominal GDP, exports of goods and services, and population. Except for population, the debt-stock ratio has deteriorated significantly over the past decade (Table 2).

63. A large part of the deterioration in the debt stock ratios of the DRC reflects the accumulation of arrears (and interest accrued on the arrears). However, the doubling in the debt ratios over the past decade is also attributable to a sustained and significant decline in the level of economic activity. An alternative perspective is given by recalculating the debt ratios using a "normal" level of economic activity in 2000. The "normal" level is assumed to be the same as in 1991, just before the economy started its accelerated downturn.³⁴ The debt ratios in 2000 are significantly lower in this counterfactual scenario but are still higher than in 1991, reflecting the accumulation of arrears.

64. The DRC's external debt situation compares unfavorably with that of other countries in sub-Saharan Africa, and the DRC is one of the poorest and most heavily indebted nations. Two groups of countries against which the DRC might be compared are the heavily indebted poor countries (HIPC) and sub-Saharan Africa (excluding Nigeria and South Africa). In 2000, the DRC's income per capita (US\$85) was significantly lower than the average for the HIPC (US\$304) or for sub-Saharan Africa (US\$321). Even after adjusting for a "normal" level of economic activity in 2000, the DRC's income per capita (US\$160) would still rank it among the poorer of the HIPC countries.

65. Owing to its large population, the DRC's debt per capita in 2000 (US\$254) is below the average for either the HIPC (US\$303) or sub-Saharan Africa (US\$319). However, the

³⁴ This adjustment takes into account the decline of economic activity below potential, but it ignores possible economic growth that might have occurred in the interim period.

Table 2. Democratic Republic of the Congo: External Debt Indicators, 1991–2000

	1991	1996	1997	1998	1999	2000	2000 1/
(In millions of U.S. dollars, unless otherwise indicated)							
External public debt	10,998	13,086	12,634	13,506	13,238	12,862	12,862
Arrears on external public debt	2,270	7,477	7,769	8,710	9,222	9,597	9,597
Debt service due	1,319	757	768	834	776	721	721
Gross domestic product	8,115	5,771	3,804	6,218	4,579	4,540	8,115
Gross domestic product, constant 1991 prices	8,115	5,174	3,346	4,501	3,919	3,807	8,115
Exports of goods and services	1,841	1,738	1,255	1,240	1,003	829	1,841
GDP per capita (U.S. dollars)	205	124	79	126	93	85	160
GDP per capita (constant 1991 U.S. dollars)	205	111	70	109	79	71	160
(In percent, unless otherwise indicated)							
Democratic Republic of the Congo							
Ratio of debt stock to:							
Population (in. U.S. dollars)	278	282	263	273	268	254	254
Gross domestic product	136	227	332	217	289	283	158
Exports of goods and services	597	753	1,007	1,089	1,319	1,552	699
Ratio of debt service due to:							
Population (in U.S. dollars)	33	16	16	17	16	14	14
Gross domestic product	16	13	20	13	17	16	9
Exports of goods and services	72	44	61	67	77	87	39
Heavily indebted poor countries							
Ratio of debt stock to:							
Population (in. U.S. dollars)	345	351	336	331	326	303	...
Gross domestic product	98	116	109	107	106	99	...
Exports of goods and services	521	381	361	375	348	279	...
Ratio of debt service paid to:							
Population (U.S. dollars)	23	20	18	20	19	20	...
Gross domestic product (percent)	6	7	6	7	6	6	...
Exports of goods and services (percent)	34	22	19	23	20	16	...
Sub-Saharan Africa 2/							
Ratio of debt stock to:							
Population (U.S. dollars)	370	384	364	354	345	319	...
Gross domestic product	83	110	102	104	105	99	...
Exports of goods and services	375	342	325	358	332	278	...
Ratio of debt service paid to:							
Population (U.S. dollars)	25	21	20	22	19	20	...
Gross domestic product (percent)	6	6	5	7	6	6	...
Exports of goods and services (percent)	26	19	17	22	18	18	...

Sources: Congolese authorities; and staff estimates.

1/ Counterfactual scenario; assuming the same population, GDP and exports in 2000 as in 1991.

2/ Excluding Nigeria and South Africa.

DRC's debt-to-GDP ratio (283 percent) in 2000 was significantly higher than that for sub-Saharan Africa (99 percent) or the HIPC's (also 99 percent) and remains so (at 158 percent) even after adjusting for a "normal" level of economic activity. The unfavorable position of the DRC vis-à-vis the two comparator groups is greater in terms of the ratio of debt to exports of goods and nonfactor services—in 2000, the ratio for the DRC was 1,522 percent, much higher than for sub-Saharan Africa (278 percent) or the HIPC's (279 percent), and remains so even after a counterfactual adjustment is made (699 percent).

VII. EXCHANGE, PAYMENTS, AND TRADE SYSTEMS³⁵

A. Exchange and Payments System, 1996–2001

66. With the onset of the 1990s, the DRC entered a period marked by episodes of political turmoil and armed conflict. These troubles undermined fiscal and monetary policy: the fiscal stance was typically expansionary, in particular as a result of pressures to provide for security needs, and was financed almost entirely by currency issue. As a result, the country experienced an extended period of very high inflation, at times slipping into hyperinflation. Reflecting these developments, as well as the drying up of external financing, the exchange rate steadily depreciated throughout the period, and, in an effort to conserve foreign exchange resources for official uses, the foreign exchange system was tightened.

67. From late 1995 to August 1998, the authorities maintained a floating exchange rate system. Under the system, the interbank rate was closely aligned to the rate prevailing in the free market as quoted by the foreign exchange bureaus (previously, the bureau rate was referred to as the “parallel exchange rate”). Daily fixing sessions with commercial banks held at the Central Bank of the Congo (BCC) (the interbank market) opened with quotations based on the market-determined bureau rate. Throughout the period, the spread between the interbank rate and the bureau exchange rate stayed below 10 percent.³⁶

68. In line with the intent of the new floating exchange rate system introduced in 1995, the authorities maintained a foreign exchange system from late 1995 through 1998 that was relatively free of restrictions. Several measures were taken to liberalize the payments system, and the rate of exchange was freely determined.³⁷ On November 3, 1995, a short-lived decision to restrict foreign exchange holdings related to artisanal gold and diamond exports, which led to a sharp drop in the supply of foreign exchange, was rescinded.³⁸ The surrender requirement was reduced to 30 percent and, on March 25, 1996, further reduced

³⁵ Prepared by Louis Dicks-Mireaux. See also Philippe Beaugrand and others, *Zaire—Background Information and Statistical Data, IMF Staff Country Report No. 16/28* (Washington; IMF 1996); and Philippe Beaugrand, “Congo’s Hyperinflation Decade” (unpublished).

³⁶ Even under ideal conditions, some spread could remain insofar as the bureaus dealt exclusively with currency notes and operated as a retail market.

³⁷ Purchases of foreign exchange from the major mining and diamond enterprises—GECAMINES, MIBA, and SODIMICO were made by the central bank at negotiated rates.

³⁸ On October 5, 1995, domestic purchases of artisanal diamonds and gold with foreign currency were banned, and the surrender requirement for artisanal exports of diamonds and gold was raised from 20 percent to 50 percent. All other exports were subject to a 60 percent surrender requirement.

to 20 percent. Although the volume of transactions at the fixing sessions picked up, the banking system remained marginalized and the official foreign exchange market remained small and largely artificial.

69. On December 27, 1996, new foreign exchange regulations were introduced that, among other things, liberalized imports and exports of foreign banknotes, eliminated surrender requirements of export proceeds to the BCC and other banks, eliminated import and export licensing requirements, liberalized capital transfers for direct and portfolio investments, and abolished the prior authorization (from the BCC) needed for opening foreign currency accounts at banks. Requests for foreign exchange for travel abroad of US\$20,000 or more were subject to authorization by the central bank for prudential reasons. The official market for foreign exchange transactions outside the banking sector was expanded on June 12, 1997 with the official recognition of foreign exchange *guichets* operated by private individuals; a US\$50 license was required. On September 28, 1998, reporting and prudential requirements were introduced for the *guichets*.

70. During the period 1998–2000, the floating exchange rate system was replaced (effective August 1998) by a fixed exchange rate system, and the exchange system was progressively restricted. As hyperinflation returned, so the depreciation of the currency in the parallel market accelerated. The official rate was periodically adjusted, but the spread between the official rate and parallel rate progressively widened—at end-1998 the spread was 44 percent and by mid-May 2001, 545 percent.³⁹ Reflecting these developments, the official interbank market for foreign exchange effectively fell into disuse.

71. On January 9, 1999, domestic transactions in foreign exchange were banned. On September 22, 1999, new foreign exchange regulations were issued that introduced further restrictions, of which the major elements were the following: domestic holdings of foreign currency were banned, the limit on requests for foreign exchange for travel abroad subject to authorization by the central bank was lowered to US\$10,000, export surrender requirements were restored, and import and export licensing requirements were reintroduced. Also, foreign exchange bureaus and *guichets* were banned.⁴⁰ In practice, the operations carried out by the bureaus and *guichets* shifted to the parallel market. Effective October 25, 2000, taxes on imports and exports of goods had to be paid in foreign currency. In early February 2001, the requirement for imports was modified, with payment no longer required in foreign currency.

³⁹ In August 1998, the official exchange rate was CGF 1.525 per U.S. dollar; it was subsequently adjusted in September 1998 (1.775), October 1998 (2.45), February 1999 (2.95), April 1999 (4.5), January 2000 (9.0), June 2000 (23.5), and October 2000 (50.0).

⁴⁰ On October 8, 2000, domestic foreign exchange transactions were authorized for payments of certain services and other transactions, if the contractual obligation is expressed in foreign exchange terms.

72. In late 2000, the authorities issued new foreign exchange regulations. Although these were largely similar to the existing 1999 regulations, they signaled a move toward greater liberalization with the abolition of the outright ban on domestic holdings of foreign currency and the authorization of such holdings for a limited number of purposes. In early 2001, the authorities began to reopen and liberalize the foreign exchange system with the introduction of new foreign exchange regulations on February 22. The sweeping changes introduced by the new regulations paved the way for the reintroduction of a floating exchange rate system on May 26, 2001 and the unification of the then existing multiple exchange rates. On May 28, the first day of operation of the new system, the average exchange rate was CGF 313.5 per U.S. dollar, representing a depreciation of the official rate of 84 percent in foreign currency terms.⁴¹ At the same time, the interbank foreign exchange market was restored, and foreign exchange bureaus operating in the parallel market were reauthorized. A new interbank convention was signed by participating banks, and new prudential and reporting regulations were introduced for foreign exchange bureaus.

73. The main innovations of the February 2001 foreign exchange regulations were as follows: the surrender of foreign currency by travelers was abolished; the ban on domestic transactions in foreign currency was rescinded; import and export licensing requirements were replaced by "declarations" for administrative and statistical purposes; and payments for services, current transfers, and capital account transactions were liberalized (reporting requirements were introduced for statistical and monitoring purposes, including to guard against possible money laundering or other illegal activities).

74. Under the new floating exchange rate system, the interbank and customer (bank-customer and foreign exchange bureaus) exchange rates are closely aligned. Daily sessions of the interbank market take as an opening rate a weighted average of the interbank and bureau exchange rate of the previous day. During the day, rates on foreign transactions are freely determined by banks as calls and offers of foreign exchange are made.

