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Democratic Republic of the Congo: Third Review of the Three-Year Arrangement Under the Extended Credit Facility, Financing Assurances Review, and Request for Modification of Performance Criteria—Staff Report and Press Release on the Executive Board Discussion

In the context of the third review of the three-year arrangement under the Extended Credit Facility, financing assurances review, and request for modification of performance criteria, the following documents have been released and are included in this package:

- The staff report for the Third Review of the Three-Year Arrangement Under the Extended Credit Facility, Financing Assurances Review, and Request for modification of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on March 1, 2011, with the officials of the Democratic Republic of the Congo on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 14, 2011. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A Press Release, summarizing the views of the Executive Board on issues related to the staff report that completed the review.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of the Democratic Republic of the Congo*
Memorandum of Economic and Financial Policies by the authorities of the Democratic Republic of the Congo*
Technical Memorandum of Understanding by the authorities of the Democratic Republic of the Congo*

*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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DEMOCRATIC REPUBLIC OF THE CONGO

Third Review of the Three-Year Arrangement Under the Extended Credit Facility, Financing Assurances Review, and Request for Modification of Performance Criteria

Prepared by the African Department
(In consultation with other departments)

Approved by Michael Atingi-Ego and Christian Mumssen

April 14, 2011

Fund relations. In December 2009, the Executive Board approved a three-year arrangement under the Extended Credit Facility (ECF) for the Democratic Republic of the Congo (DRC) with access of SDR 346.45 million (65 percent of quota). The DRC reached the completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in early July 2010 and the second review of the ECF arrangement was completed in February 2011.

Discussions. Discussions for the third review took place in Kinshasa (February 21–March 1, 2011). The staff team comprised Messrs. York (head), Farah, and Fischer (all AFR); Hostland (SPR); Arnold (FAD); and Jahjah (resident representative). Mr. N'Sonde (OED) participated in the discussions, as did staff from the World Bank. The staff team met with President Kabila, Prime Minister Muzito, Minister of Finance Matata, Minister of Budget Ntahwa, Minister of Economy Kilsho, Central Bank of Congo Governor Masangu, and other senior government officials, members of the donor community, and the media.

Security situation. The DRC has a UN Phase III security designation reflecting the fragile social and political environment. The disarmament and reintegration of former Congolese rebels—a key pillar of the 2009 peace accord—is proceeding slowly, and signs of discord exist among the parties. Rebels from neighboring countries continue to operate and to destabilize the eastern provinces. The presidential and parliamentary elections planned for late next year could also become a source of political and social instability. An armed attack on the President's residence took place during the mission. President Kabila met with the staff after the attack and he reassured staff that this incident would not destabilize the political situation nor weaken government's commitment to the program, including in the lead-up to the Presidential elections later this year.

Contents Page

EXECUTIVE SUMMARY

Recent developments and program performance

- A marked improvement in the terms of trade and better policy implementation lifted real GDP growth to above 7 percent and a moderate increase in global food prices and stable exchange rate helped lower inflation to below 10 percent by year's end. The level of gross official reserves rose to US$1.3 billion at end-2010, from US$1 billion a year earlier.

- Despite a shortfall of external financial support and lower-than-projected revenue, the domestic fiscal balance on a cash basis improved to a surplus of 0.9 percent of GDP. Cuts in public investment and exceptional spending, lower domestic arrears payments, and delays in paying wages at the end of the year helped the government reach its overall fiscal objectives for last year. The soundness of the banking sector improved, with the closure and initiation of the liquidation process of a troubled bank.

- The authorities observed all quantitative performance criteria at end-December 2010 and implemented all the program's structural benchmarks.

Policy discussions

- Discussions focused on the implications of, and appropriate policy response to, the recent increase in global food and fuel prices. Staff and the authorities generally agreed on measures for containing inflationary pressures and safeguarding the integrity of the budget. The authorities recognized the need for greater effort to control spending and mobilize higher domestic revenue to manage fiscal risks over the course of the year.

- The government's spending envelope will be further increased this year to accommodate a partial pass through of recent increases in world oil prices to domestic fuel prices, and higher pro-poor spending. The additional fiscal cost will be financed by higher external financing and projected revenue, a drawdown of government's deposits built up in 2010, and use of some of the (unallocated) budgetary reserve set aside for this year.

- The Central Bank of Congo will accommodate the impact of the recent rise in commodity prices but ensure that second-round effects do not undermine the medium-term objective of single-digit inflation. The staff urged the central bank to remain ahead of the curve to curtail excessive inflationary pressures before they become entrenched in expectations.

Program risks

- The potential for higher fiscal costs associated with the government's intention to partially insulate domestic consumers from rising world oil prices and slippages in the lead up to the presidential and parliamentary elections are the main risks to the program.

Staff recommends completion of the third review under the ECF arrangement and the fourth disbursement in an amount equivalent to SDR 49.493 million, and supports the authorities' request for modification of the end-June 2011 performance criteria on net foreign assets and net domestic assets of the Central Bank of Congo.

I. Background

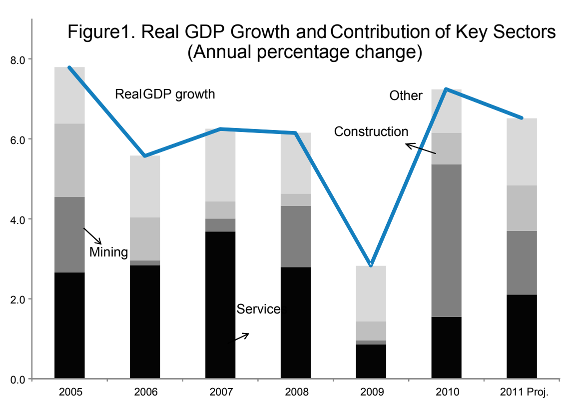
1. **The Democratic Republic of the Congo (DRC) reached the completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in early July 2010; the second review of the ECF arrangement was completed in February 2011**. External financial support for the program weakened in the middle of 2010 but picked up more recently, as the authorities moved to address concerns over governance and transparency in extractive industries. The European Commission and Belgium have provided grants this year and the World Bank is in the process of considering scaling up project-related financing after a period where the Bank had put the preparation of several projects on hold. However, the program does not include budget support from the World Bank this year.

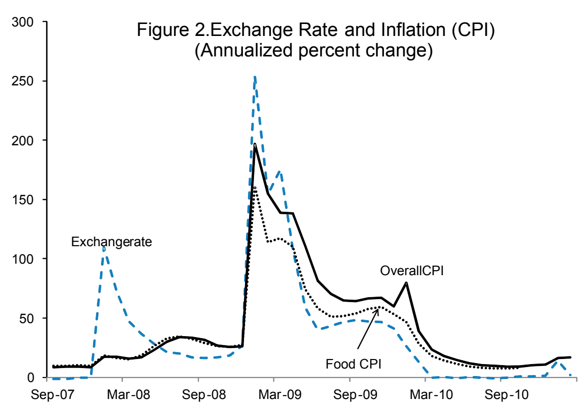
2. **The social and security situation remains fragile: an armed attack on the President's residence took place during the staff visit**. President Kabila met with the staff after the attack and he reassured staff that this incident would not destabilize the political situation nor weaken government's commitment to the program, including in the lead up to the Presidential elections later this year.

II. Recent Economic Developments and Prospects

3. **A marked improvement in the terms of trade and better policy implementation lifted economic performance in 2010; this performance could continue this year although inflation will be higher**.

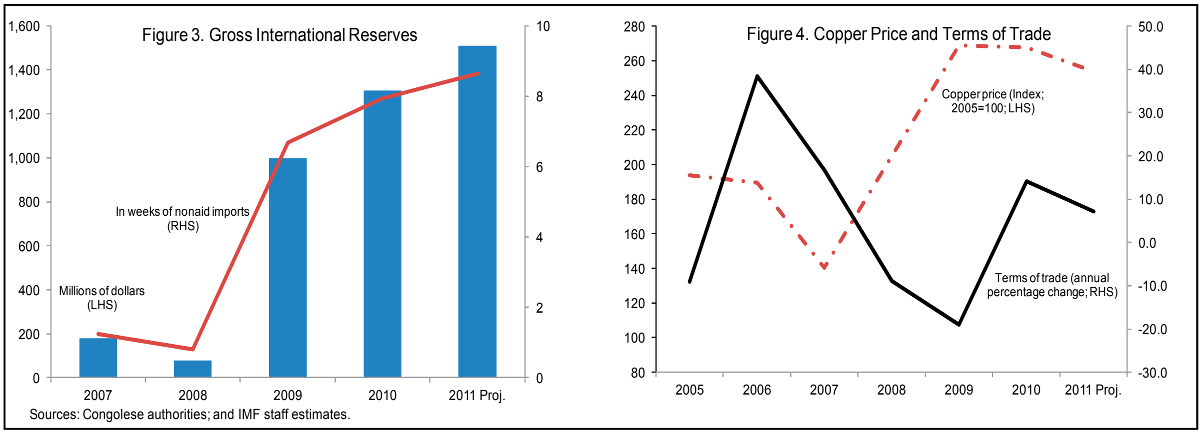
- Mining, construction, and tertiary activities boosted real GDP growth to some 7 percent last year, compared with 2.8 percent in 2009 (Figure 1 and Table 1). A favorable outlook for mineral production could help maintain the pace of growth at about 6½ percent this year. Moderate increases in global food prices during most of last year and the relative stability of the exchange rate helped lower inflation to below 10 percent by year's end. However, the recent acceleration of world oil and food prices will likely drive inflation to 13 percent at the end of this year before falling back to single digits in 2012 (Figure 2).





Source: Congolese authorities; and IMF staff estimates.

- External sector developments and outlook improved (Table 2). Higher mineral production and prices helped narrow the external current account deficit in 2010 and this is expected to continue, in view of the positive outlook for copper prices.[1] The level of gross official reserves rose from US$1 billion at end-2009 to US$1.3 billion at end-2010 and are projected to reach US$1.5 billion at the end of this year. This is the same level envisaged at the time of the second program review (as discussed in Section IV on page 7), although the coverage in terms of imports is slightly lower reflecting an upward revisions to imports (including higher fuel costs) (Figures 3 and 4).



- In 2010, fiscal performance was in line with the program despite a shortfall of external financial support equivalent to about 1.6 percent of GDP, even after accounting for the earlier disbursement of budget support from the European Commission. The domestic fiscal balance on a cash basis shifted from a deficit of 2½ percent of GDP in 2009 to a surplus of about 0.9 percent of GDP last year (Table 3a and 3b and Figure 5). Although domestic revenue underperformed—perhaps signaling some weakness in tax and customs administration—this was more than offset by cuts in public investment and exceptional spending, lower domestic arrears payments, and delays in paying wages at the end of the year.[2] In this context, the government built up deposits vis-a-vis the banking system.

- Broad money growth slowed in 2010 alongside the decline in government net credit from banks (Table 4). As inflation declined, the Central Bank of Congo (BCC) reduced its policy interest rates from 70 percent to 22 percent between January and August 2010, while keeping the real interest rate relatively high (Figure 6). World oil and food prices and excess commercial-bank reserves increased in the latter part of last year, prompting the BCC to raise its policy rate to 29½ percent in February 2011.

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[1] The balance of payments data should be interpreted because of weaknesses in the data.

[2] December's wages and salaries were paid with a delay of about 20 days reflecting concerns over liquidity management. Under the program, wage arrears do not accumulate if paid within 30 days of the end of each month.

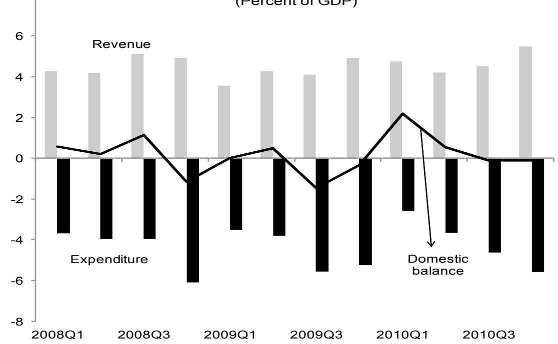

Figure 5. Fiscal Indicators
(Percent of GDP)

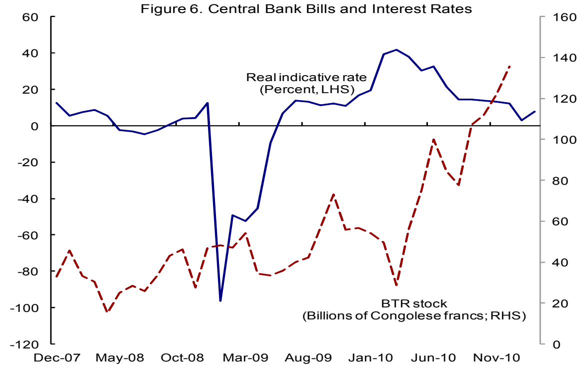

Figure 6. Central Bank Bills and Interest Rates

Sources: Congolese authorities; and IMF staff estimates.

- The closure of *Banque Congolaise* and the initiation of its liquidation helped improve the soundness of the banking sector. The fiscal cost of the liquidation this year is now expected to be smaller than envisaged, as it will take time to unwind the bank's operations. About US$20–25 million of the bank's deposits will be covered in 2011 and the rest (about US$35–40 million) in 2012.[3] The authorities continue to make progress in implementing priority safeguard measures. The transition to International Financial Reporting Standards (IFRS) is anticipated in 2012 (and will be applied to the BCC's 2011 financial statements).

- The authorities are preparing a revised Poverty Reduction Strategy Paper (PRSP) for 2011–15 and expect to finalize it in early May. The revised strategy contains a medium-term expenditure framework developed in consultation with all stakeholders.

III. Program Performance

4. **Policy implementation continues to be satisfactory**. The authorities observed all of the program's quantitative performance criteria at the end-December 2010 test date and the structural benchmarks.

- The performance criteria (adjusted) through December 2010 were met with comfortable margins, especially with respect to net banking system credit to the government (NCG) and net foreign assets of the BCC (NFA, Table 5).[4] The NFA stock was higher because the government reduced dollar-denominated expenditure and the BCC intervened in the first part of last year to ensure achievement of the program objective in the run-up to the HIPC completion point. The authorities indicated that they did not contract non-

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[3] The liquidation will take about two years to be completed. The *Banque Congolaise's* financial statements are currently being audited by an international auditor.

[4] Adjustors for end December 2010 include a shortfall in budget support and signing bonus from the Sino-Congolese Cooperation Agreement.

concessional external debt during the year.[5] They have completed the majority of bilateral rescheduling agreements with the Paris Club in the context of HIPC debt relief and should finalize them in the near term. The authorities are in contact and have made progress rescheduling debts with other bilateral and commercial creditors, as well as good faith efforts to reschedule debts with external commercial creditors on HIPC-comparable terms.[6]

- Structural reform progressed as planned (Table 6). The government reported that it published all new partnership agreements between public entities and private enterprises; produced fiscal reporting on a timely basis; and recapitalized the BCC with interest-bearing securities. These securities are not fully marketable but the BCC could use them as collateral for reverse repo operations, as it develops its monetary policy instruments.

IV. Policy Issues

5. **An exchange of views on the implications of, and appropriate policy response to, the recent increase in commodity prices dominated the discussions**. Staff and the authorities generally agreed on measures for containing inflationary pressures and safeguarding the integrity of the budget. The authorities recognized that greater effort is needed to control spending and mobilize higher domestic revenue to manage fiscal risks over the course of the year.

A. Policy Response to Higher Fuel and Food Prices

6. **The authorities stressed that fuel and food prices are adding to the challenge of further consolidating macroeconomic stability in this election year**. Higher fuel and food prices threaten social stability and cohesion and have a disproportional impact on the poor given the lack of a social safety net in the DRC.

7. **Maintaining the fiscal anchor—zero government financing from the central bank—will be critical to the success of the program**. In this context, the staff urged the authorities to pass on the recent increases in world oil prices to domestic prices. The authorities recognized that (implicit) fuel subsidies are not well targeted to protect the purchasing power of the poorest and had earlier indicated their intention to eliminate such subsidies.[7] The authorities argued that only a partial pass-through was possible at this stage due to mounting social pressures, resulting

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[5] The authorities signed a US$360 million loan agreement with the Export-Import Bank of China to finance a hydroelectric project. The grant element of the loan is about 38 percent compared with the program's minimum threshold of 35 percent. The government also recently signed a new framework agreement with the China Development Bank but they informed the staff that no financial terms were included at this stage. The staff will seek further information and clarification of possible financial terms as they emerge and their implication for the program in the period ahead.

[6] The authorities concluded an agreement with the Kinshasa Club last year.

[7] The baseline assumptions of the macroeconomic framework for the third review reflect those contained in the April 2011 *World Economic Outlook*. The average price for crude oil is projected at US$105 per barrel this year.

in a loss of tax revenue of about 0.6 percent of GDP in 2011. In late-March, they raised domestic fuel prices by average of about 4 percent, which is half of the projected increase envisaged this year. They also indicated a desire to increase pro-poor spending on health and education by CGF50 billion this year (equivalent to about 0.3 percent of GDP), to ensure measurable progress in achieving the goals laid out in the revised PRSP.

8. **The staff and the authorities agreed that the program could accommodate the fiscal costs of the fuel pricing policy and the additional pro-poor spending, while maintaining the fiscal objectives for this year**. In particular, this will be achieved through: (i) higher commodity-export prices that would boost budgetary revenue by about 0.3 percent of GDP; (ii) higher than programmed external financing of 0.3 percent of GDP; (iii) drawdown of the government's deposits built up in 2010 equivalent to 0.6 percent of GDP (including the budget support from the EC); and (iv) the use of the (unallocated) budgetary reserve, given the projected lower fiscal cost of liquidating the problem bank (Table 7). The domestic fiscal deficit (cash basis) would widen by about 0.4 percent of GDP this year compared with the budget outlook, mainly reflecting the use of un-programmed external budget support (from Belgium). The program is fully financed and there is no accumulation of domestic debt or arrears.[8]

Table 7. Changes to the Fiscal Position in 2011

	Billions of CGF	Share of GDP
Revenue and grants	+4	0.0
Partial fuel price adjustment (revenue loss)	-82	-0.6
Royalties/taxes (mining and petroleum)	+40	0.3
Budget support (EC 2nd tranche, Belgium)	+46	0.3
Total expenditure	+24	0.2
Expenditure (excl. budget reserve)	+50	0.3
Budget reserve (use of the unallocated budgetary reserve)	-26	-0.2
Overall fiscal balance (cash basis)	-19	-0.1
Domestic fiscal balance (cash basis)	-64	-0.4
Total financing	+20	0.1
Domestic financing	+84	0.6
Financing gap	-64	-0.4

Sources: Congolese authorities and IMF staff estimates/projections.

[8] If satisfactory progress in strengthening governance and transparency continues (see ¶15 on page 10), the government anticipates a resumption of budget support from the World Bank and African Development Bank.

9. **To alleviate fiscal risks over the course of this year, the government agreed to implement measures to boost domestic revenue**. These measures include: phasing out discretionary tax exemptions and incentives previously granted to a number of enterprises (structural benchmark for end-July 2011, ¶3 of the supplemental Memorandum of Economic and Financial Policies, (MEFP)); tightening tax collections on fuel imports to eliminate the fraudulent use of exemptions provided to mining enterprises (structural benchmark for end-July 2011, ¶3 of the MEFP); and further strengthening the one-stop customs windows, including by enhancing the use of information technology.

10. **The government indicated that during the 2011 budget discussions, Parliamentarians proposed minimum wage increases for healthcare workers and teachers to ensure adequate retention and recruitment in these sectors**. While sympathetic to this overall objective, staff took the position and the authorities agreed that domestic revenue must be increased before considering higher wages. Consequently, no increase is projected for this year. The staff also raised concern over the delayed wage payments in late 2010 and urged the authorities to address them before agreeing to new wage increases. The authorities propose to eliminate some of the carry-over from 2010 during this year, and the rest in 2012. They remain committed to a cautious external borrowing strategy with a focus on maintaining debt sustainability over the long term.[9]

11. **The staff noted that accelerating public financial management reform would help bolster budget monitoring and execution in these challenging times**. While satisfactory progress is evident in many areas, more effort is needed to expedite the full implementation of the new procurement code at both the central and provincial levels. The World Bank and the DRC's development partners are working closely with the authorities to advance these reforms.

12. **On the monetary front, staff and the authorities agreed that the BCC would accommodate the impact of the recent rise commodity prices but ensure that second-round effects do not undermine the medium-term objective of single-digit inflation**. The staff urged the central bank to remain ahead of the curve to curtail excessive inflationary pressures before they become entrenched in expectations. In this context, the authorities will limit base money growth in 2011 to about 22 percent, consistent with the growth in nominal GDP. Staff supported the stance that the BCC had taken in raising the policy interest rate in response to the recent pickup in inflation, and indicated that further increases may be warranted in the short run if inflation accelerates. The BCC should also carefully monitor inflationary pressures from wage developments, to avoid a further second round effects on inflation.

[9] The authorities agreed to extend the non-concessional external borrowing ceiling (minimum grant element of 35 percent) to three public enterprises assessed to pose the largest fiscal risk: La Générale des Carrières et des Mines (Gécamines; copper mining company); Société nationale d'électricité (SNEL); and Societé Miniere de Bakwanga (MIBA, diamond mining company).

13. **In the context of the improved external outlook, discussions with the BCC also focused on exchange rate policy and potential for accumulating more foreign reserves this year**. The authorities and staff agreed that a flexible exchange rate is appropriate for the DRC given its vulnerability to external shocks and narrow export base. The BCC committed to limit intervention to smooth exchange rate volatility and to achieve the program's foreign reserves objective.[10] In this context, the authorities argued that accumulating more reserves—beyond the program's current objectives—would not be advisable over the short term for two reasons. First, this would require BCC interventions that would not be consistent with its exchange rate policy. Second, although commodity exports (mainly copper) are higher than projected at the time of the second review, most of these receipts are expatriated by foreign companies (through portfolio flows and other investment), thus limiting the scope of the BCC to boost official international reserves in the short term. Consequently, the staff and the authorities agreed that the program's international reserves objectives should remain unchanged for this year.

14. **The authorities requested and staff supported modification of the end-June 2011 performance criteria for NFA and net domestic assets of the BCC (NDA)**. The performance criteria are adjusted to take into account the early disbursement and use of the EC grant for priority spending (including for goods related to the elections) during the first semester.[11] The change of NFA would be lowered by the amount of this grant (CGF 44 billion), while the change of NDA would be increased by a slightly lower amount accounting for revisions to nominal GDP and valuation changes.[12] Nevertheless, the level of NFA (NDA) at end-2011 will still be higher (lower) than projected earlier reflecting the over performance in 2010.

B. Structural Reform and Governance

15. **The discussions also addressed progress in enhancing the effectiveness and capacity of the BCC, policies to strengthen the financial sector, and governance and transparency reforms in extractive industries**.

- The authorities' intend to maintain the momentum on BCC reforms. The BCC will finalize a strategic plan to improve its operational and financial viability in June, and decide by end-September 2011 on a time-bound action plan to disengage from the Mint and Central Bank Hospital (structural benchmark, ¶8 of the MEFP). At the same time, it

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[10] The authorities stressed that the BCC's intervention in the forex market last year was related to concern that the program's NFA target be observed in the run up to the HIPC completion point. The programmed accumulation of reserves is largely premised on Fund disbursements and the signing bonus from the Sino-Congolese agreement, which is adequate to achieve the program's objectives.

[11] Under the program, foreign aid is programmed to be spent and absorbed. Thus support from the European Commission in late December 2010 (equivalent to CGF 44 billion) will be used in the first semester, resulting in a larger-than-programmed increase in NDA and drawdown of NFA. The modification to the ceiling on the changes in NDA would allow the BCC to maintain the path of broad money consistent with the program objective.

[12] Program performance criteria are evaluated at the program exchange rate, which is different than the actual exchange rate.

will continue to strengthen liquidity forecasting, introduce higher-denominated bank notes, and implement the outstanding recommendations of the 2010 Update Safeguard's Assessment (with IMF technical assistance where applicable).

- The BCC has also stepped up financial sector reforms—guided by technical assistance provided by the IMF and development partners—with the goal of bringing the legal and regulatory framework in line with international best practices. The ambitious reform program would take considerably longer than earlier envisaged, reflecting the need to amend legal texts of the central bank, commercial banks, and other relevant laws. By end-September 2011, the BCC intends to submit to Parliament amendments to the central bank and commecial bank laws that would facilite crisis management and resolution of banking problems in the future (revised structural benchmark, ¶9 of the MEFP). Over the medium term, it will undertake a comprehensive review of the legal and regulatory framework to, *inter alia*, introduce rule-based progressive enforcement measures. To support these reforms, the BCC will improve the quality of its human resources, broaden the use of information technology, and enhance offsite bank supervision.

- Implementation of governance and transparency reforms in extractive industries is proceeding satisfactorily, in close collaboration with the World Bank. The reform agenda includes 30 broad measures covering forestry, mining, and oil sector activities and focuses on transparency and accountability in the management of these resources; ensure best practice in the sale of public assets; and the immunity of contracts (Appendix II contains the full complement of measures and an update of the status of each measure). Implementation has been initiated on all 30 measures and seven have been completed thus far; the timing of some measures has been slower than envisaged but progress is being made on all fronts. Further, the authorities are moving forward as quickly as possible to accede to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

C. Program Risks

16. **Recent improvements in macroeconomic stabilization—and the move away from fiscal dominance in particular—has helped the DRC withstand the impact of lower levels of external financial assistance and the sharp rise in commodity prices**. Sustaining such gains in an environment where there is mounting inflationary pressure and risk of fiscal slippages pose difficult, but manageable, challenges.

- Large increases in world oil prices—beyond program projections—could entail unsustainable fiscal costs under the current fuel pricing policy and undermine program implementation. Higher commodity prices also pose an upside risk to inflation.

- Spending pressures from the fragile security situation and the potential for fiscal slippages in the lead up to the presidential and parliamentary elections also pose a risk to the fiscal position.

V. Staff Appraisal

17. **Satisfactory policy implementation continues in the Fund-supported program under challenging conditions**. Better macroeconomic management, together with favorable external factors, supported robust growth in real output last year and a decline of inflation to single digits at end-2010.

18. **Strong program ownership underpins these recent developments but the uncertain economic, social, and political environment will test this commitment in the period ahead**. To mitigate the risks to the program, the authorities must show resolve in protecting hard-fought gains and be ready to take tough decisions, should the external environment deteriorate.

19. **The program is flexible to accommodate a partial pass through of higher world oil prices to domestic fuel prices and further pro-poor spending, but ongoing fiscal discipline will be essential to achieve the program's fiscal objectives this year**. This discipline will also be critical to resist political and social pressures to increase spending ahead of the national elections.

20. **The implementation of revenue-enhancing measures require political will**. Revenue performance has not been commensurate with robust economic growth, especially buoyant production in extractive industries. Unjustified tax exemptions should be eliminated, loopholes closed, compliance improved, and administrative measures brought closer to international standards.

21. **The improvement in the fiscal position has supported the BCC's efforts to reduce inflation**. For its part, the BCC must remain vigilant to ensure the second round effects of higher fuel and food prices do not jeopardize the hard won gains in reducing inflation. This is critical for protecting the poor from the vagaries of inflation and the loss of purchasing power from these higher prices.

22. **Recapitalization of the BCC is critical for establishing its independence as a central bank**. The momentum created by this reform should be maintained by quickly addressing the next steps, which include focusing the BCC's mandate on its core objectives and shedding non-core activities. Sustained momentum will also be essential to complete the second part of the recapitalization, which involves the politically difficult decision to increase its net worth (capital).

23. **The staff welcomes the authorities' efforts to implement the broad range of reforms in extractive industries**. The benefit of these reforms will likely extend beyond the extractive industries, so timely implementation is encouraged. Combined with macroeconomic stability, the improvement in governance and transparency that these actions entail should elevate the medium-term outlook for the DRC.

24. The staff also welcomes the authorities' ongoing efforts to conclude debt-rescheduling agreements with its non Paris Club and commercial creditors. In this regard, the staff proposes completion of the financing assurances review.

25. Staff recommends completion of the third review under the ECF arrangement and the fourth disbursement in an amount equivalent to SDR 49.493 million and supports the authorities' request for modification of the performance criterion at end June 2011 on net foreign assets and net domestic assets of the BCC.