75. Under the new foreign exchange regulations, there are no restrictions subject to Article XIV of the Fund's Articles of Agreement. Furthermore, with the restoration of a floating exchange rate system, the exchange and payments system is free of restrictions subject to Article VIII. The previous de facto multiple currency practice has disappeared with the new market-based exchange rate system and the integration of the interbank and foreign exchange bureau markets for foreign exchange. Two bilateral payments accords with Angola and Zimbabwe (which do not constitute restrictions under Article VIII) are in place but inoperative; when active, they accounted for only a small share of the DRC's trade.⁴²

⁴¹ For the first day of the new exchange system, the opening rate quoted by the BCC was set at 5 percent below the parallel rate (CGF 330 per U.S. dollar).

⁴² The accord with Angola was established in 1990 and covered imports of goods and services. There was no obligatory requirement on importers to settle payments through the

B. The Trade System

76. The system of import tariffs and taxes is complex involving a multiplicity of tariff and tax rates, advance payments on domestic taxes, and numerous exemptions (Box 7). This lack of transparency complicates the task of the revenue agencies and provides opportunities for fraud and discretionary decisions. Moreover, the weak state of customs administration has led to considerable and burdensome delays in the customs clearance process for imports. In order to be effective, reforms to the tax and tariff systems would need to be accompanied by a strengthening of the customs administration and improvements in governance. The authorities are planning to reform the customs administration in the near future.

77. Since 1997, the authorities have taken some steps to simplify and make less restrictive the trade regime. In particular, the system of import tariff rates was reduced to five tariff brackets and the minimum tariff rate reduced to zero, changing the range of rates from 5–30 percent to 0–30 percent. Also, the amount of advance payment of the turnover tax was reduced from a range of 5–30 percent to 0–13 percent, and the number of rates cut from 5 to 3. In 2000, quantitative restrictions on imports (used to protect local industry, especially textiles and tires) were replaced by a surtax, with 3 rates of 15, 20, or 30 percent. With respect to export taxes, in 1999 the tax (0.75 percent) on exports of artisanal diamonds and gold was suspended; the remaining export taxes on other commodities range from 1–10 percent. The authorities are in the process of converting to the 1996 Harmonized System trade codes.

78. As regards its membership in regional trade arrangements, the DRC has not ratified or signed the Southern African Development Community (SADC) trade protocol, and, while it is a member of the Common Market for Eastern and Southern Africa (COMESA), it has not participated in that organization's program of tariff reductions. Participation in these arrangements would require modifications to the DRC's import tax structure. With respect to COMESA, the authorities estimate that elimination of the DRC's import tariffs vis-à-vis members of COMESA would result in a relatively small loss in tax revenues; in part, however, this may reflect the extent of the DRC's trade carried out through the informal sector. Nevertheless, with the recent introduction of a floating exchange rate system and following the planned reform of the customs administration, a return of trade payments

bilateral arrangement and no exchange rate was fixed for settlement. At present, Angola is in arrears in settling its outstanding balance with the DRC. The accord with Zimbabwe was not formally signed by the two governments, but nevertheless was in operation beginning in the late 1990s. The accord covered a list of imports including food items, hardwood, and electricity and settlement was carried out at the fixed rate of Z\$1=CGF 3. Payments through the accord were voluntary. With the depreciation of the official and parallel exchange rates, the accord fell into disuse as a result of the highly appreciated rate (for Congolese importers) used for payment.

through the formal sector could be expected. The DRC became a member of the World Trade Organization (WTO) on January 1, 1997.

Box 7. Tariff and Tax System for Imports and Exports, 2000

Imports

Tariffs

Taxes are assessed on the c.i.f. value of imports. There are five tax rates: 0, 5, 15, 20, and 30 percent. The major categories of goods covered by each tariff rate are as follows: at zero percent, agricultural inputs, banknotes, and stamps; at 5 percent, "heavy" machinery and equipment, primary industrial and pharmaceutical goods, parts for assembly in the DRC, information processing equipment, wheat, and certain basic goods, such as milk, salt, and grain; at 15 percent, the main food items for consumption (e.g., flour), basic essential goods, "light" machinery and equipment, and spare parts; at 20 percent, items that compete with locally produced final or intermediate goods for which domestic production falls short of demand; at 30 percent, luxury goods and items that compete with products for which local production is sufficient. There are numerous exemptions and special reduced rates for essential production inputs not available locally, and with respect to the investment and mining codes.

Surtax

For the protection of local industry, a surtax is assessed (in addition to the normal tax rates) at rates of 15, 20, and 30 percent. The surtax is applied to the following products: wheat, flour, and tires (15 percent); sugar (20 percent); and biscuits, textiles, and electrical batteries (30 percent).

Fees

A fee of 5 percent is applied to imports by charitable organizations exempted under the investment code, and other goods benefiting from preferential customs treatment.

Other tax payments

Several domestic taxes are assessed on the value of imports, and collected by the customs administration. The rates applied for each of these taxes are the same as those assessed on the domestic base for the tax. As such, the border tax payments are nondiscriminatory. The major payment of this kind is the turnover tax (payments at rates of 0, 3, and 13 percent).

Export taxes

Export taxes are assessed on a number of goods at the following rates: coffee (1 percent); industrial gold and diamond exports (3 percent); 5 percent on goods previously taxed at 5–10 percent (largely mining products), logs (6 percent); and 10 percent on all other mining products previously taxed at rates greater than 10 percent. A tax of 0.75 percent on artisanal gold and diamond exports was suspended in February 1999.

Democratic Republic of the Congo: Basic Data

Area	2,345,000 square kilometers
Population	
Total	50 million
Annual growth rate	3 percent
GDP per capita, 2000 (estimate)	US\$85

1996 1997 1998 1999 2000

(Annual percentage changes, unless otherwise indicated)

Output and prices

Real GDP	-1	-5.6	-1.6	-10.4	-4.3
Nominal GDP (in millions of Congo francs)	2,896.3	4,303.9	9,989.9	50,369.5	313,251.1
GDP deflator	650	57	136	462	550
Consumer prices, annual average	617	199	107	270	554
Consumer prices, end of period	693	14	135	484	511

(In millions of Congo francs, unless otherwise indicated)

Central government finances

Revenue (excluding grants)	157	404	591	2,329	15,091
Grants (including relief aid)	0	0	0	0	0
Expenditure	279	869	1,206	4,934	32,996
Primary balance (commitment basis)	-35	-261	-240	-1,489	-11,723
Overall balance (commitment basis)	-122	-465	-615	-2,606	-17,905
Overall balance (cash basis)	-46	-273	-267	-1,785	-12,181
Overall balance (cash basis, percent of GDP)	-1.6	-6.3	-2.7	-3.5	-3.9

(In millions of Congo francs, unless otherwise indicated)

Money and credit

Net domestic assets	81	352	712	3,964	18,353
Net credit to the government	39	305	614	3,631	15,404
Credit to the private sector	34	40	80	284	2,539
Credit to the parastatals	7	7	18	50	409
Central bank interest rate (level in percent)	238	13	22	120	120
Broad money	173	296	770	3,710	22,004

(Changes in percent of beginning-of-year broad money,
unless otherwise indicated)

Net domestic assets	264	157	121	423	388
Net credit to the government	131	154	104	392	317
Credit to the private sector	108	3	13	26	61
Credit to parastatals	24	0	4	4	10
Broad money	523	71	160	382	493

Democratic Republic of the Congo: Basic Data

	1996	1997	1998	1999	2000
(In millions of U.S. dollars, unless otherwise indicated)					
External sector					
Current account	-411	-603	-570	-644	-798
Merchandise trade	249	56	-50	-175	-275
Exports, f.o.b.	1,652	1,189	1,180	933	760
Imports, f.o.b.	-1,403	-1,133	-1,230	-1,108	-1,035
Services (net)	-267	-133	-79	6	-120
Income (net)	-477	-479	-475	-429	-409
Capital and financial account	-622	-605	-680	-611	-471
Overall balance	-715	-785	-794	-761	-735
Gross official reserves	72	47	60	66	52
Gross official reserves (in weeks of imports)	2.1	1.8	2.3	2.9	2.2
(Annual percentage changes, unless otherwise specified)					
Exchange rate					
Units of local currency per U.S. dollar (end of period)	1.1	1.3	2.4	4.5	50.0
Parallel market rate per U.S. dollar (end of period)	1.1	1.3	3.6	25.0	141.0
Nominal effective exchange rate 1/	-85.3	-67.3	-13.2	-35.4	-83.1
Real effective exchange rate 1/	-0.5	22.7	3.9	168.8	-22.3
Nominal effective exchange rate 2/	-86.3	-64.8	-21.7	-76.9	-85.6
Real effective exchange rate 2/	-8.5	34.1	-10.1	-26.7	-0.9
(In millions of U.S. dollars, unless otherwise indicated)					
External public debt					
Total, including IMF	13,086	12,634	13,506	13,238	12,862
Of which: arrears	7,477	7,769	8,710	9,222	9,597
Net present value of debt (NPV)	...	...	...	...	11,888
Scheduled debt service, excluding arrears	594	575	611	523	438
In percent of exports of goods and services	34	46	49	52	53
In percent of government revenue	189	157	248	236	201
1995					
Life expectancy at birth	45.8				
Mortality rate (per thousand)					
Female	482				
Male	515				
Infant mortality rate in rural areas (per thousand)	161				
Education					
Primary school enrollment rate (percent of age group)	61				
Male	72				
Female	50				
Illiteracy rate (percent of people age 15 and above)	33				
Immunization rate (percent under 12 months)					
Measles	15				
Diphtheria	25				
Child malnutrition (percent under 5 years)	34				

Sources: Congolese authorities; World Bank; and staff estimates and projections.

1/ Annual averages based on official rates. Minus sign indicates depreciation.

2/ Annual averages based on parallel market rates. Minus sign indicates depreciation.

Table 1. Democratic Republic of the Congo: Gross Domestic Product by Sector
at Market Prices, 1996–2000

(In millions of Congo francs)

	1996	1997	1998	1999	2000 Prel.
Primary sector	1,194.0	812.2	5,339.3	31,258.5	...
Agriculture, forestry, livestock, hunting, and fishing	963.4	343.8	4,645.3	27,138.2	...
Mining 1/	230.6	468.4	694.0	4,120.3	...
Secondary sector	706.5	1,135.3	1,348.8	4,411.7	...
Manufacturing	256.0	465.2	593.7	2,144.0	...
Construction and public works	281.4	291.7	319.8	1,178.3	...
Electricity and water	169.1	378.4	435.3	1,089.4	...
Tertiary sector	970.9	2,250.5	3,095.2	14,164.3	...
Market services	258.4	563.0	715.0	2,589.4	...
Transportation and telecommunications	97.3	221.4	280.6	1,204.8	...
Trade and commerce	577.3	1,434.1	1,796.1	8,686.9	...
Public administration	53.8	177.0	359.4	2,096.3	...
Other services	-15.9	-145.0	-55.9	-413.1	...
GDP at factor costs	2,871.4	4,198.0	9,783.3	49,834.5	310,268.9
Import duties	24.9	105.9	206.6	535.0	2,982.2
GDP at market prices	2,896.3	4,303.9	9,989.9	50,369.5	313,251.1
(annual changes in percent)	630.3	48.6	132.1	404.2	521.9

Sources: Central Bank of the Congo (BCC); and staff estimates.