Table 1. Democratic Republic of the Congo: Selected Economic and Financial Indicators, 2009–15

	2009	2010		2011		2012	2013	2014	2015
		Prog. [1]	Est.	Prog [1]	Proj.	Projections			
	(Annual percentage change; unless otherwise indicated)								
GDP and prices									
Real GDP	2.8	5.4	7.2	6.8	6.5	6.0	8.0	6.1	5.9
GDP deflator	35.1	27.1	22.4	9.5	15.0	10.0	7.4	9.1	9.0
Consumer prices, period average	46.2	26.2	23.5	9.9	12.0	11.0	9.0	8.8	8.3
Consumer prices, end-of-period	53.4	15.0	9.8	9.9	13.0	9.0	9.0	8.5	8.0
External sector									
Exports, f.o.b. (U.S. dollars)	-33.6	48.3	91.1	11.3	30.9	4.5	18.4	-3.3	-0.5
Imports, f.o.b. (U.S. dollars)	-26.3	46.4	58.2	10.8	15.2	1.3	16.4	-3.0	3.8
Export volume	-6.2	8.0	52.9	6.3	7.7	3.9	21.4	2.2	2.3
Import volume	-12.5	38.1	36.3	9.3	1.6	2.0	18.4	-1.8	4.4
Terms of trade	-19.0	2.6	14.1	1.4	7.2	1.2	-0.8	-4.1	-2.1
Nominal effective exchange rate [2]	-26.7	…							
Real effective exchange rate [2]	1.0	…							
	(Annual change in percent of beginning-of-period broad money; unless otherwise indicated)								
Money and credit									
Broad money	50.4	41.1	30.7	17.5	22.5	…	…	…	…
Net foreign assets	17.0	57.8	63.2	10.6	9.5	…	…	…	…
Net domestic assets	33.3	-16.4	-32.2	7.3	13.3	…	…	…	…
Domestic credit	13.5	-2.1	-29.3	5.3	14.3	…	…	…	…
Of which:									
Net credit to government [3]	-7.6	-12.2	-37.8	-1.8	2.4	…	…	…	…
Credit to the private sector (annual percent change)	39.3	36.8	19.0	18.0	29.4	…	…	…	…
	(Percent of GDP; unless otherwise indicated)								
Central government finance									
Total government revenue	16.8	19.6	18.9	22.0	20.6	20.3	21.1	22.0	22.6
Grants	7.5	10.5	14.1	8.8	8.7	8.6	7.1	5.7	5.4
Total government expenditure	28.5	34.0	30.6	38.1	36.4	34.9	33.2	31.5	30.0
Domestic fiscal balance (cash basis)	-2.5	-1.0	0.9	-1.3	-1.7	-1.4	-0.6	-0.4	-0.4
Overall fiscal balance (payment order basis, incl. grants)	-4.2	-3.8	2.4	-7.3	-7.1	-6.0	-5.0	-3.7	-2.1
Overall fiscal balance (cash basis, incl. grants)	-5.2	-5.3	1.2	-7.8	-7.5	-6.5	-5.0	-3.7	-2.1
Investment and saving									
Gross national saving	8.9	10.4	20.2	18.9	26.8	34.3	35.1	34.7	31.0
Central Government	0.9	1.8	7.8	1.2	7.4	7.3	8.4	9.5	9.8
Nongovernment	8.0	8.7	12.3	17.7	19.4	26.9	26.7	25.2	21.2
Investment	19.4	30.4	27.0	35.9	29.6	35.0	34.5	33.5	32.3
Government	7.8	14.7	12.0	17.3	13.1	12.2	10.7	8.9	7.0
Nongovernment	11.6	15.7	15.1	18.6	16.5	22.7	23.8	24.6	25.3
Balance of payments									
Exports of goods and services	45.2	56.1	68.4	58.0	77.8	75.9	82.8	73.9	67.7
Imports of goods and services	60.9	75.1	76.9	74.5	77.0	72.9	78.2	70.0	66.9
Current account balance, incl. transfers	-10.5	-20.0	-6.8	-17.0	-2.8	-0.7	0.6	1.2	-1.3
Current account balance, excl. transfers	-21.6	-27.0	-13.5	-22.4	-7.9	-5.5	-4.1	-3.5	-5.8
Gross official reserves (end-of-period, millions of U.S. dollars)	999	1,257	1,304	1511	1,510	2,068	2,218	2,468	2,718
Gross official reserves (weeks of nonaid-related imports of goods and services)	6.7	7.5	7.9	9.3	8.6	9.4	10.3	10.8	11.0
	(Million of U.S. dollars; unless otherwise indicated)								
External public debt									
Total stock, including IMF	13,705	2,931	4,015	5,283	4,939	6,079	6,758	7,705	7,540
Present value (PV) of debt [4]	11,539	3,773	3,127	3,997	3,292	3,710	3,753	4,197	3,689
PV of debt (percent of exports of goods and services)	229.8	58.9	34.8	57.4	28.0	30.2	25.8	29.9	26.4
Scheduled debt service	1,071.0	203.4	177.0	84.6	87.5	107.6	126.5	120.2	169.6
Percent of exports of goods and services	21.3	2.9	2.0	1.0	0.7	0.9	0.9	0.9	1.2
Percent of government revenue	39.6	5.5	6.4	1.9	2.6	3.0	3.1	2.6	3.4
Exchange rate, (CGF per U.S. dollar)									
Period average	817	…	906	…	… .	…	…	…	…
End-of-period	903	…	915	…	… .	…	…	…	…
Memorandum item:									
Nominal GDP (CGF billions)	9,073	12,163	11,908	13,863	14,585	17,005	19,734	22,831	26,353

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] IMF Country Report No. 10/329.
[2] Change in annual average. Minus sign indicates depreciation.
[3] The 2010 NCG takes into account the full proceeds of IMF HIPC debt relief while the program column does not.
[4] Projections are based on calculations under the 2010 HIPC Debt Sustainability Analysis (IMF Country Report No. 10/360). Includes assistance beyond the terms of the enhanced HIPC Initiative granted by some Paris Club creditors. Exports are on a three-year backward moving average.

Table 2. Democratic Republic of the Congo: Balance of Payments, 2009–15

	2009	2010	2011	2012	2013	2014	2015
		Est.	Projections				
	(Millions of dollars; unless otherwise indicated)						
Current account	-1,166	-898	-419	-109	110	226	-262
Merchandise trade	-578	520	1,910	2,284	2,883	2,757	2,308
Exports, f.o.b.	4,370	8,350	10,931	11,421	13,520	13,074	13,014
Of which: mining and oil	4,192	8,154	10,681	11,144	13,220	12,745	12,651
Imports, f.o.b.	-4,949	-7,829	-9,021	-9,137	-10,637	-10,317	-10,706
Of which: aid-related imports	-1,329	-1,808	-2,523	-2,208	-1,906	-1,752	-1,602
Services	-1,166	-1,645	-1,796	-1,793	-2,070	-2,011	-2,129
Receipts	651	628	823	860	1,018	984	980
Expenditure	-1,817	-2,273	-2,619	-2,653	-3,088	-2,995	-3,108
Of which: aid-related imports	-477	-526	-568	-497	-429	-395	-361
Income	-779	-881	-1,491	-1,573	-1,745	-1,631	-1,630
Receipts	26	73	30	31	50	54	59
Expenditure	-805	-954	-1,521	-1,604	-1,795	-1,685	-1,689
Of which: interest payments [1]	-554	-30	-21	-24	-109	-37	-44
Current transfers	1,357	1,108	958	973	1,041	1,111	1,189
Of which: official aid	1,233	877	781	783	836	888	946
Capital and financial account	198	1,647	522	283	-219	-111	399
Capital account	263	1,506	967	921	688	533	522
Official	227	787	913	1,023	799	653	653
Private	36	265	54	-103	-111	-121	-131
Capital transfers (HIPC/MDRI)	…	8,541	…	…	…	…	…
Of which : from IMF	…	453	…	…	…	…	…
Financial account	-65	141	-445	-638	-907	-644	-123
Official capital	-321	710	1,131	917	492	742	467
Gross disbursements	485	800	1,200	1,000	950	825	550
Scheduled amortization [2]	-805	-90	-69	-83	-458	-83	-83
Private capital (net)	256	-569	-1,576	-1,555	-1,398	-1,386	-590
Of which: Foreign direct investment	1,033	1,501	1,649	2,383	2,568	2,901	4,182
Other private non-banking sector [3]	-778	-2,070	-3,226	-3,938	-3,966	-4,287	-4,772
Balance before errors and omissions	-969	749	103	174	-109	115	137
Errors and omissions	81	0	0	0	0	0	0
Overall balance	-888	749	103	174	-109	115	137
Financing	445	-5,300	-103	-456	-125	-302	-345
Net change in non-Fund arrears [4]	883	-4,473	0	0	0	0	0
Net banking sector reserves (increase = -)	-438	-827	-103	-456	-125	-302	-345
Central bank	8	-763	-51	-404	-73	-250	-293
Of which: net Fund credit	154	-458	155	155	77	0	-43
Commercial banks	-445	-63	-52	-52	-52	-52	-52
Financing need before exceptional assistance	-443	-4,551	0	-282	-234	-188	-208
Exceptional financing	443	4,551	0	0	0	0	0
Consolidation of arrears	0	4,473	0	0	0	0	0
Debt relief [5]	443	78	0	0	0	0	0
Residual financing need (overfinancing = +)	0	0	0	-282	-234	-188	-208
	(Percent of GDP, unless otherwise indicated)						
Memorandum items:							
Debt service after debt relief (percent of exports of goods and services)	21.3	2.0	0.7	0.9	0.9	0.9	1.2
Current account balance (including official transfers)	-10.5	-6.8	-2.8	-0.7	0.6	1.2	-1.3
Current account balance (excluding official transfers)	-21.6	-13.5	-7.9	-5.5	-4.1	-3.5	-5.8
Gross official reserves (in millions of U.S. dollars)	999	1,304	1,510	2,068	2,218	2,468	2,718
Weeks of non-aid-related imports of goods and services	6.7	7.9	8.6	9.4	10.3	10.8	11.0

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] Including interest due to the IMF.

[2] Excluding principal repayments to the IMF.

[3] Including unrecorded transactions. The latter may be substantial given weaknesses in statistics.

[4] Mainly arrears to Paris Club creditors.

[5] In 2009, Includes interim debt relief under HIPC (including by the IMF); In 2010, it reflects debt relief provided upon reaching the HIPC Completion point.

Table 3a. Democratic Republic of the Congo: Central Government Financial Operations, 2009–13

	2009	2010		2011		2012	2013
	Prel.	Prog.[1]	Est	Prog.[1]	Proj.	Proj.	
	(Billions of Congo francs; unless otherwise indicated)						
Total revenue and grants	2,206	3,570	3,929	4,266	4,274	4,919	5,563
Total revenue	1,528	2,326	2,253	3,048	3,006	3,452	4,159
Customs and excise	560	839	754	1,032	949	1,147	1,365
Direct and indirect taxes	565	812	778	1,048	1,048	1,320	1,678
Petroleum (royalties and taxes)	132	286	266	385	415	447	463
Nontax revenues	271	389	455	583	594	539	654
Of which : signing bonus for joint venture with China	97	120	0	120	121	0	0
Total grants	679	1,244	1,676	1,218	1,268	1,467	1,404
Budget grants	150	101	112	0	46	0	0
Project grants	185	879	714	879	882	1,076	899
HIPC Initiative assistance[2]	343	264	850	339	340	391	505
Of which : IMF	…	0	422	0	0	0	0
Total expenditure	2,586	4,024	3,647	5,281	5,308	5,931	6,550
Current expenditure	1,652	1,826	1,724	2,495	2,525	2,821	3,322
Wages	548	765	697	983	983	1,128	1,292
Interest due	496	288	263	376	374	407	450
Transfers and subsidies	284	371	302	454	452	457	540
Goods and services	323	402	462	682	717	828	1,041
Capital expenditure	704	1,787	1,678	2,399	2,421	2,846	3,084
Foreign-financed	460	1,410	1,371	1,819	1,826	1,929	1,898
Domestic-financed	244	376	307	581	596	917	1,186
Government	142	85	54	75	90	133	214
Provinces	102	291	253	506	506	784	972
Exceptional expenditure[3]	231	384	245	322	322	154	69
Foreign-financed	97	209	42	174	174	139	69
Domestic-financed	133	175	204	148	149	15	0
Budget reserve	0	27	0	65	39	110	74
Overall fiscal balance (payment order basis)	-380	-453	282	-1,015	-1,034	-1,012	-987
Domestic fiscal balance[4]	-138	54	253	-116	-180	-144	-124
Change in arrears (increase = +)	-9	-95	-40	-66	-66	-100	0
Central bank operational result	-80	-75	-103	0	0	0	0
Overall fiscal balance (cash basis, before interest rescheduling)	-469	-624	139	-1,081	-1,099	-1,112	-987
Domestic fiscal balance	-227	-117	110	-181	-245	-244	-124
Total financing	469	624	-139	1,081	1,099	1,112	987
Domestic financing	-12	-183	-568	37	121	0	0
Banking system[5]	-76	-183	-568	-37	47	0	0
Privatization receipts	64	0	0	74	74	…	…
Foreign financing (net)	456	617	425	980	979	816	724
Amortization due before debt relief	-660	-316	-298	-186	-192	-245	-384
Project loans	396	769	726	1,154	1,158	1,051	1,068
Debt relief	0	164	-2	12	12	10	40
Residual financing need/errors and omissions	25	190	4	64	0	296	263
(in millions of US dollars)	*30*	*198*	*5*	*67*	*0*	*282*	*234*
Memorandum items:							
GDP	9,073	12,163	11,908	14,585	14,585	17,005	19,734
Domestically financed spending	1,657	2,323	2,143	3,109	3,131	3,697	4,282
Expenditure on education, health and rural sector development	484	…	699	942	942	1,099	1,275

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] IMF Country Report No. 11/54; the ratios are calculated on the basis of revised GDP figures.

[2] Reflects revised calculation of HIPC Initiative assistance on the basis of the 2010 Debt Sustainability Analysis (IMF Country Report No. 10/360).

[3] Exceptional expenditure includes spending for the Demobilization, Disarmament, and Reintegration (DDR) program, and cost of the elections.

[4] The domestic fiscal balance is defined as revenue (excluding the signing bonus from the SCCA) minus total expenditure (excluding interest on foreign debt, foreign-financed capital and exceptional expenditure).

[5] For 2011 onwards, all Banking system financing is central bank only.

Table 3b. Democratic Republic of the Congo: Central Government Financial Operations, 2009–13

	2009	2010		2011		2012	2013
	Prel.	Prog.[1]	Est	Prog.[1]	Proj.	Proj.	
	(Percent of GDP; unless otherwise indicated)						
Total revenue and grants	24.3	30.0	33.0	29.3	29.3	28.9	28.2
Total revenue	16.8	19.5	18.9	20.9	20.6	20.3	21.1
Customs and excise	6.2	7.0	6.3	7.1	6.5	6.7	6.9
Direct and indirect taxes	6.2	6.8	6.5	7.2	7.2	7.8	8.5
Petroleum (royalties and taxes)	1.5	2.4	2.2	2.6	2.8	2.6	2.3
Nontax revenues	3.0	3.3	3.8	4.0	4.1	3.2	3.3
Of which: Signing bonus from joint venture with China	1.1	1.0	0.0	0.8	0.8	0.0	0.0
Total grants	7.5	10.4	14.1	8.4	8.7	8.6	7.1
Budget grants	1.7	0.8	0.9	0.0	0.3	0.0	0.0
Project grants	2.0	7.4	6.0	6.0	6.0	6.3	4.6
HIPC Initiative assistance [2]	3.8	2.2	7.1	2.3	2.3	2.3	2.6
Of which : IMF	…	0.0	3.5	0.0	0.0	0.0	0.0
Total expenditure	28.5	33.8	30.6	36.2	36.4	34.9	33.2
Current expenditure	18.2	15.3	14.5	17.1	17.3	16.6	16.8
Wages	6.0	6.4	5.9	6.7	6.7	6.6	6.5
Interest due	5.5	2.4	2.2	2.6	2.6	2.4	2.3
Transfers and subsidies	3.1	3.1	2.5	3.1	3.1	2.7	2.7
Goods and services	3.6	3.4	3.9	4.7	4.9	4.9	5.3
Capital expenditure	7.8	15.0	14.1	16.5	16.6	16.7	15.6
Foreign-financed	5.1	11.8	11.5	12.5	12.5	11.3	9.6
Domestic-financed	2.7	3.2	2.6	4.0	4.1	5.4	6.0
Government	1.6	0.7	0.5	0.5	0.6	0.8	1.1
Provinces	1.1	2.4	2.1	3.5	3.5	4.6	4.9
Exceptional expenditure [3]	2.5	3.2	2.1	2.2	2.2	0.9	0.4
Foreign-financed	1.1	1.8	0.4	1.2	1.2	0.8	0.4
Domestic-financed	1.5	1.5	1.7	1.0	1.0	0.1	0.0
Budget reserve	0.0	0.2	0.0	0.4	0.3	0.6	0.4
Overall fiscal balance (payment order basis)	-4.2	-3.8	2.4	-7.0	-7.1	-6.0	-5.0
Domestic fiscal balance[4]	-1.5	0.5	2.1	-0.8	-1.2	-0.8	-0.6
Change in arrears (increase = +)	-0.1	-0.8	-0.3	-0.4	-0.4	-0.6	0.0
Central bank operational result	-0.9	-0.6	-0.9	0.0	0.0	0.0	0.0
Overall fiscal balance (cash basis, before interest rescheduling)	-5.2	-5.2	1.2	-7.4	-7.5	-6.5	-5.0
Domestic fiscal balance	-2.5	-1.0	0.9	-1.2	-1.7	-1.4	-0.6
Total financing	5.2	5.2	-1.2	7.4	7.5	6.5	5.0
Domestic financing	-0.1	-1.5	-4.8	0.3	0.8	0.0	0.0
Banking system[5]	-0.8	-1.5	-4.8	-0.3	0.3	0.0	0.0
Privatization Receipts	0.7	0.0	0.0	0.5	0.5	…	…
Foreign financing (net)	5.0	5.2	3.6	6.7	6.7	4.8	3.7
Amortization due before debt relief	-7.3	-2.7	-2.5	-1.3	-1.3	-1.4	-1.9
Project loans	4.4	6.5	6.1	7.9	7.9	6.2	5.4
Debt relief	0.0	1.4	0.0	0.1	0.1	0.1	0.2
Residual financing need/errors and omissions	0.3	1.6	0.0	0.4	0.0	1.7	1.3
Memorandum items:							
GDP (billions of CGF)	9,073	11,908	11,908	14,585	14,585	17,005	19,734
Domestically financed spending	18.3	19.5	18.0	21.3	21.5	21.7	21.7
Expenditure on education, health and rural sector development	5.3	…	5.9	6.5	6.5	6.5	6.5

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] IMF Country Report No. 11/54; the ratios are calculated on the basis of revised GDP figures.

[2] Reflects revised calculation of HIPC Initiative assistance on the basis of 2010 Debt Sustainability Analysis (IMF Country Report No. 10/360).

[3] Exceptional expenditure includes spending for the Demobilization, Disarmament, and Reintegration program, and cost of the elections.

[4] The domestic fiscal balance (commitment basis) is defined as revenue (excluding the signing bonus from the SCCA) minus total expenditure (excluding interest on foreign debt, foreign-financed capital and exceptional expenditure).

[5] For 2011 onwards, all Banking system financing is central bank only.

Table 4. Democratic Republic of the Congo: Monetary Survey, 2007–11
(At current exchange rates)

	2007	2008	2009	2010	2011
	Dec	Dec	Dec	Dec	Dec Proj.
			(Billions of Congo francs)		
Net foreign assets	-172.6	-211.0	-41.0	907.9	1,075.3
Net domestic assets	831.4	1,252.4	1,584.5	1,100.7	1,381.6
Domestic credit	373.4	724.3	859.4	419.7	700.1
Net credit to government	176.2	248.9	172.8	-395.2	-348.6
Credit to the private sector	195.2	472.3	657.7	782.6	1,012.9
Credit to parastatals	1.9	3.1	28.9	32.4	35.8
Credit to the economy	197.1	475.4	686.6	815.0	1048.7
Other items, net (including valuation change)	458.1	528.1	725.0	681.0	681.5
Broad money (M2)	641.2	998.4	1,501.9	1,963.6	2,405.0
Narrow money (M1)	300.3	392.5	479.9	705.1	887.6
Currency in circulation	233.3	304.6	381.5	489.4	623.4
Demand deposits	67.0	87.9	98.4	215.7	264.2
Quasi money	341.0	606.0	1,022.0	1,258.5	1,517.4
Import deposits	17.6	42.9	41.7	45.0	52.0
			(Year-on year change in percent)		
Net foreign assets	43.4	-22.2	80.6	2,316.7	18.4
Net domestic assets	11.6	50.6	26.5	-30.5	25.5
Domestic credit	51.3	94.0	18.7	-51.2	66.8
Net credit to government	33.4	41.2	-30.6	-328.7	-11.8
Credit to the economy	72.0	141.1	44.4	18.7	28.7
Other items, net (including valuation change)	-8.1	15.3	37.3	-6.1	0.1
Broad money (M2)	49.5	55.7	50.4	30.7	22.5
Narrow money (M1)	41.2	30.7	22.3	46.9	25.9
Quasi money	57.8	77.7	68.7	23.1	20.6
			(Annual change in percent of beginning-of-period broad money)		
Net foreign assets	30.8	-6.0	17.0	63.2	8.5
Net domestic assets	20.2	65.6	33.3	-32.2	14.3
Domestic credit	29.5	54.7	13.5	-29.3	14.3
Net credit to government	10.3	11.3	-7.6	-37.8	2.4
Credit to the economy	19.2	43.4	21.2	8.5	11.9
Other items, net (including valuation change)	-9.4	10.9	19.7	-2.9	0.0
Broad money (M2)	49.5	55.7	50.4	30.7	22.5
Narrow money (M1)	20.4	14.4	8.8	15.0	9.3
Quasi money	29.1	41.3	41.7	15.8	13.2
Memorandum items:					
Nominal GDP (billions of Congo francs)	5,175	6,530	9,073	11,908	14,585
Velocity (GDP/broad money)	8.1	6.5	6.0	6.1	6.1
Foreign currency deposits (percent of M2)	52.8	60.6	67.8	63.7	62.7
Foreign currency deposits (percent of total deposits)	83.0	87.1	90.9	84.8	84.6
Net foreign assets of the BCC [1]	-333	-390	-558	172	221
Net domestic assets of the BCC [1]	622	774	1,037	450	540
Of which : Net credit to government from the BCC [1]	199	272	200	-341	-295
Base money [1]	288	384	479	621	761
Of which : currency in circulation [1]	244	320	395	510	598

Sources: Congolese authorities; and IMF staff estimates and projections.

[1] In billions of Congo francs at current exchange rates.

Table 5. Democratic Republic of the Congo: Quarterly Quantitative Performance Criteria and Indicative Targets, 2009 –10 [1]

(CGF Millions, unless otherwise indicated)

	2009	2010 Cumulative change[2,3]											
	Stock Dec.	June				Sept.				Dec.			
	Act.	Perf. Criteria	Perf. Criteria Adj.	Act.	Obesrvation	Indicative	Indicative Adj.	Act.	Observation	Perf. Criteria	Perf. Criteria Adj.	Act.	Observation
I. Performance criteria													
a. Floor on net foreign assets of the BCC [4] (U.S.$ millions)	-613	451	96	224	Observed	545	547	697	Observed	648	505	792	Observed
b. Ceiling on net domestic assets of the BCC [4]	869,089	-260,923	-33,612	-139,067	Observed	-266,497	-265,155	-390,968	Observed	-266,056	-175,190	-365,271	Observed
c. Ceiling on net bank credit to government	182,353	-23,242	-109,659	-137,533	Observed	-111,982	-113,152	-130,224	Observed	-183,140	-18,032	-145,545	Observed
d. Ceiling on the contracting or guaranteeing of new nonconcessional external debt with original maturity of more than one year by the government, including the EADs or the BCC [5]	…	0	…	0	Observed	0	…	0	Observed	0	…	0	Observed
e. Ceiling on the contracting or guaranteeing of new nonconcessional external debt with original maturity of less than one year by the government, and loans contracted by the EADs or the BCC [5]	…	0	…	0	Observed	0	…	0	Observed	0	…	0	Observed
f. BCC payments of government expenditure (including urgent in nature) without authorization according to proper budgetary procedures by the ministries of finance and budget [5]	…	0	…	0	Observed	0	…	0	Observed	0	…	0	Observed
g. Accumulation of External payments arrears[5]	…	0	…	0	Observed	0	…	0	Observed	0	…	0	Observed
II. Indicative targets													
a. Narrow base money	471,722	27,717	27,717	6,120	Observed	82,269	82,269	53,517	Observed	148,586	148,586	140,433	Observed
b. Domestic balance (cumulative from the beginning of the year)		79,117	79,117	148,019	Observed	-3,776	-3,776	135,189	Observed	-116,768	-116,768	110,010	Observed
c. Accumulation of wage arrears		0	…	0	Observed	0	…	0	Observed	0	…	0	Observed
Memorandum items:													
Project deposits	9,516	0	…	73	…	0	…	2,295	…	0	…	991	…
Balance of payments support (U.S. dollars, millions) [6]	…	378	…	18	…	568	…	…	…	…	…	…	…
Programmed foreign assistance[7]	…	451	…	79	…	678	…	656	…	793	…	639	…
Programmed external debt service payments	…	74	…	61	…	110	…	86	…	146	…	98	…
Signing bonus from the Sino-congolese Cooperation Agreement (U.S. dollars, millions)	…	0	…	0	…	0	…	0	…	125	…	0	…
Privatization proceeds (U.S. dollars, millions)	…	0	…	0	…	0	…	0	…	0	…	0	…

Source: Congolese authorities; and IMF staff estimates and projections.

[1] For definition and adjustors see the attached Program Monitoring Section of Memorandum of Economic and Financial Polices and the Technical Memorandum of Understanding.

[2] Cumulative changes are calculated from end-December 2009.

[3] The performance criteria for end-June are those established in IMF Country Report No. 10/88 while the performance criteria for end-December and indicative targets for end-September 2010 are those established in IMF Country Report No. 10/329.

[4] The stocks of net foreign assets and net domestic assets of the BCC are valued at the program exchange rates (US$1 = CGF 639.32; and 1 Euro = 905.07).

[5] These performance criteria will be monitored on a continuous basis.

[6] Non U.S. dollar denominated balance of payment support is valued at program exchange rates.

Table 6. Democratic Republic of the Congo: Structural Benchmarks, Q1/2011

Measures	Timing	Status
Public financial management/domestic revenue mobilization		
Generation and publishing of monthly budget execution tables (reconciled with the TOFE, the BCC, and the monetary statistics), no later than 30 days after the end of each month.	Continuous	Observed
Inclusion of externally-financed expenditure (excluding exceptional spending) in the monthly budget execution tables (reconciled with the TOFE, the BCC, and the monetary statistics), no later than 3 months after the end of each month.	Continuous	Observed
No payment by the BCC of expenditures on behalf of the government (including urgent expenditure payments) without prior authorization by the Minister of Finance in accordance with existing legislation.	Continuous	Observed
Central Bank independence		
Finalize the recapitalization of the BCC by issuing interest-bearing and marketable securities to eliminate the negative net worth in line with recommendations from the IMF technical assistance.	End-March 2011	Observed
Beginning in the first quarter of 2011, reconcile quarterly the financial flows between the government and the BCC (including interest payments, dividends, and profits).	Quarterly	Observed
Governance and transparency		
Publication of mining, forestry, and oil sector concessions, production sharing agreements, and partnership contracts between public entities and private enterprises within 60 days of signature (including information on signing bonuses, taxation system, private shareholders, and members of the Board of Directors).	Continuous	Observed
Full and timely reporting and transfer of proceeds (signing bonuses, royalties, and other payments) accruing to the Treasury from any mining, forestry, and oil sector concessions, production sharing agreements, and partnership contracts between public entities and private enterprises, once they have entered into force.	Quarterly	Observed

Source: IMF staff.

Table 8. Democratic Republic of the Congo: Disbursements and Conditions Under the ECF Arrangement, 2009–12

Availability Date	Disbursement	Conditions
December 11, 2009	SDR 49.493 million	Executive Board approval of the arrangement (disbursed)
May 31, 2010	SDR 49.493 million	Completion of the first review based on observance of performance criteria at end-December 2009 (disbursed)
December 31, 2010	SDR 49.493 million	Completion of second review based on observance of performance criteria at end-June 2010 (disbursed)
March 31, 2011	SDR 49.493 million	Completion of third review based on observance of performance criteria at end-December 2010
September 30, 2011	SDR 49.493 million	Completion of fourth review based on observance of performance criteria at end-June 2011
March 31, 2012	SDR 49.493 million	Completion of fifth review based on observance of performance criteria at end-December 2011
September 30, 2012	SDR 49.492 million	Completion of sixth (final) review based on observance of performance criteria at end-June 2012

Source: IMF staff.

APPENDIX I

DEMOCRATIC REPUBLIC OF THE CONGO

LETTER OF INTENT

Kinshasa

April 11, 2011

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Dear Managing Director,

Policy implementation under our Extended Credit Facility (ECF) arrangement continues to proceed as envisaged and we request the completion of the third review and fourth disbursement under the arrangement in an amount equivalent to SDR 49.493 million. All of the program's end-December 2010 quantitative performance criteria and indicative targets were observed, as were the structural benchmarks.

Macroeconomic performance was strong in 2010: real GDP growth at about 7 percent, end-year inflation below 10 percent, and significant improvement in the external current account were supported by fiscal discipline and prudent monetary policy. In 2011, growth is projected at 6.5 percent supported by mining, construction, and services activities. However, high world food and fuel prices since the end of last year threaten to accelerate inflation and undermine our efforts to consolidate macroeconomic stability. The monetary authority will conduct policy to ensure the second-round effects of these increases do not undermine our inflation target of below 10 percent over the medium term. On the fiscal front, to maintain social cohesion the government will allow for a partial pass through of the projected increase in world oil prices and will take the necessary fiscal measures to maintain the program's fiscal objectives for this year. Domestic fuel prices were raised an average of 4 percent in late March.

The government and the monetary authority believe that the policies and measures set forth in the Memorandum of Economic and Financial Policies (MEFP) of January 2011, supported by additional policy actions contained in a supplemental MEFP (attached), are appropriate to achieve the objectives of our medium-term program. During the period of the ECF arrangement, the government and the monetary authority will consult with Fund staff on the adoption of any measures that may be necessary to achieve the program's objectives, including fuel pricing policy, or whenever Fund staff requests such a consultation.

The government intends to make the contents of this letter and the attached supplemental MEFP, as well as the staff report accompanying its request for completion of the third review of the program, available to the public and authorizes the Fund to arrange for them to be posted on its website, subsequent to Executive Board approval of our request.