1/ Including processing of minerals.

Table 2. Democratic Republic of the Congo: Gross Domestic Product by Sector
at 1987 Prices, 1996–2000

(In millions of Congo francs)

	1996	1997	1998	1999	2000 Prel.
Primary sector	1.036	0.994	0.991	0.926	0.880
Agriculture, forestry, livestock, hunting, and fishing	0.919	0.894	0.881	0.836	0.790
Mining 1/	0.117	0.100	0.110	0.090	0.090
Secondary sector	0.218	0.167	0.163	0.135	0.126
Manufacturing	0.106	0.083	0.077	0.066	...
Construction and public works	0.074	0.051	0.054	0.036	...
Electricity and water	0.038	0.033	0.032	0.033	...
Tertiary sector	0.530	0.523	0.497	0.429	0.419
Market services	0.130	0.128	0.119	0.080	0.075
Transportation and telecommunications	0.056	0.053	0.047	0.037	0.038
Trade and commerce	0.330	0.323	0.303	0.268	0.292
Public administration	0.035	0.040	0.049	0.065	0.035
Other services	-0.021	-0.021	-0.021	-0.021	-0.021
GDP at factor costs	1.784	1.684	1.651	1.491	1.425
Import duties	0.023	0.022	0.028	0.014	0.015
GDP at market prices	1.807	1.706	1.679	1.505	1.440
(annual changes in percent)	-1.0	-5.6	-1.6	-10.4	-4.3

Sources: Central Bank of the Congo (BCC); and staff estimates.

1/ Including processing of minerals.

Table 3. Democratic Republic of the Congo: Gross Domestic Product by Sector
at 1987 Prices, 1996–2000

(Annual changes in percent)

	1996	1997	1998	1999	2000 Prel.	Cumulative Change
Primary sector	-2.2	-4.1	-0.3	-6.2	-5.4	-16.9
Agriculture, forestry, livestock, hunting, and fishing	-2.9	-2.7	-1.5	-5.1	-5.5	-16.5
Mining 1/	3.5	-14.5	10.0	-18.2	-0.4	-20.6
Secondary sector	9.0	-23.4	-2.4	-14.1	-10.2	-37.2
Manufacturing	-2.8	-21.7	-7.2	-14.3	3.0	-37.6
Construction and public works	25.4	-31.1	5.9	-33.3	-30.6	-57.6
Electricity and water	18.8	-13.2	-3.0	3.1	-1.0	2.1
Tertiary sector	-2.4	-1.3	-5.0	-13.7	-2.3	-22.8
Market services	-0.8	-1.5	-7.0	-33.1	-5.7	-42.7
Transportation and telecommunications	-3.4	-5.4	-11.3	-20.7	2.0	-34.5
Trade and commerce	-0.3	-2.1	-6.2	-11.6	9.0	-11.8
Public administration	-20.5	14.3	22.5	32.9	-45.2	-18.9
Other services	0.0	0.0	0.0	0.0	0.0	0.0
GDP at factor costs	-1.0	-5.6	-2.0	-9.2	-4.9	-20.9
Import duties	-4.2	-4.3	27.3	-49.4	1.5	-40.1
GDP at market prices	-1.0	-5.6	-1.6	-10.4	-4.3	-21.2

Sources: Central Bank of the Congo (BCC); and staff estimates.

1/ Including processing of minerals.

Table 4. Democratic Republic of the Congo: Gross Domestic Product by Sector
at 1987 Prices, 1996–2000

(In percent of GDP)

	1996	1997	1998	1999	2000 Prel.
Primary sector	57.3	58.3	59.0	61.5	61.1
Agriculture, forestry, livestock, hunting, and fishing	50.9	52.4	52.5	55.5	54.9
Mining 1/	6.5	5.9	6.6	6.0	6.2
Secondary sector	12.1	9.8	9.7	9.1	8.7
Manufacturing	5.9	4.9	4.6	4.4	4.7
Construction and public works	4.1	3.0	3.2	2.4	1.7
Electricity and water	2.1	1.9	1.9	2.2	2.3
Tertiary sector	29.3	30.7	29.6	28.5	29.1
Market services	7.2	7.5	7.1	5.3	5.2
Transportation and telecommunications	3.1	3.1	2.8	2.5	2.6
Trade and commerce	18.3	18.9	18.0	17.8	20.3
Public administration	1.9	2.3	2.9	4.3	2.5
Other services	-1.2	-1.2	-1.3	-1.4	-1.5
GDP at factor costs	98.7	98.7	98.3	99.1	99.0
Import duties	1.3	1.3	1.7	0.9	1.0
GDP at market prices	100.0	100.0	100.0	100.0	100.0

Sources: Central Bank of the Congo (BCC); and staff estimates.

1/ Including processing of minerals.

Table 5. Democratic Republic of the Congo: Supply and Use of Resources, 1996–2000

	1996	1997	1998	1999	2000 Prel.
(In millions of Congo francs, unless otherwise indicated)					
GDP at 1987 prices	1.8	1.7	1.7	1.5	1.4
GDP at current market prices	2,896.3	4,303.9	9,989.9	50,369.5	313,251.1
Net imports of goods and nonfactor services	9.0	84.7	309.6	1,859.0	...
Imports	878.0	1,465.2	3,285.6	12,892.0	...
Exports	869.0	1,380.5	2,976.0	11,033.0	...
Supply = use of resources	2,905.3	4,388.6	10,299.5	52,228.5	...
Consumption	2,098.6	3,187.8	8,231.6	40,089.3	...
Private 1/	1,919.1	2,563.7	7,422.4	36,916.0	...
Public	179.6	624.1	809.2	3,173.3	...
Gross capital formation	806.7	1,200.8	2,067.9	12,139.2	...
Changes in stocks	21.9	0.0	0.0	0.0	...
Fixed investment	784.8	1,200.8	2,067.9	12,139.2	...
Private 1/	770.3	1,162.1	2,057.9	11,585.1	...
Public	14.5	38.7	10.0	554.1	...
Domestic savings	797.7	1,116.1	1,758.3	10,280.2	...
Memorandum items:					
Real GDP growth (in percent)	-1.0	-5.6	-1.6	-10.4	-4.3
GDP growth at current market prices (in percent)	630.3	48.6	132.1	404.2	521.9
GDP (in millions of U.S. dollars) 2/	5,771	3,804	6,218	4,579	4,540
(In percent of GDP)					
Consumption	72.5	74.1	82.4	79.6	85.1
Private 1/	66.3	59.6	74.3	73.3	78.9
Public	6.2	14.5	8.1	6.3	6.2
Investment 2/	27.1	27.9	20.7	24.1	23.6
Private 1/	26.6	27.0	20.6	23.0	23.3
Public	0.5	0.9	0.1	1.1	0.3
Domestic savings	27.5	25.9	17.6	20.4	14.9
Net imports	0.3	2.0	3.1	3.7	8.7

Sources: Congolese authorities; and staff estimates.

1/ Including public enterprises.

2/ At parallel market rates.

Table 6. Democratic Republic of the Congo: Mineral and Agricultural Production, 1996–2000

	1996	1997	1998	1999	2000 Prel.
(In thousands of tons, unless otherwise indicated)					
Mineral production					
Copper	40.1	37.7	38.2	31.2	30.5
GECAMINES	38.9	36.4	37.2	29.6	27.2
SODIMICO	1.2	1.2	1.0	1.6	3.3
Cobalt	6.0	3.0	4.0	2.0	3.0
Cement	256.0	130.1	145.0	172.9	...
Diamonds 1/	22.2	22.0	26.1	20.1	16.0
Crude oil 2/	10.7	10.1	9.4	8.7	8.3
Gold (in kilograms)	1,252.0	394.0	151.0	207.0	112.0
Agricultural production					
Palm oil	19	17	17	16	4
Palm kernel oil	2	2	2	2	0
Palm rusks	9	8	8	7	2
Robusta coffee	62	54	45	41	11
Arabica coffee	12	10	9	8	10
Cocoa	8	7	7	7	7
Tea	3	3	2	2	3
Rubber	6	5	5	5	5
Cotton fiber	9	9	9	9	9
Sugarcane	1,702	1,698	1,694	1,785	1,720
Tobacco	3	4	4	5	4
Forestry					
Timber logs (in thousands of cubic meters)	454	495	539	206	217
Sawn timber (in thousands of cubic meters)	55	31	38	20	8
Transportation					
Port activities	1,520.8	1,381.9	1,396.2	1,133.1	...

Sources: Central Bank of the Congo (BCC); and staff estimates.

1/ In millions of carats.

2/ In millions of barrels.

Table 7. Democratic Republic of the Congo: Manufacturing Output, 1996–2000

	1996	1997	1998	1999	2000 Prel.
(In thousands of tons, unless otherwise indicated)					
Food processing					
Maize flour	13.2	11.5	17.4	18.9	...
Wheat flour	123.4	131.6	113.4	88.8	102.8
Sugar	72.0	64.4	56.6	73.4	72.9
Milk					
Sweets	63.0	115.0	128.0	66.0	...
Butter	1,193.0	1,799.0	4,948.0	4,806.0	...
Animal food	53.3	52.9	47.7	32.7	...
Cigarettes	3,658.0	3,555.0	3,848.0	3,200.0	...
Beer (in millions of liters)	232.2	171.7	161.3	139.8	...
Soft drinks (in millions of liters)	67.8	68.0	77.6	73.8	...
Heavy industrial production					
Steel	492.0	248.0	118.0	87.0	...
Nonferrous metal	49.0	28.0	23.0	19.0	...
Hollowware	317.0	324.0	320.0	235.0	...
Industrial chemicals					
Explosives	934.0	435.0	513.0	300.0	...
Soaps	28.3	25.7	29.2	17.5	18.5
Paint, veneer, and enamel	0.1	0.2	0.2	0.1	0.1
Acetylene	38.7	35.2	24.4	12.8	8.9
Tires (in thousands of units)	48.0	49.0	56.0	41.0	...
Nonmetallic minerals					
Cement	256.0	130.1	145.0	172.9	...
Crushed stones	236.0	239.0	249.0	260.0	...
Bottles (in thousands of units)	17.8	22.7	21.0	16.3	...
Oil refinery	0.0	0.0	74.5	38.1	...
(In thousands of square meters, unless otherwise indicated)					
Textiles and shoes					
Cotton fabrics	31,712.0	10,568.0	1,563.0	3,143.0	2,360.0
Printed fabrics	15,472.0	11,223.0	12,220.0	13,615.0	3,710.0
Shoes (in thousands of pairs)	1,758.0	1,742.0	1,609.0	848.0	120.3
Blankets (in thousands of units)	85.0	63.0	47.0	36.0	...
(In thousands of pieces)					
Light industrial production					
Matchets and wheels	273.0	304.0	245.0	207.0	...
Shovels and spades	33.0	50.0	64.0	29.0	...
Sheet metal	118.0	101.0	86.0	75.0	...
(In units)					
Transport equipment					
Vehicles	157.0	156.0	94.0	84.0	...
Shipbuilding	4.0	1.0	3.0	2.0	...
Ship repairs	47.0	43.0	35.0	22.0	...

Sources: Congolese authorities.

Table 8. Democratic Republic of the Congo: Activities of Selected Transport Companies, 1996–2000

(In millions of units) 1/

	1996	1997	1998	1999	2000 Prel.
ONATRA					
Goods	138.0	202.4	216.8	95.7	...
Passengers	135.2	109.7	95.1	37.9	...
SNCC (railways)					
Goods	376.7	315.5	403.5	384.5	...
Passengers	146.5	161.1	143.0	145.2	...
TMK (goods)	8.8	6.2	2.4	...	...
Lignes Aériennes Congolaises					
Goods	6.6	2.0	1.3	...	...
Passengers	48.4	24.0	19.1	...	...
Scibe Airlift 2/					
Goods	4.7	1.7	...	...	...
Passengers	74.9	24.4	...	...	...
Total					
Goods	534.8	527.8	...	...	...
Passengers	405.0	319.2	...	...	...

Source: Central Bank of the Congo (BCC).

1/ Tons per kilometer for goods, and passengers per kilometer for passengers.

2/ Ceased operations.

Table 9. Democratic Republic of the Congo: Retail Prices of
Petroleum Products, 1996–2001

(In Congo francs per liter)

	Premium Gasoline		Kerosene		Diesel Oil	
	West region	East region	West region	East region	West region	East region
1996	0.30	0.30	0.30	0.30	0.30	0.30
1997	0.09	1.28	0.77	1.04	0.93	1.29
1998	0.82	0.97	0.67	0.85	0.76	0.96
1999						
January	0.85	1.21	0.75	1.12	0.83	1.19
February 11	1.05	1.25	0.90	1.12	1.00	1.20
March	1.05	1.25	0.90	1.12	1.00	1.20
April 13	3.00	3.10	2.60	2.57	2.90	3.30
May	3.00	3.10	2.60	2.57	2.90	3.30
June	3.00	3.10	2.60	2.57	2.90	3.30
July	3.00	3.10	2.60	2.57	2.90	3.30
August	3.00	3.10	2.60	2.57	2.90	3.30
September	3.00	3.10	2.60	2.57	2.90	3.30
October	3.00	3.10	2.60	2.57	2.90	3.30
November	3.00	3.10	2.60	2.57	2.90	3.30
December 10	3.10	2.60	2.75	2.26	3.05	2.53
2000						
January	3.10	2.60	2.75	2.26	3.05	2.53
February 8	9.00	5.31	7.50	4.56	8.50	5.16
March	9.00	5.31	7.50	4.56	8.50	5.16
April 13	9.00	5.31	7.50	4.56	8.50	5.16
May	9.00	5.31	7.50	4.56	8.50	5.16
June 14	25.00	27.00	18.00	20.00	23.50	24.00
July	25.00	27.00	18.00	20.00	23.50	24.00
August	25.00	27.00	18.00	20.00	23.50	24.00
September	25.00	27.00	18.00	20.00	23.50	24.00
October 20	45.00	47.00	36.00	38.00	42.00	45.00
November	45.00	47.00	36.00	38.00	42.00	45.00
December 11	70.00	73.00	65.00	68.00	68.00	71.00
2001						
May 26	280.00	292.00	260.00	272.00	272.00	284.00

Source: Central Bank of the Congo (BCC).

Table 10. Democratic Republic of the Congo: Production and Consumption of Electricity and Water, 1996–2000

	1996	1997	1998	1999	2000 Prel.
(In millions of kilowatt-hours)					
Electricity 1/					
Total production	5,880	4,835	4,520	5,087	...
Hydroelectric plants	5,871	4,827	4,510	5,074	...
Power stations	9	8	10	13	...
Net domestic consumption	4,257	3,717	3,065	3,749	...
Exports	1,302	1,112	404	750	...
Imports	45	52	55	18	...
Losses	366	58	1,106	606	...
(In millions of cubic meters, unless otherwise indicated)					
Water 2/					
Total production	210	214	212	203	...
Domestic consumption	136	128	116	103	...
Memorandum items:					
Electricity subscribers	255,912	251,255	258,006	249,881	...
Average monthly consumption (in kilowatt-hours)	1,386	1,233	990	1,250	...
Water subscribers	407,578	403,852	418,428	420,976	...
Average monthly consumption (in cubic meters)	28	26	23	20	...

Source: Congolese authorities.

1/ Société Nationale d'Electricité (SNEL).

2/ Régie de Distribution d'Eau (REGIDESO).

Table 11. Democratic Republic of the Congo: Consumer Price Index for Kinshasa, 1996–2000

(Index, August 1995 = 100)

	General Index	Change 1/	Food	Rent	Clothing	Other
1996	526.6	617	...	...	...	...
1997	1,574.4	199	1,513.5	1,447.9	2,970.4	1,758.2
1998	3,259.0	107	3,280.7	3,143.7	3,498.7	2,972.9
1999						
January	5,210.8	3.6	5,358.8	5,610.6	6,336.9	4,204.1
February	5,160.4	-1.0	5,357.0	5,109.9	7,130.4	4,113.4
March	5,526.6	7.1	6,021.3	5,564.7	8,199.3	4,333.3
April	7,488.4	35.5	7,929.9	7,085.2	11,571.9	6,425.1
May	8,148.9	8.8	8,445.6	8,168.3	12,076.5	6,271.8
June	9,048.8	11.0	8,493.2	8,694.2	13,278.0	6,904.1
July	10,675.9	18.0	11,308.8	10,438.8	19,377.5	7,791.5
August	13,095.5	22.7	13,963.1	12,194.3	23,140.9	8,626.3
September	15,046.3	14.9	15,569.8	14,350.3	23,569.6	11,857.9
October	16,482.0	9.5	17,856.7	14,219.7	24,485.2	12,889.2
November	19,628.3	19.1	21,533.3	16,006.5	25,275.4	14,911.5
December	29,316.6	49.4	33,077.5	25,595.4	32,266.7	19,551.3
Year average	12,069.0	270	12,909.6	11,086.5	17,225.7	8,990.0
2000						
January	34,490.9	17.6	39,235.8	30,492.2	40,233.1	21,260.2
February	36,382.8	5.5	39,228.1	32,859.9	45,879.1	27,769.6
March	39,495.7	8.6	41,553.9	38,160.0	54,317.0	30,500.5
April	40,460.9	2.4	40,699.4	41,474.1	63,928.0	33,550.7
May	49,623.6	22.6	51,923.6	51,773.2	72,836.8	36,205.1
June	62,572.8	26.1	61,716.2	61,792.5	81,410.2	62,106.5
July	71,362.7	14.0	73,734.6	66,663.4	81,410.2	65,760.5
August	82,115.4	15.1	81,126.3	73,776.0	107,459.2	85,987.7
September	98,879.1	20.4	91,494.0	102,240.4	154,354.5	107,536.6
October	116,572.4	17.9	101,391.8	108,696.5	173,554.8	156,922.7
November	135,463.7	16.2	117,820.9	126,653.9	231,493.5	175,238.3
December	179,368.4	32.4	171,391.9	146,695.6	255,363.5	211,047.4
Year average	78,899.0	554	75,943.0	73,439.8	113,520.0	84,490.5
2001						
January	232,571.5	29.7	...	...	...	...
February	240,366.4	3.3	...	...	...	...
March	260,946.3	8.6	...	...	...	...
April	302,012.6	15.7	...	...	...	...

Source: Central Bank of the Congo (BCC).

1/ Twelve-monthly annual percentage changes for 1996–98 annual data; monthly percentage changes otherwise.

Table 12. Democratic Republic of the Congo: Employment in the Formal Sector, 1996-2000 1/

	1996	1997	1998	1999	2000 Prel.
(In thousands)					
Total employment	1,114.3	991.3	848.5	675.2	...
Public sector	425.8	428.5	438.2	415.3	...
Public administration	425.8	428.5	438.2	415.3	...
Civil servants	117.5	148.0	154.9	172.4	...
Teachers	231.6	207.7	211.8	161.0	...
Pensioners 2/	76.7	72.8	71.5	81.9	...
Public enterprises	...	...	...	...	...
Private sector 3/	688.5	562.8	410.3	259.9	...
(Annual percentage changes)					
Total employment	1.3	-11.0	-14.4	-21.4	...
Public sector	0.1	0.6	2.3	-5.2	...
Public administration	0.1	0.6	2.3	-5.2	...
Civil servants	-3.6	26.0	4.7	11.3	...
Teachers	220.8	-10.3	2.0	-24.0	...
Pensioners 2/	-41.5	-5.1	-1.8	14.5	...
Public enterprises	...	...	...	...	...
Private sector 3/	2.1	-18.3	-27.1	-36.7	...
(In percent of total employment)					
Public sector	42.0	43.2	51.6	61.5	...
Public administration	42.0	43.2	51.6	61.5	...
Civil servants	11.6	14.9	18.3	25.5	...
Teachers	22.8	21.0	25.0	23.8	...
Pensioners 2/	7.6	7.3	8.4	12.1	...
Public enterprises	...	...	...	...	...
Private sector 3/	58.0	56.8	48.4	38.5	...
(Salary indices, 1990 = 100)					
Memorandum items:					
Index of real salaries					
Public administration	...	...	29.0	-46.0	-38.0

Source: Congolese authorities.

1/ Excluding active military personnel.

2/ Civilian and military pensioners.

3/ Including only those workers recorded by the Institute of Social Security.

Table 13. Democratic Republic of the Congo: Central Government Operations, 1996-2000

	1996 1/	1997 1/	1998	1999	2000 2/ Prel.
(In millions of Congo francs)					
Revenue 3/	156.9	403.7	591.0	2,328.6	15,091.3
Income and profit taxes	27.0	100.9	176.7	407.9	1,897.0
Taxes on goods and services	32.7	89.9	157.1	520.3	2,078.9
Taxes on international trade	38.6	93.8	147.8	394.6	2,794.4
Import duties	34.1	87.5	138.7	371.6	2,718.7
Export duties	4.5	6.3	9.1	23.0	75.7
Other revenue	58.5	119.1	109.3	1,005.7	8,321.0
Expenditure	279.1	869.1	1,205.8	4,934.2	32,996.1
Wages and salaries	19.1	309.5	527.9	2,079.0	7,312.0
Goods and services	122.3	313.7	285.5	1,115.0	12,058.0
Transfers and other subsidies	1.5	2.9	8.6	15.0	1,868.6
Investment	13.2	38.7	8.5	554.0	1,062.2
Interest on domestic debt	0.2	0.0	27.8	0.0	458.0
Interest on external debt 4/	86.7	204.4	347.5	1,116.2	5,723.4
Other expenditure 5/	36.1	0.0	0.0	55.0	4,513.9
Overall balance (commitment)	-122.2	-465.4	-614.8	-2,605.6	-17,904.8
Primary balance (commitment)	-35.4	-261.0	-239.5	-1,489.4	-11,723.4
Change in arrears	76.7	192.4	347.5	820.2	5,723.4
Overall balance (cash)	-45.5	-273.0	-267.3	-1,785.4	-12,181.4
Financing	36.5	266.0	309.0	3,017.0	11,774.1
Domestic bank financing (net)	36.5	266.0	309.0	3,017.0	11,774.1
External financing	0.0	0.0	0.0	0.0	0.0
Discrepancy 6/	-9.1	-7.0	41.7	1,231.6	-407.3
(In percent of GDP, unless otherwise indicated)					
Memorandum items:					
GDP (in billions of Congo francs)	2.9	4.3	10.0	50.4	313.3
Revenue	5.4	9.4	5.9	4.6	4.8
Wages	...	7.2	5.3	4.1	2.3
Current expenditure, excluding interest/subsidies	6.2	14.5	8.1	6.3	6.2
Subsidies and off-budget expenditure	...	...	...	...	1.8
Overall cash deficit	-1.6	-6.3	-2.7	-3.5	-3.9
Primary cash deficit	-1.2	-6.1	-2.4	-3.0	-3.7

Sources: Congolese authorities; and staff estimates.