The fourth review will be based on quantitative performance criteria for end-June 2011 and is expected to be completed in the fourth quarter of this year. In this context, we request a modification to the June 2011 performance criterion on the change in net foreign assets (NFA) and net domestic assets (NDA) of the Central Bank of Congo to take account of the receipt of external financial support from the European Commission earlier than anticipated, and its planned use during the first half of 2011. This support was initially programmed for the second semester of 2011.The fifth review will be based on quantitative performance criteria for end-December 2011 and should be completed in the second quarter of 2012.

Sincerely yours

_______/s/_______

Adolphe Muzito
Prime Minister

Attachment: Supplemental Memorandum of Economic and Financial Policies, 2011
Technical Memorandum of Understanding

APPENDIX I
ATTACHMENT I

DEMOCRATIC REPUBLIC OF THE CONGO

SUPPLEMENTAL MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES, 2011

Kinshasa
April 11, 2011

1. This Memorandum of Economic and Financial Policies (MEFP) supplements that attached to the government's Letter of Intent of January 21, 2011. It elaborates on policies to address challenges posed by rising global commodity prices and associated social concerns while maintaining macroeconomic stability. It also updates the timing of reforms to strengthen the independence and capacity of the Central Bank of the Congo (BCC).

2. **Fiscal policy**. The implementation of fiscal policy was strong during 2010 and the domestic fiscal balance improved from deficit into a small surplus (0.2 percent of GDP), and the government accumulated savings beyond those attributed to HIPC debt relief. These savings in part reflected early disbursement of European Commission budget support originally expected in the second half of this year.

3. In 2011, our objective is to maintain the fiscal anchor of zero government financing requirement from the BCC. In view of mounting social pressures, the government will allow for a partial pass through of the projected increase in world oil prices (based on the IMF's April 2011 *World Economic Outlook* assumptions)—entailing a revenue loss estimated at about 0.6 percent of GDP this year—and increase pro-poor spending (mainly in health and education) by the equivalent of about 0.3 percent of GDP. The program can accommodate a partial fuel price adjustment and higher pro-poor spending through: (i) a projected revenue increase (of about 0.3 percent of GDP) from better prospects for mining and petroleum activities and higher than programmed budget support from Belgium; (ii) a drawdown of projected government savings; and (iii) the use of the (unallocated) budgetary reserve. At end-March, the government raised domestic fuel prices by about 4 percent on average, which is about half of the envisaged increase over the rest of this year. To minimize fiscal risks, we will also implement additional reforms including the tightening of tax collections on fuel imports (structural benchmark, Table 2); further strengthening customs administration (especially the use of computer/scanning technology); and phasing out discretionary tax exemptions and incentives previously granted to a number of enterprises (structural benchmark).

4. The domestic fiscal deficit is projected to deteriorate by about 0.4 percent of GDP, compared with the budget outlook but the government will not accumulate domestic debt

this year. We expect this deterioration to be further reduced by the tax measures and administrative reforms we will take later this year. The program is fully financed.

5. In debating the 2011 budget, Parliament had requested the government to increase the minimum wage for teachers and healthcare workers. The government would like to accommodate this request but only when sufficient domestic revenue can be raised to ensure any increase is sustainable over the medium term. We remain committed to a cautious external debt strategy as part of our effort to ensure fiscal sustainability. In this context, the government expanded the definition of the external debt concessionality limit covered under the program to include key public enterprises.

6. **Monetary policy**. The BCC will be vigilant to the recent rise in food and fuel prices and remain ahead of the curve. It will accommodate the impact of these prices increases on the price level but will ensure that second-round effects do not undermine the medium-term objective of single digit inflation. The BCC raised its policy interest rate in January as inflation accelerated, in line with the BCC's view of maintaining real interest rates at a relatively high level. Growth of broad money of about 23 percent this year should be consistent with an end-period inflation rate of about 13 percent.

7. **Exchange rate policy**. The BCC will limit its intervention in the foreign exchange rate market to smooth exchange rate volatility and to help achieve the program's foreign reserve target.

8. **Central bank reform and financial sector policies**. Together with the BCC, the government continues to press ahead with reforms to the BCC to strengthen its independence and capacity. In this regard, the BCC will finalize its strategic plan to improve its operational and financial viability, and decide by end-September on a time bound strategy to disengage from the mint and the central bank hospital (structural benchmark).

9. Reforms to the financial sector are progressing, with extensive technical assistance from the IMF. A major focus is amendments to the banking law and regulations to bring them into line with international best practice. In this regard, the BCC had envisaged moving quickly with these reforms by mid 2011. However, consultations with IMF staff and other experts have suggested that the scope of the amendments will take much longer than initially envisaged. Consequently, by end-September the BCC aims to review the central bank law, commercial bank law, and banking sector regulations, and prepare appropriate draft amendments to strengthen crisis management and resolution of the banking sector (structural benchmark). The liquidation of a problem bank is also proceeding as planned.

_______/s/_______	_______/s/_______	_______/s/_______
Matata Ponyo Mapon Minister of Finance	Jean-Baptiste Nthawa Minister of Budget	Jean-Claude Masangu Mulongo Governor, Central Bank of the Congo

Table I.1. Democratic Republic of the Congo: Modified Quarterly Quantitative Performance Criteria and Indicative Targets, 2010–11[1]

(CGF Millions, unless otherwise indicated)

	2010	2011 Cumulative change[2, 3]				2011
	Stock Dec.	March	Jun	Sept.	Dec.	Stock Dec.
		Indicative	Perf. Criteria	Indicative	Perf. Criteria	
I. **Performance criteria**						
a. Floor on net foreign assets of the BCC [4] (U.S.$ millions)	179	-25	-55	-61	57	237
b. Ceiling on net domestic assets of the BCC [4]	503,818	29,715	78,111	95,268	117,748	621,566
c. Ceiling on net bank credit to government	36,809	61,903	90,270	201,902	46,580	83,389
d. Ceiling on the contracting or guaranteeing of new nonconcessional external debt with original maturity of more than one year by the government, including the EADs or the BCC [5]	0	0	0	0	0	0
e. Ceiling on the contracting or guaranteeing of new nonconcessional external debt with original maturity of less than one year by the government, and loans contracted by the EADs or the BCC [5]	0	0	0	0	0	0
f. BCC payments of government expenditure (including urgent in nature) without authorization according to proper budgetary procedures by the ministries of finance and budget [5]	0	0	0	0	0	0
g. Accumulation of External payments arrears [5]	0	0	0	0	0	0
II. **Indicative targets**						
a. Narrow base money	612,155	11,364	40,749	54,061	137,051	749,206
b. Domestic balance (cumulative from the beginning of the year)	…	-63,960	-103,108	-210,284	-245,354	…
c. Accumulation of wage arrears	0	0	0	0	0	…
Memorandum items:						
Project deposits	10,507	0	0	0	0	10,507
Balance of payments support (U.S. dollars, millions) [6]	…	50	50	50	50	…
Programmed external debt service payments (U.S. dollars, millions)	…	25	44	72	85	…
Signing bonus from the Sino-congolese Cooperation Agreement (U.S. dollars, millions)	…	0	0	0	125	…
Privatization proceeds (U.S. dollars, millions)	…	0	0	0	77	…

Source: Congolese authorities and IMF staff estimates and projections.

[1] For definition and adjustors see the attached Program Monitoring Section of Memorandum of Economic and Financial Polices and the Technical Memorandum of Understanding.

[2] Cumulative changes are calculated from end-December 2010.

[3] Performance criteria on net foreign assets of the BCC and on net domestic assets of the BCC are revised from IMF Country Report No. 11/54.

[4] The stocks of net foreign assets and net domestic assets of the BCC are valued at the program exchange rates (US$1 = CGF 639.32; and 1 Euro = 905.07).

[5] These performance criteria will be monitored on a continuous basis.

[6] Non U.S. dollar denominated balance of payment support is valued at program exchange rates.

Table I.2. Democratic Republic of the Congo: Structural Benchmarks, 2011

Measures	Timing	Status
Public financial management/domestic revenue mobilization		
Submission of an initial report by the Procurement Regulatory Agency on central implementation of the new public procurement law, showing that at leeast 60 percent of all contracts above US$500,000 were awarded under compeititve procedures.	End-June 2011	
Publish all public procurement contract award decisions, including bidder claims and appeals on the Procurement Regulatory Agency website.	Quarterly, beginning end-June 2011	
Eliminate the fraudulent use of tax exemptions provided for mining enterprises by improved monitoring and enforcement, to strengthen tax collections.	End-July 2011	
Phase out discretionary tax exemptions and incentives previously granted to a number of enterprises.	End-July 2011	
Generation and publishing of monthly budget execution tables (reconciled with the TOFE, the BCC, and the monetary statistics), no later than 30 days after the end of each month.	Continuous	Observed
Inclusion of externally-financed expenditure (excluding exceptional spending) in the monthly budget execution tables (reconciled with the TOFE, the BCC, and the monetary statistics), no later than 3 months after the end of each month.	Continuous	Observed
No payment by the BCC of expenditures on behalf of the government (including urgent expenditure payments) without prior authorization by the Minister of Finance in accordance with existing legislation.	Continuous	Observed
Central Bank independence		
Finalize the recapitalization of the BCC by issuing interest-bearing and marketable securities to eliminate the negative net worth in line with recommendations from the IMF technical assistance.	End-March 2011	Observed
Submit to Parliament amendments to the Banking Law to (i) strenghten the regulatory framework for significant bank shareholders; (ii) develop adequate adminstrative (i.e., central bank led) bank resolution and insolvency procedures; (iii) define the priority of creditor claims; and (iv) define the legal regime for the lender of last resort function.	End-September 2011	
Finalize strategic plan to improve the BCC's operational and financial viability, and decide on a time bound strategy to disengage from the mint and the central bank hospital.	End-September 2011	
Beginning in the first quarter of 2011, reconcile quarterly the financial flows between the government and the BCC (including interest payments, dividends, and profits).	Quarterly	Observed
Governance and transparency		
Publication of mining, forestry, and oil sector concessions, production sharing agreements, and partnership contracts between public entities and private enterprises within 60 days of signature (including information on signing bonuses, taxation system, private shareholders, and members of the Board of Directors).	Continuous	Observed
Full and timely reporting and transfer of proceeds (signing bonuses, royalties, and other payments) accruing to the Treasury from any mining, forestry, and oil sector concessions, production sharing agreements, and partnership contracts between public entities and private enterprises, once they have entered into force.	Quarterly	Observed

APPENDIX I
ATTACHMENT II

DEMOCRATIC REPUBLIC OF THE CONGO

TECHNICAL MEMORANDUM OF UNDERSTANDING

Kinshasa
April 11, 2011

1. This memorandum updates the Technical Memorandum of Understanding (TMU) accompanying the MEFP of January 2011.[1] Unless otherwise indicated, all quantitative targets are measured in terms of cumulative changes since the beginning of the year. Variables denominated in U.S. dollars will be converted to Congolese Francs by using the program exchange rate of CGF 639.32 per U.S. dollar; variables denominated in currencies other than the U.S. dollar (excluding the SDR and Euro) will first be converted to U.S. dollars at the December 31, 2010, US$/currency exchange rate. Variables denominated in SDRs will be valued at the program exchange rate of CGF 994.02 per SDR. Variables denominated in Euro will be valued at the program exchange rate of CGF 905.07 per Euro.

2. **Institutional coverage**: The **central government** comprises all units of government that exercise authority over the entire economic territory. However, unless otherwise indicated for the purposes of this memorandum, the central government does not include nonprofit organizations controlled and financed by the central government. The **banking system** is understood to mean the Central Bank of the Congo (BCC) as well as existing or newly licensed commercial banks.

I. QUANTITATIVE PERFORMANCE CRITERIA

3. The quantitative performance criteria at end-June 2011 have been modified, and quantitative performance criteria have been established for end-December 2011 and indicative targets for end-September 2011 with regard to the following variables:

- Changes in the net foreign assets of the BCC;
- Changes in the net domestic assets of the BCC;
- Changes in net banking system credit to the government (central government);

[1] The TMU accompanying the June 2010 MEFP remains applicable to the definitions for the performance criteria and adjustors set for end-December 2010 and the third review.

- Payments of government expenditures (including emergency expenditures) by the BCC without the prior authorization according to proper budgetary procedures by the Ministries of Budget and Finance;
- Nonconcessional medium- and long-term foreign loans contracted or guaranteed by the central government, local governments, or the BCC;
- Nonconcessional short-term foreign loans contracted or guaranteed by the central government, local governments, or the BCC; and
- The accumulation of external payment arrears.

Floors on the Net Foreign Assets of the BCC

4. **Definition**: **Net foreign assets (NFA)** are defined as the difference between the BCC gross foreign assets and its total foreign liabilities. **Gross foreign assets** are defined as the sum of the following items: (i) monetary gold holdings of the BCC; (ii) SDR holdings; and (iii) convertible claims on nonresidents, such as foreign deposits and foreign securities. The following items are excluded from the definition of gross reserves: claims on residents in foreign exchange, nonconvertible currency holdings, and reserves that are encumbered or pledged in one form or another, including but not limited to reserve assets used as collateral or security for foreign third-party liabilities, and swap transactions. **Foreign liabilities** are all BCC foreign exchange liabilities to nonresidents (including SDR allocations), including the IMF.

5. The following **adjustments** will be made to the NFA floors:

- **Balance of payments support (BPS)**: NFA floors will be adjusted upward by an amount equivalent to 50 percent of total BPS in excess of the programmed levels. There will be no downward adjustments to the NFA floors for any shortfall in BPS.
- **External debt service payment**: NFA floors will be adjusted (i) upward by an amount equivalent to under payment of external debt service relative to programmed amounts; and (ii) downward by an amount equivalent to the excess of external debt service payments relative to programmed amounts.
- **Signing bonus from the Sino-Congolese Cooperation Agreement (SCCA)**: NFA floors will be adjusted (i) upward by an amount equivalent to 50 percent of total disbursement of signing bonus from SCCA in excess of the programmed levels; and (ii) downward by an amount equivalent to total shortfalls in the disbursement of signing bonus from SCCA relative to programmed levels.
- **Privatization proceeds in convertible currencies (PPCC)**: NFA floors will be adjusted upward by 50 percent of total PPCC in excess of the programmed levels. There will be no downward adjustment for any shortfall in these proceeds.

6. **Definition**: BPS is defined as all foreign grants and loans, excluding those tied to projects. External financing for the National Disarmament, Demobilization, and Reintegration Program (DDR) are considered project-related and therefore not included in the definition of BPS.

7. **Definition**: External debt service payments are defined as interest and principal due to foreign creditors (excluding the IMF).

Ceilings on the Net Domestic Assets of the BCC

8. **Definition**: The **net domestic assets (NDA)** of the BCC are defined as base money (see ¶19 below) minus NFA. Based on this definition, the NDA of the BCC include: (i) net credit to the government (central government, see ¶10 below); (ii) credit to the private sector; (iii) credit to public enterprises; (iv) credit to commercial banks; and (v) other net assets.