1/ For 1996 and 1997, the reliability of data on expenditure is particularly weak.

2/ For 2000, the revenue split is tentative, and "other revenue" includes CGF 3,996 million in off-budget revenue.

3/ Until 2000, includes GECAMINES revenues classified in the appropriate category.

4/ Interest paid on external debt until 1999 and scheduled for 2000, excluding interest on arrears.

5/ Including net lending and, in 2000, off-budget expenditure.

6/ For 1998 and 1999, the discrepancy is likely to stem from unrecorded off-budget expenditure. The 2000 discrepancy relates to differences in the timing of the recording of locally executed expenditure.

Table 14. Democratic Republic of the Congo: Central Government Revenue, 1996–2000

	1996	1997	1998	1999	2000 1/ Prel.
(In millions of Congo francs)					
Total revenue	156.9	403.7	591.0	2,328.6	15,091.3
Tax revenue	137.8	324.3	533.7	1,791.5	13,164.1
Taxes on income and profits	27.0	100.9	176.7	407.9	1,897.0
Corporations and enterprises 1/	12.3	62.1	121.5	135.2	...
Wages and salaries	9.5	32.7	47.8	245.3	...
Dividends and interest	1.1	4.4	4.2	8.2	...
Rental income	0.5	1.6	3.3	19.2	...
Other	3.7	0.0	0.0	0.0	...
Taxes on property	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	32.7	89.9	157.1	520.3	2,078.9
Turnover taxes	14.9	33.0	77.5	296.0	...
Domestic turnover tax	7.4	17.1	24.5	154.5	...
Turnover tax on imports	7.5	15.8	53.0	141.5	...
Selective excises	17.8	56.9	79.6	224.4	...
Beer	5.1	16.1	30.8	82.3	...
Tobacco products	2.9	13.0	31.5	84.2	...
Other	9.8	27.5	17.3	57.8	...
Taxes on international trade	38.6	93.8	147.8	394.6	2,794.4
Import duties and taxes	34.1	87.5	138.7	371.6	2,718.7
Import duties	32.0	85.9	133.9	360.3	...
Statistical tax, penalties	2.1	1.8	4.8	11.2	...
Export duties and taxes	4.5	6.3	9.1	23.0	75.7
Export duties	1.5	5.3	7.8	17.8	...
Turnover tax	2.0	0.9	0.7	2.1	...
Statistical tax, penalties	1.0	0.1	0.6	3.0	...
Other taxes	0.0	0.1	0.0	0.1	...
Other taxes 2/	39.5	39.7	52.1	468.7	6,393.8
Nontax revenue (including administrative receipts)	19.0	79.3	57.2	537.0	1,927.2
(In percent of total)					
Memorandum items:					
Tax revenue	87.9	80.3	90.3	76.9	87.2
Taxes on income and profits	17.2	25.0	29.9	17.5	12.6
Taxes on property	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	20.9	22.3	26.6	22.3	13.8
Taxes on international trade	24.6	23.2	25.0	16.9	18.5
Other taxes	25.2	9.8	8.8	20.1	42.4
Nontax revenue	12.1	19.7	9.7	23.1	12.8

Sources: Congolese authorities; and staff estimates.

1/ Excluding profit taxes on producers of crude petroleum.

2/ Including off-budget revenue in 2000.

Table 15. Democratic Republic of the Congo: Central Government Expenditure, 1996–2000

	1996 1/	1997 1/	1998	1999	2000 Prel.
(In millions of Congo francs)					
Total expenditure (cash basis)	202.3	670.3	858.2	4,113.8	27,272.7
Wages and salaries	19.1	309.5	527.9	2,079.0	7,312.0
Other goods and services	122.3	313.7	285.5	1,115.0	12,058.0
<i>Of which</i>					
Institutions 2/	35.1	73.6	125.5	93.9	5,327.0
Ministry of Defense	44.8	110.1	42.8	600.2	2,901.0
Other ministries	12.3	130.0	117.2	420.9	3,830.0
Interest on public debt 3/	10.1	5.5	27.8	295.8	458.0
Transfers and subsidies	1.5	2.9	8.6	15.0	1,868.6
Investment	13.2	38.7	8.5	554.0	1,062.2
Other expenditure (net) 4/	36.1	0.0	0.0	55.0	4,513.9
(In percent of total)					
Memorandum items:					
Wages and salaries	9.4	46.2	61.5	50.5	26.8
Other goods and services	60.5	46.8	33.3	27.1	44.2
<i>Of which</i>					
Institutions 2/	17.4	11.0	14.6	2.3	19.5
Ministry of Defense	22.1	16.4	5.0	14.6	10.6
Other ministries	6.1	19.4	13.7	10.2	14.0
Interest on public debt 3/	5.0	0.8	3.2	7.2	1.7
Transfers and subsidies	0.7	0.4	1.0	0.4	6.9
Investment	6.5	5.8	1.0	13.5	3.9
Other expenditure (net) 4/	17.8	0.0	0.0	1.3	16.6

Sources: Congolese authorities; and staff estimates.

1/ For 1996 and 1997, the reliability of existing detailed data on expenditure is particularly weak.

2/ Including misclassified sovereign and security expenditure in 2000.

3/ Interest paid only.

4/ Including net lending and, in 2000, off-budget expenditure.

Table 16. Democratic Republic of the Congo: Sectoral Distribution of
State-Owned Public Enterprises 1/

Entreprise	Acronym	Activity
Mining		
1. Entreprise Minière de Kisenge "Manganèse"	EMK "Mn"	Mining
2. Exploitation et recherches minières	GECAMINES	Mining
3. Office des Mines d'Or de Kilo-Moto	OKIMO	Gold mining
4. Exploitation et recherches minières	SODIMICO	Mining
Energy		
5. Exploitation hydrocarbures	COHYDRO	Oil company
6. Régie de Distribution d'Eau	REGIDESO	Water company
7. Société Nationale d'Electricité	SNEL	Electricity company
Manufacturing		
8. Production et commerce explosifs	AFRIDEX	Mining explosives company
9. Société d'Exploitation Sidérurgique	SOSIDER	Steel mill
Agriculture, forestry, and livestock		
10. Caisse de Stabilisation Cotonnière	CSCO	Cotton Board
11. Complexe Sucrier de Lotokila	CSL	Sugar company
12. Exploitation de café	ONC	Coffee Board
13. Office National d'Elevage	ONDE	Husbandry Promotion Board
Transport		
14. Exploitation ferroviaire et routière	CFU	Road and River Transport Board
15. City-Train	CITYTRAIN	Public transportation company
16. Transport maritime et activités connexes	CMDC	Shipping company
17. Transports aériens	LAC	Airline
18. Office National de Transports	ONATRA	Transportation company
19. Régie des Voies Aériennes	RVA	Air Traffic Control
20. Régies des Voies Fluviales	RVF	River Traffic Control
21. Régies des Voies Maritimes	RVM	Maritime Transportation Board
22. Exploitation ferroviaire	SNCC	Railways
Communications		
23. Presse	ACP	Press agency
24. Exploitation commerciale et industrielle des PTT	OCPT	Mail and telegraph services
25. Radio et Télévision Nationales	RTNC	National Broadcasting Corporation

Table 16. Democratic Republic of the Congo: Sectoral Distribution of
State-Owned Public Enterprises 1/

Enterprise	Acronym	Activity
Financial and social security		
26. Caisse d'épargne	CADECO	Savings Bank
27. Promotion de l'industrie	FPI	Promotion and manufacturing
28. Institut National de Sécurité Sociale	INSS	Social Security Agency
29. Douanes et accises	OFIDA	Customs and Excises Department
30. Gestion de la dette publique	OGEDEP	Debt Management Agency
31. Société Nationale d'Assurance	SONAS	National Insurance Company
32. Services bancaires	UBC	Commercial banks
Services and others		
33. Dépôt Centre Médical et Pharmaceutique	DCMP	Pharmaceutical company
34. Foire Internationale de Kinshasa	FIKIN	Kinshasa Fair
35. Fonds National Médico-Sanitaire	FONAMES	National Health Fund
36. Exploitation hôtelière	GRAND HOTEL	Hotel company
37. Activités hospitalières	HOP GEN DE KIN	General Hospital of Kinshasa
38. Conservation de la nature	ICNN	Nature Conservation Institute
39. Jardins zoologiques et botaniques	IJZBC	Zoological and botanical gardens
40. Musées nationaux	IMNC	National museums
41. Institut National d'Etudes et de Recherche Agronomique	INERA	Agricultural Research Institute
42. Institut National de Préparation Professionnelle	INPP	Professional Employment Training Institute
43. Institut National de Statistiques	INS	Statistics institute
44. Hotel Karavia	KARAVIA	Hotel company
45. Contrôle de qualité, quantité, et de conformité	OCC	Bureau of Standards
46. Constructions, entretien, et sauvegarde des routes	OFFICE des ROUTES	Road maintenance agency
47. Gestion de frets maritimes	OGEFREM	Shipping agency
48. Office National du Tourisme	ONT	Tourism agency
49. Petites et moyennes entreprises	OPEC	Office for Promotion of Small Enterprises
50. Office de Voiries et Drainage	OVD	Sewage agency
51. Régie Nat. des Approv. et de l'Imprimerie	RENAPI	Government Printing Office

Source: Conseil Supérieur du Portefeuille.

1/ In addition, the state holds stakes ranging from 2 percent to 92 percent in about 40 other companies (*entreprises d'économie mixte*).

Table 17. Democratic Republic of the Congo: Monetary Survey, 1996–2000

	1996	1997	1998	1999	2000 Prel.
(In millions of Congo francs)					
Net foreign assets	-683	-580	-1,417	-2,176	-23,045
Net domestic assets	81	352	712	3,964	18,353
Net credit to government	39	305	614	3,631	15,404
Credit to the private sector	34	40	80	284	2,539
Credit to the parastatals	7	7	18	50	409
Broad money (M2)	173	296	770	3,710	22,004
Narrow money (M1)	110	223	638	3,462	19,373
Currency in circulation	83	152	515	2,944	15,963
Demand deposits	27	71	124	518	3,410
Quasi money	63	73	132	248	2,631
Time deposits in domestic currency	1	1	5	2	0
Foreign currency deposits	62	72	127	246	2,630
Import deposits	43	32	75	205	1,554
Other items, net	-819	-555	-1,550	-2,127	-28,250
<i>Of which</i> : valuation change	-806	-768	-1,691	-2,823	-27,928
(Annual change in percent of beginning-of-period broad money, unless otherwise indicated)					
Net foreign assets	-2,127	60	-283	-99	-562
Net domestic assets	264	157	121	423	388
Net credit to government	131	154	104	392	317
Credit to the private sector	108	3	13	26	61
Credit to the parastatals	24	0	4	4	10
Broad money (M2)	523	71	160	382	493
Narrow money (M1)	324	66	140	367	429
Currency in circulation	238	40	122	316	351
Demand deposits	85	25	18	51	78
Quasi money	199	5	20	15	64
Time deposits in domestic currency	4	0	1	0	0
Foreign currency deposits	194	6	19	15	64
Import deposits	131	-6	15	17	36
Other items, net	-2,521	152	-336	-75	-704
Memorandum items:					
Consumer prices, annual average (percentage change)	617	199	107	270	554
Consumer prices, end of period (percentage change)	693	14	135	484	511
GDP deflator (percentage change)	650	57	136	462	550
Velocity (GDP/ broad money)	17	15	13	14	14
Net foreign assets (in millions of U.S. dollars)	-621	-442	-590	-484	-461
Monetary base (in millions of Congo francs)	117	228	635	3,306	18,908
Money multiplier	0.9	1.0	1.0	1.0	1.0
Currency-deposit ratio	3.1	2.1	4.2	5.7	4.7

Sources: Central Bank of the Congo (BCC); and staff estimates.

Table 18. Democratic Republic of the Congo: Central Bank Accounts, 1996–2000

(In millions of Congo francs)

	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec. Prel.
Net foreign assets	-703.2	-586.4	-1,392.0	-2,330.9	-24,847.8
Foreign assets	79.8	62.0	142.9	295.0	2,604.1
Foreign liabilities	783.0	648.3	1,534.9	2,625.9	27,452.0
Net domestic assets	76.3	302.3	634.3	3,710.3	16,710.1
Net credit to government	45.9	273.3	587.3	3,584.6	15,694.4
Gross credit to government	54.0	332.1	637.3	3,694.9	16,414.9
Government deposits	8.1	58.8	50.0	110.3	720.5
Credit to commercial banks	12.1	4.0	10.4	47.7	127.7
Credit to the parastatals	7.1	6.4	14.9	27.2	300.7
Credit to the private sector	11.3	18.6	21.6	50.8	587.3
Assets = liabilities	-626.9	-284.0	-757.7	1,379.4	-8,137.7
Monetary base	117.1	227.7	635.3	3,305.7	18,907.6
Currency in circulation	92.9	167.6	544.4	2,993.5	16,511.1
In bank vaults	10.2	15.4	29.9	49.0	548.3
Outside banks	82.7	152.2	514.5	2,944.5	15,962.8
Banks' deposits	16.5	37.4	30.0	199.3	1,147.1
Parastatals' deposits	0.5	0.7	0.7	4.1	20.2
Private sector deposits	7.2	22.0	60.3	108.9	1,229.1
Foreign currency deposits	8.2	9.0	19.5	43.6	470.9
Import deposits	38.4	29.3	70.3	152.6	1,224.0
Other items, net	-790.6	-550.0	-1,482.8	-2,122.6	-28,740.3
Other liabilities, net	-111.8	-230.4	-267.9	89.8	-4,958.6
Capital accounts	127.6	448.6	476.0	610.4	4,145.9
Valuation change	-806.5	-768.2	-1,691.0	-2,822.7	-27,927.6

Source: Central Bank of the Congo (BCC).

Table 19. Democratic Republic of the Congo: Balance Sheet of
the Deposit Money Banks, 1996–2000

(In millions of Congo francs)

	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec. Prel.
Net foreign assets	19.9	6.3	-24.9	154.7	1,803.0
Foreign assets	83.0	75.3	93.8	339.7	3,772.3
Foreign liabilities	63.2	69.0	118.7	185.0	1,969.3
Reserves	21.3	49.1	53.1	256.3	1,701.5
Cash in vault	10.2	15.4	29.9	49.0	548.3
Deposits with central bank 1/	11.1	33.6	23.2	207.4	1,153.2
Net domestic assets	16.4	54.0	88.1	301.8	1,770.2
Net credit to government	-6.9	31.8	26.3	46.0	-290.0
Gross credit to government	0.2	43.3	45.0	94.0	73.2
Government deposits	7.1	11.5	18.7	48.0	363.2
Credit to parastatals	0.2	0.6	3.4	23.0	108.2
Credit to the private sector	23.1	21.6	58.4	232.9	1,952.0
Assets = liabilities	57.6	109.3	116.2	712.9	5,274.7
Deposits	74.4	112.2	174.8	608.9	4,320.7
Demand deposits	19.4	48.4	62.6	404.8	2,160.9
Time deposits	1.3	0.8	4.7	1.8	0.4
Foreign currency deposits	53.8	62.9	107.5	202.3	2,159.5
Credit from central bank 1/	5.6	7.7	12.4	40.3	166.5
Import deposits	4.3	2.4	5.0	52.5	330.3
Other items, net	-26.8	-12.9	-76.0	11.1	457.2
Capital accounts	24.6	132.3	163.5	318.8	1,577.6
Other liabilities, net	-51.4	-145.1	-239.4	-307.7	-1,120.4

Source: Central Bank of the Congo (BCC).

1/ Owing to accounting problems, these lines cannot be reconciled with those in the central bank balance sheet.

Table 20. Democratic Republic of the Congo: List of
Commercial Banks

-
1. African Trade Bank (ATB)*
 2. Banque Commerciale du Congo (BCDC)
 3. Union des Banques Congolaises (UBC)
 4. Banque Congolaise du Commerce Extérieur (BCCE)*
 5. Banque Internationale pour l'Afrique au Congo (BIAC)
 6. Citibank
 7. Banque Internationale de Crédit (BIC)
 8. Stanbic Bank
 9. La Fansabank
 10. Banque du Commerce et de Développement (BCD)
 11. Banque à la Confiance d'Or (Bancor)*
 12. First Banking Corporation (FBC)*
 13. Banque de Crédit Agricole (BCA)*
 14. Nouvelle Banque de Kinshasa (NKB)*
-

1/ Source: Congolese authorities.

* Not in operation.

Table 21. Democratic Republic of the Congo: Credit to the Private Sector, 1996–2000

	1996	1997	1998	1999	2000 Prel.
<hr/>					
Commercial bank credit to enterprises and households (by main economic sectors)	(In millions of Congo francs)				
Agriculture	4.6	3.8	11.2	41.8	1.1
Mining	0.0	0.1	1.6	7.1	316.0
Manufacturing	0.2	0.4	2.1	22.3	0.8
Gas and electricity	0.1	0.3	0.9	2.8	724.1
Construction	0.4	0.2	0.6	7.7	906.5
Commerce	0.5	0.7	9.4	49.0	0.9
Transportation	0.4	0.9	1.5	10.8	0.3
Services	0.0	0.0	0.0	0.0	0.0
Other	1.7	1.1	6.3	33.8	0.9
Total	7.9	7.4	33.5	175.4	1,950.7
Documentary credits (by utilization)					
Imports	11.1	9.6	13.4	24.2	0.6
Payable upon arrival	0.3	0.8	2.4	2.3	...
Payable after arrival	10.7	8.8	11.0	21.9	...
Exports	2.5	0.3	2.3	1.3	0.0
Other	1.7	4.3	9.2	32.0	0.6
Total	15.3	14.2	24.9	57.4	1.3
Total credit	23.1	21.6	58.4	232.9	1,952.0
Memorandum items:					
	(Percent of total credit)				
Commercial bank credit	34.0	34.5	57.4	75.3	99.9
Documentary credits	66.0	65.5	42.6	24.7	0.1

Source: Central Bank of the Congo (BCC).

Table 22. Democratic Republic of the Congo: Structure of Interest Rates, 1996–2000

(In percent per annum)

	1996	1997	1998	1999	2000 Prel.
<hr/>					
Lending rates					
Central Bank of the Congo					
Money market	243	18	27	125	125
Rediscount	238	13	22	120	120
Advances	253	28	37	145	145
Commercial banks					
Short-term credit					
Agriculture	239	44	45	165	165
Industry	239	44	45	165	165
Medium-term credit					
Agriculture	239	44	45	165	165
Industry	239	44	45	165	165
Deposit rates 1/					
Sight deposits	0	0	...	...	...
Time deposits					
1-3 months	60	60	...	...	...
3-6 months	62	62	...	...	...
9-12 months	70	70	...	...	...
24 months	70	70	...	...	...
<hr/>					

Source: Central Bank of the Congo (BCC).

1/ Starting in 1998, deposit rates are no longer published.

Table 23. Democratic Republic of the Congo: Balance of Payments, 1996–2000

	1996	1997	1998	1999	2000 Prel.
(In millions of U.S. dollars)					
Current account	-411	-603	-570	-644	-798
Excluding grants	-633	-670	-753	-775	-936
Balance on goods and services	-18	-76	-129	-169	-395
Exports of goods and services	1,738	1,255	1,240	1,003	829
Imports of goods and services	-1,756	-1,332	-1,369	-1,172	-1,224
Of which: aid-related imports 1/	-221	-69	-183	-131	-110
Merchandise trade	249	56	-50	-175	-275
Exports, f.o.b.	1,652	1,189	1,180	933	760
Imports, f.o.b. 2/	-1,403	-1,133	-1,230	-1,108	-1,035
Services	-267	-133	-79	6	-120
Receipts	86	66	60	70	69
Expenditure	-353	-199	-139	-65	-189
Income	-477	-479	-475	-429	-409
Receipts	10	10	10	10	16
Expenditure	-487	-490	-485	-440	-426
Of which					
Interest on public debt	-354	-395	-384	-373	-383
Scheduled	-191	-202	-161	-120	-100
On arrears	-163	-193	-223	-253	-283
Current unrequited transfers	84	-48	33	-45	6
Official	221	67	182	131	138
Private	-137	-114	-149	-177	-131
Capital and financial account	-622	-605	-680	-611	-471
Capital account	0	0	1	0	-10
Of which: Official grants	0	0	1	0	0
Private grants	0	0	0	0	-10
Financial account	-622	-605	-681	-611	-461
Official capital	-403	-373	-450	-403	-339
Disbursements	0	0	0	0	0
Amortization	-403	-373	-450	-403	-339
Private and short-term capital (net)	-219	-232	-231	-208	-122
Commercial banking sector (net)	-13	-13	-13	44	2
Other (net)	-206	-219	-218	-252	-124
Errors and omissions	318	424	456	494	534
Overall balance	-715	-785	-794	-761	-735
Financing	715	785	794	761	735
Of which					
Net change in non-Fund arrears	710	732	794	750	704
Other reserves (increase, -)	18	25	-13	-6	14
(In percent of GDP, unless otherwise indicated)					
Memorandum items:					
GDP at market prices (in millions of U.S. dollars) 3/	5,771	3,804	6,218	4,579	4,540
Current account balance	-7.1	-15.9	-9.2	-14.1	-17.6
Current account balance, excluding grants	-11.0	-17.6	-12.1	-16.9	-20.6
Trade balance on goods and services	-0.3	-2.0	-2.1	-3.7	-8.7
Debt service due (interest and principal) 4/	-13.1	-20.2	-13.4	-17.0	-15.9
Net foreign assets of banking sector (in millions of U.S. dollars)	-621	-422	-590	-484	-461
As percent of GDP	-10.8	-11.1	-9.5	-10.6	-10.2
Central bank (in millions of U.S. dollars)	-639	-446	-580	-518	-497
Commercial banking sector (in millions of U.S. dollars)	18	5	-10	34	36
Gross official reserves (in millions of U.S. dollars)	72	47	60	66	52
Reserves (in weeks of imports)	2.1	1.8	2.3	2.9	2.2

Sources: Congolese authorities; and staff estimates.