9. The following **adjustments** will be made to the NDA ceilings:

- **BPS**: NDA ceilings will be adjusted downward by an amount equivalent to 50 percent of total BPS in excess of the programmed level. There will be no upward adjustment to the NDA ceilings for any shortfall in BPS.

- **External debt service payment**: NDA ceilings will be adjusted (i) downward by an amount equivalent to under payment of debt service relative to programmed amounts; and (ii) upward by an amount equivalent to the excess of external debt service payments relative to programmed amounts.

- **Signing bonus from the SCCA**: NDA ceilings will be adjusted (i) downward by an amount equivalent to 50 percent of the total disbursement of signing bonus from SCCA in excess of the programmed levels; and (ii) upward by an amount equivalent to total shortfalls in the disbursement of signing bonus from SCCA relative to programmed levels.

- **Privatization proceeds**: NDA ceilings will be adjusted downward by 50 percent of the total amount of privatization proceeds (including PPCC) in excess of the programmed level. There will be no upward adjustment to the NDA ceilings for any shortfall in these proceeds.

Ceiling on Net Banking System Credit to the Government

10. **Definition**: Net banking system credit to the government (NCG) is defined as the sum of net BCC and commercial bank claims on the central government, plus the BCC's net cash deficit. For purposes of program monitoring, government deposits related to externally-financed projects are excluded from NCG. All foreign currency denominated flows to the budget will be converted to domestic currency by using the market exchange rate prevailing at the time of the disbursement.

11. The following **adjustments** will be made to the NCG ceilings:

- **BPS**: NCG ceilings will be adjusted downward by an amount equivalent to 50 percent of total BPS in excess of the programmed level. There will be no upward adjustment to the NCG ceilings for any shortfall in BPS.

- **External debt service payment**: NCG ceilings will be adjusted (i) downward by an amount equivalent to under payment of debt service relative to programmed amounts; and (ii) upward by an amount equivalent to the excess of external debt service payments relative to programmed amounts.

- **Signing bonus from the SCCA**: NCG ceilings will be adjusted (i) downward by an amount equivalent to 50 percent of total disbursement of signing bonus from SCCA in excess of the programmed levels; and (ii) upward by an amount equivalent to total shortfalls relative to programmed levels in the disbursement of signing bonus from SCCA.

- **Privatization proceeds**: the NCG ceilings will be adjusted downward by an amount equivalent to 50 percent of total privatization proceeds in excess of the programmed levels. There will be no upward adjustment for any shortfall in these proceeds.

Ceilings on Nonconcessional External Debt Contracted or Guaranteed by the Public Sector

12. **Definition**: The public sector comprises the central government, local governments, the central bank (BCC), key public enterprises (La Générale des Carrières et des Mines (Gécamines), Société nationale d'électricité (SNEL), and Societé Miniere de Bakwanga (MIBA)), and nonprofit organizations controlled and financed by the central government.

13. **Definition**: Debt is defined as set out in Executive Board Decision No. 6230 (79/140) Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91)) (see Annex).[2] For program purposes, external debt is measured on a gross basis using the residency criterion.

14. **Definition**: A debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[3] The discount rates used for this purpose

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[2] http://www.imf.org/external/np/pp/eng/2009/082009.pdf.

[3] The calculation of concessionality will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

are the currency specific commercial interest reference rates (CIRRs), published by the Organization for Economic Cooperation Development (OECD). For debt with a maturity of at least 15 years, the ten-year-average CIRR will be used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR will be used. To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD need to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more).

15. **Definition**: The ceiling on nonconcessional external debt applies to contracted or guaranteed external debt for which the equivalent value has not been received. It excludes (i) the use of Fund resources; (ii) debts incurred to restructure, refinance, or prepay existing debts, to the extent that such debt is incurred on more favorable terms than the existing debt; (iii) concessional debts; and (iv) normal import credits having a maturity of up to one year.[4]

16. **Definition**: The guarantee of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind), or from any implicit legal or contractual obligation of the public sector to finance partially or in full any shortfall incurred by the debtor.

Ceiling on the Accumulation of External Payment Arrears

17. **Definition**: External payment arrears are defined as external debt service obligations (principal and interest) that were not paid on the contractual due date. The ceiling on new external payment arrears applies **continuously** throughout the period covered by the ECF arrangement. It does not apply to external payment arrears in process of renegotiation or to cases in which the creditor has agreed to the suspension of payments pending the outcome of negotiations.

II. Quantitative Indicative Targets

18. The indicative targets pertain to narrow base money, the non-accumulation of wage arrears, and the domestic fiscal balance.

Ceilings on Base Money

19. **Definition**: Narrow base money is defined as the sum of (i) currency in circulation; (ii) cash holdings by banks; (iii) bank deposits held with the BCC; (iv) nonbank private sector deposits held with the BCC; and (v) public enterprises deposits held with the BCC.

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[4] A financing arrangement for imports is considered to be “normal” when the credit is self-liquidating.

Ceilings on the Accumulation of Wage Arrears

20. **Definition**: Wage arrears are defined as approved personnel wages and salaries that have not been paid for 30 days. Wages and salaries include the total compensation paid to public employees, including permanent benefits. These arrears will be valued on a cumulative basis from January 1, 2011.

Ceiling on the Domestic Fiscal Balance

21. **Definition**: The **domestic fiscal balance** (cash basis) is defined as (domestic revenue) minus (domestically financed expenditure). **Domestic revenue** is defined as (total revenue and grants) minus (grants) minus (signing bonus from the SCCA). **Domestically financed expenditure** is defined as (total expenditure and net lending) minus (externally financed investments) minus (foreign interest payments) plus (the BCC's operating deficit) plus (the net accumulation of domestic arrears).

22. The following **adjustments** will apply to the floor on the domestic fiscal balance:

- **BPS**: There will be no upward or downward adjustment to the floors of domestic fiscal balance on account of shortfalls or excesses of BPS (excluding that from the IMF).

- **Privatization proceeds**. The floors on the domestic fiscal balance will be adjusted: (i) upward by an amount equivalent to the full shortfall of privatization relative to programmed levels; (ii) downward by 50 percent of the total amount of privatization proceeds in excess of the programmed levels.

III. Consultation Clause

23. The authorities will consult with the IMF before implementing any revisions to the policies contained in the MEFP.

IV. Data to be Reported for Program Monitoring Purposes

The authorities of the DRC will provide IMF staff with the data needed to monitor the program within the prescribed time limits, as indicated in the following table. In addition, it will provide monthly data on the domestic fuel price structure to assess the fiscal cost of the fuel pricing policy.

Summary of Data to be Reported

Information	Responsible entity	Frequency	Reporting deadline
Volume of foreign exchange purchases and sales on the interbank market	BCC	Daily	One day
Volume of BCC purchases and sales on the interbank market	BCC	Daily	One day
Average CGF/USD reference exchange rate on the interbank market	BCC	Daily	One day
Average CGF/USD reference exchange rate	BCC	Daily	One day
Average CGF/USD reference exchange rate offered by commercial banks to their customers	BCC	Daily	One day
Average CGF/USD reference exchange rate used by exchange bureaus	BCC	Daily	One day
Integrated monetary survey	BCC	Monthly	Two weeks
BCC balance sheet	BCC	Monthly	One week
Monetary survey of retail banks	BCC	Monthly	Two weeks
Structure of retail banks' interest rates	BCC	Monthly	Two weeks
Reserves (voluntary and required) of retail banks	BCC	Daily	One day
Volume of CGF transactions on the interbank market	BCC	Daily	One day
Outstanding central bank claims on retail banks	BCC	Daily	One day
Foreign exchange sales (including through auctions) by the BCC	BCC	Weekly	One week
Outstanding and new issues of central bank bills (BTR)	BCC	Weekly	One day
Change in the free reserves of banks	BCC	Weekly	One day
Structure of BCC interest rates	BCC	Monthly	One week
Consumer price index	BCC	Weekly	One week
Retail banks' financial soundness indicators	BCC	Monthly	Two weeks
Commodity exports (value and volume), imports (value and volume) and domestic production indicators	BCC	Monthly	Three weeks
Implementation of the BCC foreign exchange cash flow plan	BCC	Weekly	One week
Implementation of the BCC domestic currency cash flow plan	BCC	Monthly	One week
Amounts and holders of promissory notes (bills) guaranteed by the BCC	BCC	Monthly	Three weeks
Evolution of Commitment Plan and Treasury Plan Implementation	MF/MB	Weekly	One day
Implementation of the government cash flow plan	MF	Monthly	Two weeks

Summary of Data to be Reported (Concluded)

Information	Responsible entity	Frequency	Reporting deadline
Amount, terms, holders, and stock of promissory notes (bills)	MF/BCC	Monthly	Three weeks
Breakdown of customs and excise revenues	MF	Monthly	Four weeks
Breakdown of direct and indirect taxes	MF	Monthly	Four weeks
Breakdown of nontax revenues	MF	Monthly	Four weeks
Projected expenditure commitment schedule	MB	Quarterly	Two weeks
Budgetary monitoring statement (ESB)	MB	Monthly	Two weeks
Approved wage bill by type of beneficiary	MF	Monthly	Three weeks
Wage bill paid by type of beneficiary	MF	Monthly	Three weeks
Compensated employees by category	MF	Monthly	Three weeks
Civil service wage scale	MF	In the event of change	Three weeks
Amounts of emergency spending, amounts approved by the emergency spending committee, amounts adjusted and paid by the BCC	MF/BCC	Monthly	Three weeks
Privatization receipts	MF/BCC	Monthly	Three weeks
Public sector domestic debt by category and by creditor	MF	Monthly	Three weeks
Loan contracts for any new external debt contracted or guaranteed by the central government, the BCC and local governments	MF/BCC	Monthly	Three weeks
Budget execution monitoring table showing Annual Treasury and Commitment Plans and all stages of expenditure execution through payments	MF/MB	Weekly	Three days
External audit reports of BCC data relevant for assessing the program’s quantitative performance criteria and benchmarks, indicating any adjustments made to data reported at test dates	BCC	Semi-annually	One week

Annex

Definition of debt

(a) For the purpose of this guideline, the term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

(b) Under the definition of debt set out in point (a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

APPENDIX II

DEMOCRATIC REPUBLIC OF THE CONGO

ENHANCING GOVERNANCE AND TRANSPARENCY IN EXTRACTIVE INDUSTRIES

1. **Concerns over governance and transparency brought a slowdown of external financial support for the DRC in the second half of 2010**. In response, the government broadened its economic governance reforms with the help of the World Bank, the IMF, and its development partners. The reforms focus on extractive industries—mining, forestry, and oil—and aim, *inter alia*, to ensure the sanctity of contracts and private property rights, and enhance the transparency of transactions in these activities.

2. **The Congolese authorities and IMF and World Bank staff discussed progress under this reform program during a mission February 21–March 1, 2011**. Further discussions took place between the authorities and World Bank staff during discussions in mid-March 2011. Table 1 below reflects understandings on the status of each measure from both sets of discussions.[1]

[1] In the context of enhancing governance and transparency, the authorities are also strengthening public procurement with the assistance of the World Bank. A number of measures are being addressed in this regard but are not included in Table II.1., which focuses on extractive industries.

Table II.1. Democratic Republic of the Congo: Time-Bound Reforms to Enhance Governance and Transparency in Extractive Industries

Sector/Measures	Timing	Ministry/ Agency	Status/comments
Mining Sector (measures 1–9)			
1. Publication of all mining contracts between mining state enterprises and private partners within 60 days following their approval, according to the laws and regulations in force (structural benchmark under the ECF arrangement).	Continuous	Presidency; Mines	Completed. The ministries of Finance and Budget published the contracts between public and private enterprises on their respective websites. The Metalkol contract was published in the Official Journal in October 2010. Since January 2011, six mining contracts signed in 2010 have been published on the Ministry of Mines' website.
2. Complete a review of existing laws and regulations and make the corresponding modifications to formalize this publication obligation:			
• Review existing laws and regulations.	Not specified	Mines	Completed. The Ministry of Mines reviewed existing laws and regulations. Current texts do not mention publication of contracts.
• Preparation of a draft decree on the publication of all partnership contracts in mines, as well as forestry and oil.	3/31/11	Mines; Portfolio; Oil ministries	In progress: A draft decree was prepared and covers all sectors. World Bank staff provided comments on the decree.
• Submission of the draft decree on the publication of all contracts to the Commission on Laws of the Government for review and approbation.	3/31/11	Mines, Environment, oil ministries	In progress: the draft decree will be submitted to the Commission after integrating World Bank comments.
• Adoption of the draft decree by the government and signature of the decree on publication of all partnership contracts	4/30/11	Mines; Prime Minister's Office	In progress: The draft decree will be signed after adoption by the Cabinet.
3. Undertake a satisfactory evaluation of the draft standard contract before adoption by the government.	5/31/11	Mines; Prime Minister's Office	Completed: The draft has been finalized by the CTCPM for the mining sector and submitted to the World Bank for comments before its adoption by the Government. The Bank will provide comments in mid April 2011.

Table II.1. Democratic Republic of the Congo: Time-Bound Reforms to Enhance Governance and Transparency in Extractive Industries (continued)

Sector/Measures	Timing	Ministry/ Agency	Status/comments
4. Record in the cadastral system all allocated mining rights and systematically update them with easy access to the public through the website:		Mines (CAMI)	Completed: The awards of mining rights are being entered in the land registration system and will be published on the website of the mining rights administrator (CAMI) as soon as it becomes operational.
• Publish the map of mining concessions and the list of permits on the website of the Ministry of Mines.	12/17/10	Mines	Completed: The map of mining rights and list of permits are available on the Ministry of Mines website at www.mines-rdc.cd.
• Set up a functional internet interface on the CAMI website:	4/30/11		In progress: The functional internet interface is operational on the website of the Ministry of Mines (www.mines-rdc.cd). A request for proposal (RFP) has been launched (in the context of a World Bank project) to recruit a firm to design the CAMI website.
5. Ensure traceability of payments for surface area rights in order to allow CAMI to implement the mining regulations.		Finance	
• Request the opening of a sub-account for the revenues of the administrative and non-tax revenue agency (DGRAD).	12/31/10	Mines	Completed: By letter (no. REF/CAMI/DG/02862/2010) of December 31, 2010, the director-general of CAMI requested that the minister of finance establish a subaccount for the annual surface rights revenues for each block to ensure traceability of payments.
• Open a provisional sub-account for DGRAD at a commercial bank.	1/31/11	Finance	Completed: On instructions from the Minister of Finance, the Directorate of Administrative and State Revenues (DGRAD) established transit account 05101-0200099736-17 USD with the Rawbank, Kinshasa on January 13, 2011 to collect and consolidate all surface rights payments prior to transfer to the general Treasury account.
6. Ensure mechanism of budget funding made regularly available to CAMI and other entities for their current operation.	Continuous	Finance	In progress: By letter (no. 0231 CAB/MIN/ FINANCES/CTR/MUL/ NGA/2011 of January 18, 2011), the Minister of Finance agreed to provide financial resources to CAMI on a regular basis to meet its operating needs. To date its monthly allocation has been paid on time.
7. Extend CAMI operations to the provinces.	To be determined	Mines (CAMI)	In progress: Extension expected in the context of PROMINES (World Bank supported project).