1/ An average of about 90 percent of official grant assistance is assumed to be spent on imports of goods and services. Spending on the UN peacekeeping forces is not included.

2/ Merchandise imports are adjusted to reflect higher estimates from customs data. These additional imports are assumed to be financed from sales of foreign assets.

3/ Converted at the parallel market exchange rate (period average).

4/ Including interest on arrears.

Table 24. Democratic Republic of the Congo: Composition of
Commodity Exports, 1996-2000

(Values in millions of U.S. dollars; volumes and unit values as indicated)

	1996	1997	1998	1999	2000 Prel.
Total exports, f.o.b.	1,652	1,189	1,180	933	760
Gécamines	413	202	199	125	139
Other 1/	1,239	987	981	808	621
Non-oil exports	1,454	1,012	1,069	817	619
Volume (1989 = 100)	46	39	42	32	28
Unit value (1989 = 100)	149	126	117	119	112
Copper	89	83	53	48	45
Gécamines	87	80	52	46	42
Sodimiza	3	3	1	2	2
Volume (thousands of tons)	40	38	38	31	29
Gécamines	39	36	37	30	28
Sodimiza	1	1	1	2	1
Unit value (U.S. dollars per ton)	2,224	2,205	1,398	1,541	1,539
Cobalt	322	119	145	80	97
Volume (thousands of tons)	6	3	4	2	4
Unit value (U.S. dollars per ton)	531	397	375	346	292
Zinc	3	2	1	0	0
Volume (thousands of tons)	3	2	1	0	0
Unit value (U.S. dollars per ton)	1,025	1,315	1,024	1,076	1,131
Silver	1	1	1	0	0
Volume (tons)	4	4	4	0	0
Unit value (U.S. dollars per ton)	0	0	0	0	0
Gold (including parallel)	39	7	1	0	0
Volume (tons)	3	1	0	0	0
Unit value (U.S. dollars per ton)	12	9	8	8	9
Diamonds (including parallel)	633	611	716	572	437
Volume (millions of carats)	35	36	42	31	27
Unit value (U.S. dollars per carat)	22	22	26	20	15
Crude oil	198	177	111	116	141
Volume (millions of barrels)	11	10	9	9	8
Unit value (U.S. dollars per barrel)	19	17	12	13	17
Coffee (including parallel)	263	95	67	91	12
Volume (thousands of tons)	125	43	34	55	13
Unit value (U.S. dollars per ton)	2,115	2,213	1,944	1,651	929
Rubber	5	4	2	2	0
Volume (thousands of tons)	4	4	3	3	0
Unit value (U.S. dollars per ton)	1,402	1,018	722	636	691
Other exports (including other parallel)	98	90	82	24	29

Sources: Congolese authorities; and staff estimates.

1/ Including parallel imports.

Table 25. Democratic Republic of the Congo: Composition of Imports, 1996-2000

	1996	1997	1998	1999	2000 Prel.
(Values in millions of U.S. dollars; unit value in U.S. dollar terms)					
Imports, total 1/					
Value, f.o.b.	1,403	1,133	1,230	1,108	1,035
Volume index (1989 = 100)	65	57	88	79	76
Unit value index (1989 = 100)	112	104	72	73	71
Oil					
Value, f.o.b.	79	106	126	57	50
Volume index (1989 = 100)	50	71	124	41	23
Unit value index (1989 = 100)	114	108	73	101	158
Non-oil					
Value, f.o.b.	1,324	1,026	1,104	1,051	986
GECAMINES	91	83	117	32	30
Non-GECAMINES	1,233	943	987	1,019	956
Volume index (1989 = 100)	67	56	86	82	80
GECAMINES	20	19	39	11	10
Non-GECAMINES	81	67	100	104	101
Unit value index (1989 = 100)	111	103	72	72	69
Aid related	155	48	125	85	110
Non-aid related	1,248	1,084	1,106	1,022	925
Import tax base	1,105	1,010	1,008	987	924
(In percent of total)					
Imports					
Oil	6	9	10	5	5
Non-oil	94	91	90	95	95
GECAMINES	6	7	9	3	3
Non-GECAMINES	88	83	80	92	92
Aid related	11	4	10	8	11
Non-aid related	89	96	90	92	89
(Percentage change)					
Import volume					
Total import	7	-13	56	-10	-4
Oil	28	42	75	-67	-44
Non-oil	6	-16	54	-4	-3
Gécamines	3	-2	101	-72	-3
Non-Gécamines	6	-17	50	4	-3
Aid related	-28	-69	159	-31	29
Non-aid related	10	-13	2	-8	-10

Sources: Central Bank of the Congo (BCC); and staff estimates.

1/ Estimates of merchandise imports provided by the Central Bank of the Congo (BCC) have been adjusted to reflect estimates from customs data.

Table 26. Democratic Republic of the Congo: Foreign Trade Indicators, 1996–2000

	1996	1997	1998	1999	2000 Prel.
Merchandise exports					
Value, U.S. dollars	68.3	49.2	48.8	38.6	31.5
(percent change)	0.0	-28.0	-0.7	-20.9	-18.5
Volume index (1989 = 100)	45.9	38.9	41.6	32.4	28.1
(percent change)	1.0	-15.1	7.0	-22.1	-13.4
Unit values, U.S. dollars	149.0	126.3	117.2	119.0	111.9
(percent change)	-1.0	-15.2	-7.2	1.5	-5.9
Merchandise imports					
Value, U.S. dollars	72.9	58.8	63.9	57.6	53.8
(percent change)	3.8	-19.3	8.6	-9.9	-6.6
Volume index (1989 = 100)	65.4	56.8	88.4	79.2	75.8
(percent change)	6.7	-13.1	55.7	-10.4	-4.3
Unit values, U.S. dollars	111.5	103.6	72.3	72.6	71.0
(percent change)	-2.7	-7.1	-30.2	0.5	-2.3
Terms of trade (1989=100)	133.6	121.9	162.2	163.8	157.7
(percent change)	1.7	-8.7	33.1	1.0	-3.7

Sources: Congolese authorities; and staff estimates.

Table 27. Democratic Republic of the Congo: Medium- and Long-Term External Public and Publicly Guaranteed Debt Outstanding, 1996–2000 1/

(End of period)

	1996	1997	1998	1999	2000 Prel. 2/
(In millions of U.S. dollars)					
External public debt	13,086	12,634	13,506	13,238	12,653
Multilateral institutions	3,155	3,155	3,356	3,413	3,194
Fund 3/	510	506	541	544	506
Other 4/	2,645	2,649	2,815	2,869	2,688
Official bilateral creditors (Paris Club)	9,490	9,043	9,702	9,385	9,031
Suppliers (Kinshasa Club)	395	390	400	393	391
Commercial banks (London Club)	37	37	37	37	37
(In percent of total)					
External public debt	99.9	99.9	99.9	99.9	100.0
Multilateral institutions	24.1	25.0	24.9	25.8	25.2
Fund 3/	3.9	4.0	4.0	4.1	4.0
Other 4/	20.2	21.0	20.8	21.7	21.2
Official bilateral creditors (Paris Club)	72.5	71.6	71.8	70.9	71.4
Suppliers (Kinshasa Club)	3.0	3.1	3.0	3.0	3.1
Commercial banks (London Club)	0.3	0.3	0.3	0.3	0.3

Sources: Congolese authorities; and staff estimates.

1/ Including arrears on principal and interest, as well as staff estimates of accumulated unpaid late interest when data are available.

2/ Data for 2000 have been reviewed and revised by the authorities and therefore represent a break from earlier data.

3/ Including Trust Fund.

4/ Including debt of the GECAMINES Trust, which is predominately multilateral debt.

Table 28. Democratic Republic of the Congo: Debt Service Due and Paid, 1996–2000 1/

(In millions of U.S. dollars)

	1996	1997	1998	1999	2000 Prel. 2/
Total debt service due	594	575	611	523	438
Principal	403	373	450	403	339
Multilateral institutions	150	144	153	141	109
Fund 3/	30	20	24	12	0
World Bank 3/	0	0	0	0	0
Other 4/	121	124	130	129	109
Official bilateral creditors (Paris Club)	235	212	282	252	223
Paris Club	235	212	282	252	223
Other	0	0	0	0	0
Suppliers (Kinshasa Club)	16	16	15	11	7
Commercial banks (London Club)	0	0	0	0	0
Other	2	1	0	0	0
Interest	191	202	161	120	100
Multilateral institutions	86	69	66	55	51
Fund 3/	18	16	16	14	17
World Bank 3/	0	0	0	0	0
Other 4/	68	53	50	41	34
Official bilateral creditors (Paris Club)	101	129	93	64	48
Paris Club	101	129	93	64	48
Other	0	0	0	0	0
Suppliers (Kinshasa Club)	4	4	2	2	1
Commercial banks (London Club)	0	0	0	0	0
Other	0	0	0	0	0
Total debt service paid	46	0	2	3	0
Principal	36	0	1	1	0
Multilateral institutions	36	0	1	1	0
Fund 3/ 5/	36	0	1	1	0
World Bank 3/	0	0	0	0	0
Other 4/	0	0	0	0	0
Interest	9	0	2	2	0
Multilateral institutions	9	0	2	2	0
Fund 3/ 5/	9	0	2	2	0
World Bank 3/	0	0	0	0	0
Other 4/	0	0	0	0	0

Sources: Congolese authorities; and staff estimates.

1/ Excludes interest on arrears.

2/ Data for 2000 have been reviewed and revised by the authorities and therefore represent a break from earlier data.

3/ Including Trust Fund.

4/ Including the GECAMINES Trust, which is predominately multilateral debt.

5/ Including retroactive burden-sharing refunds and retroactive adjustments to the rate of charge.

Table 29. Democratic Republic of the Congo: Medium- and Long-Term External Public and Publicly Guaranteed Debt Arrears, 1996–2000 1/

	1996	1997	1998	1999	2000 Prel. 2/
(In millions of U.S. dollars)					
Total	7,469	7,759	8,699	9,212	9,388
Multilateral institutions	1,180	1,367	1,495	1,882	1,678
Fund 3/	426	447	505	520	506
Other 4/	754	920	990	1,362	1,172
Official bilateral creditors (Paris Club)	5,966	6,063	6,854	6,977	7,387
Suppliers (Kinshasa Club)	286	292	314	316	286
Commercial banks (London Club)	37	37	37	37	37
(In percent of total)					
Total	100.0	100.0	100.0	100.0	100.0
Multilateral institutions	15.8	17.6	17.2	20.4	17.9
Fund 3/	5.7	5.8	5.8	5.6	5.4
Other 4/	10.1	11.9	11.4	14.8	12.5
Official bilateral creditors (Paris Club)	79.9	78.1	78.8	75.7	78.7
Suppliers (Kinshasa Club)	3.8	3.8	3.6	3.4	3.0
Commercial banks (London Club)	0.5	0.5	0.4	0.4	0.4

Sources: Congolese authorities; and staff estimates.

1/ Including estimated accrual of late interest when data are available.

2/ Data for 2000 have been reviewed and revised by the authorities and therefore represent a break from earlier data.

3/ Including Trust Fund.

4/ Including debt of the GECAMINES Trust, which is predominately multilateral debt.

Democratic Republic of the Congo: Summary of the Tax System, 2000

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
I. Schedule of Income Taxes			
1. Corporate income tax <i>(contribution sur les revenus professionnels (CRP))</i>			
a. Profit tax	<p>Levied on profits of industrial, commercial, artisanal, farming, or real estate enterprises and associations. Also levied on profits from the sale, transfer, or assignment of patents, trademarks, manufacturing processes or methods; on profits from the realization of assets and on the transfer of firms, practices, or offices.</p> <p>Enterprises having less than 200 employees and assets of less than CGF 11,200,000 are considered small enterprises (SMEs).</p> <p>A withholding tax (1% for registered enterprises and 5% for others) applies to imports and wholesale purchases (at a rate of 2%). The withholding tax is deductible from the CRP upon payment of the tax installments and balance.</p>	<p>The following entities are exempt from the profit tax: the central government, provinces, towns, and religious, scientific, or philanthropic institutions.</p>	<p>- 40% of net profits for taxpayers under ordinary law and category 1 SMEs (annual turnover in excess of CGF 300,000);</p> <p>- progressive schedule for category 2 SMEs (turnover of CGF 150,000–300,000);</p> <p>- flat rate for category 3 SMEs (turnover of CGF 75,000–150,000); and</p> <p>- quarterly quotas for category 4 SMEs (turnover below CGF 75,000).</p>

Democratic Republic of the Congo: Summary of the Tax System, 2000

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates	
b. Professional income tax (<i>contribution professionnelle sur les rémunérations</i> (CPR))	Levied on the remuneration of individuals paid by third parties (wages, various remunerations, pensions, etc.). The tax is withheld at the source by the employer and paid to the tax collecting agency before the tenth day of the month following payment of remunerations.	Family allowances, social security, retirement pension, and unemployment insurance contributions are deducted from the tax base. Retirement, disability, and military pensions are CPR-exempt, as is the remuneration of employees of international organizations and diplomatic missions. 2% deduction for each dependent for incomes below the 8th bracket.	0–3,600	5%
			3,601–5,520	10%
			5,521–7,440	15%
			7,441–10,080	18%
			10,081–17,280	20%
			17,281–20,640	22%
			20,641–24,000	25%
			24,001–33,600	30%
			33,601–42,720	35%
			42,721–52,320	40%
			52,321–68,640	45%
			68,641–74,400	50%
			74,401–78,000	55%
c. Rental income tax (<i>contribution sur les revenus locatifs</i> (CRL))	Levied on gross annual income from the leasing and subleasing of buildings and land. The owner shall submit an annual return before March 10 of the year following that in which the income was realized. Those who rent a house are required to withhold 20% of the rental amount by way of installment on the CRL. The withholding shall be paid to the tax collecting agency before the tenth day of the month following payment of the rent.	The central government, towns, provinces, public utility companies, religious, philanthropic, and scientific institutions, and diplomatic missions.	> 78,001	60%
			without exceeding 35% of taxable income	
			22% of gross income.	

Democratic Republic of the Congo: Summary of the Tax System, 2000

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
d. Investment income tax	<p>Levied on dividends, interest, income from shares, etc., paid by companies to their partners and board directors, for companies governed by domestic law.</p> <p>For foreign companies, levied on the basis of 50% of income liable for the CRP and the CRL.</p>	Income from investment property abroad.	20%, withheld at source by the company disbursing the investment income.
II. Turnover tax (<i>contribution sur les chiffres d'affaires</i> (CCA))	General tax on sales by producers on local markets, services provided or used in the DRC, and construction work.	CCA-exempt:	- 3% : local products (with a 5–15% customs duty, if imported);
1. Domestic CCA	<p>Levied on gross invoice amounts, except for construction work (base set at $\frac{3}{4}$ of the amount of the work).</p> <p>Payment is made in two stages:</p> <ul style="list-style-type: none"> - payment of an installment before the 20th of the month in which the transactions were effected, and - payment of the balance, before the 15th of the following month. 	<ul style="list-style-type: none"> - retail sales; - sales subject to excise taxes; - sales of handcrafted objets d'art; - works of national interest; - medical and paramedical activities; - goods transport; - funeral services; - hotel charges for national and international civil servants. 	<ul style="list-style-type: none"> - 13% : other products - 18% : provision of services and construction work; - 6% : domestic flights; - 15% : international flights; and - 30% : provision of assistance when the provider is not established in the RDC.
2. CCA on imports	Levied on the c.i.f. value of imports plus import duties. Tax levied by the customs and excise office (OFIDA).	Imports expressly exempted.	<ul style="list-style-type: none"> - 3% for goods liable to customs duty of 5% or 15%; and - 13% for other imports.
3. CCA on exports	<p>Levied on the net value of sales abroad of logs, coffee, crude oil, and mining products.</p> <p>The CCA is withheld at the source by the banks intervening in the payment.</p>		3%.

Democratic Republic of the Congo: Summary of the Tax System, 2000

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
III. Nonpersonal property taxes	Tax on property ownership.		
1. Land tax	Lump-sum tax calculated on the type of real estate, its location, and the standing of the owner.	<p>Permanent exemption for small farms;</p> <p>Five-year exemption for new buildings in Orientale and Kivu provinces;</p> <p>Exemption of owners whose income is below the 8th bracket of the CCR.</p>	<p>Built properties: from CGF 14–CGF 564/floor according to location;</p> <p>Nonbuilt properties: from CGF 14–CGF 211.5, according to location.</p> <p>Residential: from CGF 1.88–CGF 7.05, according to a classification of four ranks.</p>
2. Tax on mining and petroleum concessions	Tax owed by holders of concessions granted by the government for mining and petroleum research and/or exploration.		<p>US\$0.02/hectare for research (increase of 50% in the 2nd year, 75% in the 3rd year and 100% in the 4th year);</p> <p>U.S\$0.04/ha for exploration.</p>
3. Vehicle tax and special tax on highway use (toll fee—TSCR)	<p>The vehicle tax is based on the weight and horsepower of motor vehicles.</p> <p>The TSCR is a tax on road use.</p>	Exempt are vehicles owned by the central government, international organizations, the diplomatic corps, utility companies, mopeds, and ambulances.	<p>Vehicle tax: tax sticker price ranges between CGF 23.5–CGF 175 according to horsepower;</p> <p>TSCR: annual sticker price between CGF 25–180 per vehicle.</p>

Democratic Republic of the Congo: Summary of the Tax System, 2000

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
5. Excise duties	Excise duties are levied on a large number of locally manufactured or imported consumer goods. Base: for imports: c.i.f. value + import duty. For locally manufactured products: ex-factory price. Examples: 3% on flavored beverages and other nonalcoholic drinks; 5% on sugar, cement, and matches; 10% on mineral and sparkling waters, ethyl alcohol, and eau de vie; perfumes and eaux de toilette; 15% on beer under 6° proof and sparkling wines; and wines under 15° proof; 20% on vermouths; 25% on wines more than 15° proof; 30% on other alcoholic drinks (whiskies, rum, gin, vodka, etc.); and 40% on cigars, cigarettes, and cigarillos.	CCA not applicable.	Eight rates: 3%, 5%, 10%, 15%, 20%, 25%, 30%, and 40 % (see example opposite).
5.1 Selected products			
5.2 Petroleum products	<p>Petroleum products (including gasoline, kerosene, diesel oil and fuel oil, and liquefied petroleum gas) are taxed on the basis of the average frontier price (<i>prix moyen frontière</i> (PMF)) + customs duties.</p> <p>Customs duties on petroleum products are applied to the PMF at a rate of 15% (except for fuel oil, at 5%) (see import duties, section 6).</p> <p>The Ministry of Petroleum levies a surtax on the transportation of terrestrial fuels (base PMF).</p>	CCA not applicable.	<p>Rate: 15%</p> <p>Rate: 55%</p>

Democratic Republic of the Congo: Summary of the Tax System, 2000

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
6. Customs duties			
6.1 Import duties	Levied on the c.i.f. value of imports.	Various exemptions or reduced rates (e.g., 5% instead of 10% or 20% for inputs designated as "indisputably" not available in the RDC) that are part of the manufacturing process: in the context of the investment and mining codes.	5 rates (0%, 5%, 15%, 20%, and 30%). Examples: 0% on farm inputs, banknotes, and stamps; 5% on "heavy" equipment; 15% on widely consumed food products, pharmaceutical products, flours for direct consumption, spare parts and petroleum products (except fuel oil, 5%); 20% on finished products or inputs for which local production exists; and 30% on luxury articles and products for which there is adequate local production.
6.2 Import surtax	Levied on certain products (in addition to excise duty, see 5 above).		Three rates: 15% on tires and wheat flours; 20% on sugar; and 30% on textiles, bisquits, and batteries.
6.3 Customs fee on imports	Levied on goods exempt under the investment code for philanthropic organizations.		Rate: 5%.

Democratic Republic of the Congo: Summary of the Tax System, 2000

(Amounts are expressed in Congo francs, unless otherwise indicated)

Tax	Nature and Scope of Tax	Exemptions and Deductions	Rates
6.4 Other levies on imports	BIC (business profit tax) withholding for the Direction Générale des Contributions (DGC) 3% on the c.i.f. value; Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participations (DGRAD) various, at fixed rates or ad valorem; Office congolais de contrôle (OCC) 3% on the f.o.b./c.i.f. value of which 0.7% for Société générale de surveillance (SGS) on the f.o.b. value at the market rate and 2.3% for OCC on the c.i.f. value at the official rate; Fonds pour la promotion de l'industrie (FPI) 2% value c.i.f. + customs duties, and Office de gestion du fret maritime (OGEFREM) 0.5% of the c.i.f. value.		Various ad valorem rates: (DGC, OCC, OGEFREM) and fixed (DGRAD)—see opposite.
6.5 Export duties	Levied on certain basic exports (see opposite).	None.	1% on coffee; 6% on logs; 5–10% on mining products; (7% for GECAMINES); 3% on industrial extraction of gold and diamonds; 10% on other mining products, scrap metals, and crude oils.
7. Administrative charges and licenses			
7.1 Environment	Licenses (fishing, hunting, and logging).	None.	Specific rates.
7.2 Real estate	Recording fees, transaction fees, stamp duties.	None.	Specific rates.
7.3 Mines	Prospecting fees; mining operations permit (individuals and companies); purchasing office licenses (gold, diamonds, etc.).	None.	Specific rates.

Source: Congolese authorities.