Table II.1. Democratic Republic of the Congo: Time-Bound Reforms to Enhance Governance and Transparency in Extractive Industries (continued)

Sector/Measures	Timing	Ministry/ Agency	Status/comments
8. Implementation of the RFP procedures for public concessions.			
• Draft the procedural manual.	1/31/11	Mines	In progress: The draft has been finalized, and incorporates comments from the World Bank.
• Adopt the manual through a Decree from the Minister of Mines.	3/31/11	Mines	In progress: The draft manual will be submitted for the signature of the Minister once World Bank comments are included.
• Adopt a ministerial decree allowing for waived rights and permits to be unfrozen, under the jurisdiction of the Center for Geological and Mining Research (CRGM) for their transfer to the Public Domain of the Government, with a view to organize tenders.	1/31/11	Mines	Completed: The draft order releasing the licenses and permits is available.
9. Initiate a RFP starting with eligible and priority concessions.			
• Identify and select a pilot mining block based on technical files sent to the Ministry of Mines.	3/31/11	Mines	Completed: CRGM already did a selection of the concession.
• Draft the terms and conditions and launch a pilot RFP.	5/31/11	Mines	Not yet started.
• Assess the bids and allocate the mining blocks.	9/30/11	Mines	Not yet started.
Forestry Sector (measures 10–14)			
10. Finalize the legal review process of former forestry licenses:			
• Publish the claims and decisions relating to the legal actions filed by holders of licenses which were considered eligible for conversion by the ad hoc inter-ministerial committee.	3/31/10	Environment	In progress: The Ministry of the Environment compiled all the related information. Publication on the website of the Government has taken place but publication on the Ministry of the Environment website is still pending.

Table II.1. Democratic Republic of the Congo: Time-Bound Reforms to Enhance Governance and Transparency in Extractive Industries (continued)

Sector/Measures	Timing	Ministry/ Agency	Status/comments
• Publish the calendar of negotiations of the terms and conditions relating to the environmental and social obligations, which are attached to the contracts of forestry concessions.	4/31/11	Environment	In progress: The Ministry of the Environment gave forest concession holders six months (ending July 31, 2011) to close negotiations on the specifications. The calendar with key interim steps is being designed.
11. Adopt a decree to confirm that the discretionary allocation would only be used for concessions geared toward nature conservation and environmental services.	4/30/11	Environment; Prime Minister's Office	In progress: In his letter (no. 584/CAB/MIN/ECN-T/27/JEB/11 dated March 17, 2011), the Minister of Environment confirmed his commitment to abide by the rules set in Articles 37 to 39 of the Decree no. 08/09 dated April 8 2008, defining the procedure for the allocation of concessions in forestry. The World Bank recommends a new decree to be adopted to strengthen the judicial framework.
12. Prepare a report on status of existing licenses in the forestry sector.	3/31/11	Environment	Completed: The status report on existing licenses and permits is already available from the Ministry of the Environment (www.mecnt.cd).
13. Publish and update the list of rights holders.	3/31/11	Environment	Completed: The list had been prepared, updated, and was published on the website of the Ministry of the Environment on February 18, 2011.
14. Update the list of holders of forestry rights that are current in their payment of taxes and inform the forestry administration on other cases, with a view to adoption of enforcement measures.	Ongoing	Finance	Completed: DGRAD, which monitors the collection of the tax on forestry rights disclosed on March 23 the updated list of forestry rights holders current and their payments. The list will be published on the website of the Ministry of Environment.
Oil Sector (measures 15–27)			
15. Prepare and disseminate the policy letter on the oil sector.	3/31/11	Hydrocarbons	In progress: The petroleum sector policy letter was prepared and adopted in the Council of Ministers in March 2010. It will be updated based on the guidelines issued by the President of the Republic and the comments from Parliament, particularly with respect to the granting of production and exploration permits, emphasizing the evaluation of reserves rather than the flat-rate taxation. Outreach media campaigns have begun through radio and television broadcasts and various presentations. An updated version of the letter is expected shortly.

Table II.1. Democratic Republic of the Congo: Time-Bound Reforms to Enhance Governance and Transparency in Extractive Industries (continued)

Sector/Measures	Timing	Ministry/ Agency	Status/comments
16. Development of the website for the Ministry of Hydrocarbons through:			
• Defining the needs, including training, prepare the terms of reference, launch of RFP and signing of the contract of service delivery and signature of the contract.	3/31/11	Hydrocarbons	In progress: Given the delay of the procurement process, the discussions will also cover the installation of the website of the Ministry of Finance as well as Hydrocarbons. A network is also envisaged.
• Implementation of the website and outreach.	6/30/11	Hydrocarbons	Not yet started.
17. Publication of the legal and regulatory framework as well as oil agreements:			
• Publish existing laws and regulations on the website of the Ministry of Hydrocarbons.	6/30/11	Hydrocarbons	In progress: The Ministry of Hydrocarbons does not have a website. The laws and regulations will be published once the website is created with financing from the World Bank.
• Publish the new law on hydrocarbons on the website of the Ministry of Hydrocarbons.	After its adoption	Hydrocarbons	In progress: The draft hydrocarbons law was considered and passed by the Senate. The National Assembly must examine it on second reading before being promulgated and published on the website.
• Publicize, within 60 days following approval, all oil agreements as well as exploration or development permits. In addition, publish all existing oil agreements.	6/30/11	Hydrocarbons	In progress: Agreements and exploration and development permits are published in the Official Journal. They will be published on the website of the Ministry once it is operational.
• Publicize the law on hydrocarbons.	After promulgation	Hydrocarbons	In progress. Outreach is subject to promulgation of the Hydrocarbons Law.
• Publish on the website of the Ministry of Hydrocarbons the map of oil blocks granted or open, including the holders of the exploration and exploitation rights as well as the expiration dates of those rights.	6/30/11	Hydrocarbons	In progress: To date, the Ministry did publish in the Official Journal only the production sharing agreements. The map of oil blocks granted or not will be published as soon as the site is operational.
18. Clarification of regulatory framework:			
• Adopt standard oil agreements defining:	60 days after promulgation	Hydrocarbons	Subject to promulgation of the Hydrocarbons Law.

Table II.1. Democratic Republic of the Congo: Time-Bound Reforms to Enhance Governance and Transparency in Extractive Industries (continued)

Sector/Measures	Timing	Ministry/ Agency	Status/comments
19. Draft and publish issuance policy on prospection and development rights.			
• Prepare and approve by decree the manual for tenders and “gré à gré”.	6/30/11	Hydrocarbons	In progress: A decree is pending the approbation of the Hydrocarbons law. In the meantime, a ministerial decree organizing the tender for a few oil blocks is being implemented
• Assess the national oil basins and classify the zones based on their maturity.	Since end December 2010		In progress: Discussions are ongoing with consulting firms Airborn and Fugra. Financing needs are estimated at US$10 million. The Ministry is contemplating a limited tender, for each oil basin, whose terms of reference are being drafted.
20. Assess needs and set up the training plan as well as the financial means.	3/31/11	Hydrocarbons	In progress: The training needs, plan, and means of financing are specified in the draft law.
21. Finalize the organizational chart of the Ministry of Hydrocarbons.	6/30/11	Hydrocarbons	In progress: The Secretariat General of Hydrocarbons is developing the organizational chart.
22. Define the procedure relating to the declaration of protected areas and restricted areas as well as how they are to be graded and downgraded with respect to oil exploration and development.	6/30/11	Hydrocarbons; Mines; Environment	In progress: The various ministries should ensure close collaboration on: (i) the filing of the studies as well as the respective institutional responsibilities, which are well defined and reflected in the judicial and regulatory framework; and (ii) the consistency between the judicial framework and the regulations between the Ministry of Environment and Hydrocarbons.
Transparency and Accountability in the Management of Natural Resources			
23. Adopt the EITI reports checking the amounts collected and deposited with the Public Treasury in 2008 and 2009, and an action plan to resolve disparities.	6/30/11	Planning, Mines; Hydrocarbons	In progress: The 2008 and 2009 EITI reports are being prepared by the EITI Secretariat and will be published in May 2011. Some government agencies have not yet provided the expected data (DGI, DGDA, OCC, CEEC), which may slow the process.
24. Adopt a procedure which allows regular monitoring of records on all resources in the treasury accounts, 10 days after the end of each month.	Ongoing	SG of Hydrocarbons; Finance	Completed: A standard form of presentation has been agreed and accepted by the Minister of Finance in March 2011.
25. Implement competitive procedures in case of goods privatization and/or sale of Government shares in the Portfolio enterprises in accordance with the Law of 2008.	Beginning 11/1/10	Portfolio	Completed: In the new charters of the government portfolio enterprises, the applicable provisions are those governing the privatization process (the law governing the State’s withdrawal from portfolio enterprises and the decree creating and prescribing the organization and functioning of COPIREP).

Table II.1. Democratic Republic of the Congo: Time-Bound Reforms to Enhance Governance and Transparency in Extractive Industries (continued)

Sector/Measures	Timing	Ministry/ Agency	Status/comments
26. Publicize on a quarterly basis on the Finance Ministry's Website: (i) revenues coming from the sales of goods from the natural resources sector and (ii) the bonuses (signature bonus), collected royalties and dividends.	Starting in January 2011	Finance; Sectoral Ministries	In progress: The first publication will be done in April 2011, covering the first quarter of this year. The instruction N° 1228 CAB/MIN/FINANCES/CTR/MUL/KAN/2011 on the monitoring of revenue in the sector of natural resources was signed by the Minister of Finance on March 19, 2011.
Ensuring Best International Practices in the Sale of Public Assets			
27. (i) Implement the proposals of decree no. 08/2008 dated 07/07/2008 on the State divestiture from the Portfolio enterprises, namely those relating to the authorization of the Minister of Portfolio for competitive RFP.	3/31/11	Portfolio; COPIREP	In progress: The legal provisions exist. They will be strengthened by a circular from the Minister of Portfolio to the attention of Board Directors and Managing Directors of the Portfolio enterprises. The draft is being finalized and will be submitted to the World Bank for comments. The circular will impose the observance of legal provisions in terms of procurement and partnership agreements.
(ii) Put in place the guiding principles governing in the management of mining rights owned by public mining companies, the terms for transferring them to private or public partners, and the management of the revenue generated such transfers.	6/30/11	Finance; Mines; Portfolio	Put in place a working group to brainstorm on this issue and present proposals to the Government.
28. Formalize a participatory monitoring and dialogue platform based on the EITI structure model including all the stakeholders (Government, Civil Society, public and private enterprises), concerning the mining policy and its implementation, as well as management of the sector.	6/30/11	Mines (CTCPM and PROMINES)	In progress: The outline of the platform designed by the CTCPM is being finalized by a commission involving all stakeholders. A harmonization meeting will take shortly. A workshop is scheduled to discuss and adopt the final version that will be submitted for approval to the authority.
29. Regularly assess the actions described above, publish the results and implement the recommendations in order to facilitate monitoring and reporting regarding publication of contracts and use of RPFs.	Annual basis beginning in 2012	Mines (CTCPM): PROMINES)	Preparatory work will start in the second half of 2011.

Table II.1. Democratic Republic of the Congo: Time-Bound Reforms to Enhance Governance and Transparency in Extractive Industries (concluded)

Sector/Measures	Timing	Ministry/ Agency	Status/comments
Immunity of Contracts			
30. Accession to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.			
• Confirm by the Government the intention to implement the NY Convention	1/15/11	Justice	Completed: Under the Fund-supported program, the government confirmed its intention to take the necessary steps to adhere to the New York Convention of 1958. This commitment has been reinforced in a letter from the Prime Minister (GC/PM/152/2011 dated March 18, 2011) addressed to the President of the World Bank Group. An exchange of information took place on March 21, 2011 between the experts of the government and independent lawyers.
• Drafting of legal documents needed to accede to the NY Convention.	2/28/11	Justice	Completed: The documents related to the accession of DRC to the New York Convention of 1958 have been prepared by the Minister of Justice and transmitted to the Prime Minister.
• Have the documents reviewed by the Government Commission on Laws.	3/31/11	Justice	Not yet started.
• Adopt in a Council of Ministers meeting the legal documents required to accede to the NY Convention.	4/7/11	Justice	In progress: The Minister of Justice and Human Rights submitted the documents to the Government for their review and adoption.
• Send the legal documents concerning accession to the NY Convention to the Parliament for adoption.	4/15/2011	Justice	Ongoing: The documents will be submitted to the Parliament after adoption by the Council of Ministers.
• Implement a program for capacity-building for judges and other legal and technical professions involved in arbitration, in parallel with the implementation of the Law on OHADA.	July–Sept/11	Justice	Ongoing: Training of magistrates has been delivered in February 2011 by the High School of Law of Benin.
• Submit the legal documents at the United Nations section for international treaties.	7/15/11	Justice	Not yet started.

Source: Congolese authorities; and IMF and World Bank staff.

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF THE CONGO

Third Review Under the Three-Year Arrangement Under the Extended Credit Facility, Financing Assurances Review, and Request for Modification of Performance Criteria

Informational Annex

Prepared by the African Department
(In consultation with other departments)

Approved by Michael Atingi-Ego and Christian Mumssen

April 14, 2011

Relations with the Fund. Describes financial and technical assistance from the IMF and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 259.31 million (48.65 percent of quota) as of March 31, 2011.

JMAP Implementation Matrix. Describes the IMF's and World Bank Group's work program.

Statistical Issues. Provides assessment of data adequacy for surveillance and program monitoring purposes.

Table of Common Indicators for Surveillance. Provides information on statistical data for surveillance purpose.

Contents Page

Annexes

ANNEX I

RELATIONS WITH THE FUND
(As of March 31, 2011)

I. **Membership Status**: Joined September 28, 1963; Article VIII

II. **General Resources Account**:	**SDR Million**	**Percent of Quota**
Quota	533.00	100.00
Fund holdings of currency	533.00	100.00

III. **SDR Department**:	**SDR Million**	**Percent of Quota**
Net cumulative allocation	510.86	100.0
Holdings	353.05	69.11

IV. **Outstanding Purchases and Loans**:	**SDR Million**	**Percent of Quota**
ESF RAC loan	108.16	20.29
ECF Arrangement	151.15	28.36

V. **Latest Financial Arrangements**:

Type	**Approval Date**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ECF	Dec 11, 2009	Dec 10, 2012	346.45	148.48
ECF	June 12, 2002	Mar 31, 2006	580.00	553.47
Stand-By	June 09, 1989	June 08, 1990	116.40	75.00

VI. **Projected Payments to Fund**:[1]
(SDR million; based on current use of resources and present holdings of SDRs):

	Forthcoming				
	2011	**2012**	**2013**	**2014**	**2015**
Principal	0.00	0.00	0.00	0.00	27.46
Charges/interest	0.55	1.39	1.39	1.39	1.37
Total	0.55	1.39	1.39	1.39	28.83

[1]When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. **Implementation of HIPC Initiative**:

I. Commitment of HIPC assistance	Enhanced Framework
Decision point date	July 2003
Assistance committed by all creditors (US$ millions)[2]	7,252.00
of which: IMF assistance (US$ millions)	391.30
(SDR equivalent millions)	280.30
Completion point date	July 2010
II. Disbursement of IMF assistance (SDR millions)	
Assistance disbursed to the member	280.30
Interim assistance	49.05
Completion point balance	231.25
Additional disbursement of interest income[3]	50.44
Total disbursement	330.74

VIII. **Implementation of MDRI Assistance**:

I. MDRI-eligible debt (SDR Million)[4]	248.08
Financed by: MDRI Trust	0.00
Remaining HIPC resources	248.08

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	GRA	PRGT	Total
July 2010	N/A	248.08	248.08

IX. **Exchange Rate Arrangement**:

The currency of the Democratic Republic of the Congo (DRC) is the Congo franc. The de facto exchange rate arrangement is classified as floating. At end-March 2011, the rate was US$1=CF 921.65.

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[2] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two numbers cannot be added.

[3] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

[4] The MDRI provides 100 percent debt relief to eligible countries that qualified for the assistance. Grant assistance from MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Effective February 10, 2003, the DRC accepted the obligations of Article VIII, Sections 2 (a), 3, and 4, of the Fund's Articles of Agreement; however, the DRC maintains measures that give rise to one restriction and one multiple currency practice subject to Fund approval. The exchange restriction involves an outstanding net debt position against other contracting members under the inoperative regional payments agreement with the Economic Community of the Great Lakes Countries. The multiple currency practice relates to a fixed exchange rate set quarterly applying to transactions through the bilateral payments agreement with Zimbabwe.

X. **Last Article IV Consultation**:

Consultations with the DRC are held in accordance with the provisions of the 2010 Decision on consultation cycles approved in September 2010. The last Article IV consultation was concluded by the Executive Board on December 11, 2009.

XI. **Safeguards Assessment**:

An update safeguards assessment of the central bank (BCC) was completed in April 2010. It found that while most of the 2008 recommendations had been implemented significant risks remained. The BCC continued to lack autonomy from the government and was in need of recapitalization. Furthermore, the absence of a benchmark reporting framework continued to impair transparency. The BCC and the authorities agreed broadly with the priority recommendations of the assessment, and since initiated important reforms. In March 2011 the Ministry of Finance completed the first phase of the BCC's recapitalization, bringing its net worth to zero. Also the BCC plans to release its 2011 financial statements for the first time, consistent with IFRS. The status of safeguards recommendations will continue to be monitored in the context of the program.

X. **Technical Assistance**:

STA

FY 2004 – Multisector statistics

FY 2010 – Monetary statistics

MCM

Capacity building assistance to the central bank

Strengthening capacity in Anti-Money Laundering/Combating Financial Terrorism (AML/CFT)

FY 2005 – One short visit

FY 2006 – Two short visits

Strengthening capacity in monetary policy implementation, exchange operations, and liquidity management

FY 2005 – Three short visits

FY 2006 – Two short visits

FY 2007 – Seven short visits

FY 2008 – Three short visits

FY 2009 – One short visit

FY 2011 – Three short visits

Restructuring and reorganization of the central bank

FY 2009 – One short visit

FY 2010 – One short visit
FY 2011 – Four short visits
Strengthening capacity in banking supervision and financial sector development
FY 2005 – One short visit on bank supervision and regulation
FY 2006 – One short visit on internal audit
FY 2007 – Action plan for developing the financial system
FY 2008 – One short visit on TA assessment
FY 2008 – Two short visits on bank supervision and regulation
FY 2008 – One short visit on internal audit
FY 2010 – Three short visits on bank supervision and regulation
FY 2011 – Three short visits
FY 2011 – Two short visits on bank supervision and regulation
FAD
Public financial management
FY 2007 – Short visit
FY 2009 – Short visit
FY 2010 – Short visit
FY 2011 – Short visit
Revenue administration
FY 2004 – Two short visits
FY 2005 – One short visit
FY 2006 – One short visit
FY 2007 – One short visit
FY 2007 – One short visit
FY 2009 – One short visit
FY 2011 – One short visit (VAT diagnostics)
Fiscal decentralization
FY 2005 – Short visit

XIII. **Long-term Resident Experts**:

Expenditure management	Mr. Catalan	Jan. 2002 – June 2004
	Mr. Bremeersch	Jan. 2002 – Jan. 2004
	Mr. Nguenang	Sept. 2004 – July 2008
Tax administration	Mr. Fossat	Sept. 2005
VAT preparation and implementation	Mr. Ramarozatovo	Feb. 2011
Advisor to Governor of BCC	Mr. Nyssens	Jan. 2004 – Jan. 2005
	Mr. d'Ambrières	Feb. 2006 – June 2006
	Mr. Traoré	June 2010
Capacity building of BCC	Mr. Pauwels	Sept. 2004 – Mar. 2007
Statistics	Mr. Métreau	Oct. 2004
	Mr. Gbossa	Dec. 2005 – 08

XIV. **Resident Representative**: Mr. Jahjah assumed his duties in January 2009.

ANNEX II

JMAP IMPLEMENTATION MATRIX

(As of March 23, 2011)

1. The IMF and World Bank teams discussed a joint managerial action plan under the JMAP initiative.
2. The World Bank's work program entails moving forward in FY11 with a Country Economic Memorandum that will focus on constraints to growth and additional financing for the financial and private sector development project.
3. The IMF's work program entails a three-year arrangement under the Extended Credit Facility (ECF) approved by the IMF's Executive Board in December 2009.
4. Both institutions are supporting an FSAP that could take place during FY12.

Title	Products	Provisional timing of missions	Actual or expected delivery date
A. Mutual information on relevant work program			
World Bank work program in the next 12 months	Country Economic Memorandum	April and May 2011	May 2011
	Capacity Building Investment Lending Operation	None	May 2011
	Strengthening of Governance dialogue	FY11	FY11
IMF work program in the next 12 months	Fourth review of the ECF	September 2011	October/November 2011
	Fifth review of the ECF and Article IV consultation	February 2012	April 2012
B. Requests for work program inputs			
Fund request to Bank	Provide comments on implications of sector-specific issues, including developments in the mining, energy, telecom and agricultural sectors.	None	FY 11
Bank request to Fund	Macroeconomic scenarios for Investment Operations	Managed by Kinshasa office	FY 11
	Comments on JSAN of new PRSP	June 2011	July 2011
C. Agreement on joint products and missions			
Joint products in the next 12 months	Public Finance Management technical assistance	FY11–12	FY11–12
	Banking sector supervision technical assistance	FY11–12	FY11–12

ANNEX III

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance
General: Data provision to the Fund is broadly adequate for surveillance and program monitoring purposes, but upgrades to the national accounts, balance of payments, and government finance statistics would be helpful. In spite of difficulties, the authorities have continued to produce an array of economic and financial statistics, most of which are published in the annual report of the Central Bank of the Congo (BCC) or its monthly statistical bulletin.
National accounts: Annual national accounts are compiled in constant and current prices by the Directorate of Research of the BCC and published yearly. The compilation methodology conforms to the *System of National Accounts 1968* (1968 SNA) and is based on the balance sheets of enterprises and surveys of public and semipublic enterprises and agencies, most of which date from the late 1980s. The activities of the traditional sector (including the informal sector) are estimated with extrapolation techniques using industry-specific data that are outdated. As a result, GDP is likely to be underestimated. With assistance from AFRITAC, work on the national accounts is underway to update the base year to 2005, incorporate the results of a recent 1-2–3 household survey, as well as implement the methodological recommendations of the 1993 SNA. While outputs of this work remain to be validated and officially published, as expected, the 2005 GDP estimates show a considerable upward revision compared to previously published estimates.
Price statistics: Consumer price indices (CPI) are calculated for Kinshasa by the BCC, the National Statistics Institute (INS), the Institute of Economic and Social Research (IESR), and the Economics Section of the U.S. Embassy in Kinshasa. The IESR also calculates a monthly consumer price index for the Lubumbashi market. In December 2010, the BCC adopted a new harmonized-CPI index for Kinshasa based on a 2004 household survey. However, there is a need to expand the index's geographical coverage.
Government finance statistics: The BCC produces aggregated monthly statistics on a cash basis based on its own accounting for the government cash operations. The treasury produces two sets of monthly statistics based on its own records: one relates to the transactions executed through the BCC, the other set attempts to consolidate operations through commercial bank accounts and off-budget operations. These statistics do not rely on an integrated double-entry public accounting system and do not provide sufficient details about the nature of expenditures owing to problems in the expenditure chain. However, the treasury has started to produce quarterly expenditure data reports by ministry and institution. The current work on tax administration and expenditure control is expected to improve the quality and timeliness of fiscal statistics. In parallel with technical assistance on public expenditure management, a STA multisector statistics advisor has been advising on government finance statistics, producing improvements in the quality of the statistics. Furthermore, adoption of a simplified double-entry bookkeeping system should significantly improve the availability of data on government financial operations. In 2003 the DRC reported annual data up to 2002 for the IMF's *Government Finance Statistics Yearbook* in the format of the *Government Finance Statistics Manual 2001* but has not reported subsequently.
Monetary statistics: The BCC Directorate of Statistics regularly produces timely monetary statistics. These statistics are now generally reliable but some minor problems remain with the classification of accounts. Since STA money and banking statistics mission of June 2000, BCC reporting of data for publication in the IMF's *International Financial Statistics (IFS)* has improved and monetary data are currently reported on time. A 2003 multisector statistics mission recommended a new chart of accounts for the BCC and other deposit-taking institutions, including the information needed for improved sectorization of economic units and classification of financial assets. The new chart of accounts for the central bank was applied beginning in 2007. The new chart of accounts for commercial banks is being applied on a provisional mode since July 2010 and the current chart of accounts should be abandoned in January 2011. The August 2009 MFS mission developed the new standardized report form (SRF) 1SR on central bank data and the December 2010 MFS mission developed the SRF 2SR on commercial bank data. Both forms will be further refined and should become the official vector for the submission of CDR monetary statistics to the IMF sometime in 2011.
Balance of payments: Annual balance of payments statistics are compiled with information on the exports and imports of large public and semipublic enterprises, BCC payment records, and a survey of the foreign operations of residents. The estimates also take account of information on the informal sector and foreign aid flows provided by the World Bank and the local UN Development Program (UNDP) office, which collects the data from the European Union, embassies, and nongovernmental organizations. However, the 2003 multisector mission found that, due to computer problems, data have not been processed since 1999, so in effect balance of payments statistics are compiled using data from different sources, supplemented by estimates. The mission suggested that the BCC implement a system of quarterly surveys of corporations that are authorized to hold accounts overseas. The mission also recommended reinvigoration of a working group comprising staff of the customs and other agencies to prepare quarterly foreign trade data and take measures to improve data on services and transfers. No external sector data are reported to STA for publication.
II. Data Standards and Quality
Since April 24, 2004, the DRC participates in the general Data Dissemination System. The metadata needs to be updated.

The Democratic Republic of the Congo: Table of Common Indicators Required for Surveillance (As of April 12, 2011)					
	Date of latest observation	Date received	Frequency of Data [6]	Frequency of Reporting [6]	Frequency of Publication [6]
Exchange Rates	31-Mar-11	1-Apr-11	D	W	D
International Reserve Assets and Reserves	Mar-11	Apr-11	M	M	M
Liabilities of the Monetary Authorities [1]	Mar-11	Apr-11	M	M	M
Reserve/Base money	Mar-11	Apr-11	M	M	M
Broad money	Mar-11	Apr-11	M	M	M
Central Bank Balance Sheet	Mar-11	Apr-11	M	M	M
Consolidated Balance Sheet of the Banking System	Dec-10	Feb-11	M	M	M
Interest Rates [2]	31-Mar-11	1-Apr-11	M	M	M
Consumer Price Index	31-Mar-11	1-Apr-11	W	W	W
Central Government revenue, expenditure, and financing [3]	Dec-10	Feb-11	M	M	M
Stock of Central Government and Central Government-Guaranteed Debt [4]	2010	Feb-11	A	A	I
External Current Account Balance	2010	Feb-11	A	A	I
Exports and Imports of Goods and Services	2010	Feb-11	A	A	I
GDP/GNP	2010	Feb-11	A	A	I
Gross External Debt	2010	Feb-11	A	A	I
International Investment Position [5]	NA	NA	NA	NA	NA

[1]Any reserves assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the national values of financial derivatives to pay and receive foreign currency, including those linked to a foreign curreny but settled by other means.

[2]Both market-based and officially-determined, including discount rates, money markets rates, rates on treasury bills, notes and bonds.

[3]Foreign, domestic bank, and domestic nonbank financing.

[4]Including currency and maturity composition.

[5]Includes external gross financial asset and libility positions vis-à-vis nonresidents.

[6]Daily(D), Weekly (W), Monthly (M), Quarterly (Q), Irregular (I), Not available (NA).

INTERNATIONAL MONETARY FUND

EXTERNAL RELATIONS DEPARTMENT

Press Release No. 11/154
FOR IMMEDIATE RELEASE

International Monetary Fund
Washington, D.C. 20431 USA

April 29, 2011

IMF Executive Board Completes Third Review Under the ECF Arrangement with the Democratic Republic of the Congo and Approves US$80 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) has completed the third review of the Democratic Republic of Congo's (DRC) economic performance under a three-year Extended Credit Facility (ECF) arrangement.[1] The Board's decision, which was taken on a lapse-of-time basis,[2] enables the authorities to draw an additional SDR 49.493 million (about US$80.2 million), bringing total disbursements under the arrangement to an amount equivalent to SDR 197.972 million (about US$320.6 million).

Satisfactory policy implementation continues in the Fund-supported program under challenging conditions. The authorities met all quantitative performance criteria at end-December 2010 and structural reforms progressed well, including in the extractive industries, where these reforms are expected to contribute to economic growth.

The three-year ECF arrangement for the DRC was approved on December 11, 2009 (see Press Release No. 09/455) in an amount equivalent to SDR 346.45 million (about US$561.1 million, or 65 percent of the country's quota in the Fund). In mid-2010, the Executive Boards of the IMF and the World Bank's International Development Association supported US$12.3 billion in debt relief for the DRC under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI—see Press Release No. 10/274). DRC has been a member of the Fund since September 1963.

[1] The Extended Credit Facility (ECF) has replaced the Poverty Reduction and Growth Facility (PRGF) as the Fund's main tool for medium-term financial support to low-income countries by providing a higher level of access to financing, more concessional terms, enhanced flexibility in program design features, and more focused streamlined conditionality. Financing under the ECF carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years (http://www.imf.org/external/np/exr/facts/ecf.htm). The Fund reviews the level of interest rates for all concessional facilities every two years.
[2] The Executive Board takes decisions under its lapse-of-time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.