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Statement by IMF Staff Mission to the Democratic Republic of the Congo

Mr. Brian Ames, head of an International Monetary Fund (IMF) mission to the Democratic Republic of Congo (DRC), issued the following statement on December 20, 2008 in Kinshasa:

“An IMF mission visited Kinshasa from December 10-20, 2008. The mission assessed the impact of the international financial crisis on the domestic economy, reviewed progress under the authorities’ 2008 staff-monitored economic program, analyzed the draft 2009 budget, and discussed possible financial assistance under the Rapid Access Component of the IMF’s Exogenous Shocks Facility. It met with Prime Minister Adolphe Muzito, Minister of Finance Athanase Matenda, Minister of Budget Michel Lokola, Central Bank Governor Jean-Claude Masangu, and other key ministers and senior government officials. It also met with the President of the Senate Léon Kengo, the President of the National Assembly Vital Kamarhe, and members of the Economic and Financial Commissions of both chambers.

“The DRC economy has been buffeted by two major shocks in recent months—the onset of the international financial crisis and the escalation of the conflict in the eastern provinces. The decline in key commodity export prices (notably copper and cobalt) has taken its toll on economic activity and employment, particularly in the mining sector. Lower revenues and higher security spending have led to a deterioration of the fiscal position, a decline in international reserves, and pressures on the exchange rate.

“Although performance under the 2008 staff monitored program was broadly on track at end-September, the economic situation deteriorated during the fourth quarter. Economic growth in 2008 is now projected to be about 8 percent, down from the earlier-projected 10 percent. However, inflation has eased from 30 percent to 24 percent, reflecting the decline in world petroleum product and food prices. International reserves have reached a five-year low.

“The economic situation in 2009 will likely be even more difficult. Lower mining exports and the associated indirect spillover effects will significantly reduce economic activity, raise unemployment, and weaken the balance of payments. Policies in 2009 will need to respond to the difficult environment while maintaining macroeconomic stability. On the fiscal front, with revenues expected to decline sharply, the onus will be on the government to improve the

composition of public spending and target labor-intensive activities. At the same time, increased donor support will be essential to create adequate fiscal space while mitigating undue pressures on inflation and the exchange rate. A proactive monetary policy that anticipates and mops up excess liquidity will also be critical to maintaining macroeconomic stability and easing the adjustment to the new economic conditions.

“The IMF stands ready to assist the DRC through this difficult period. The mission discussed the possibility of the authorities accessing financial assistance through the Rapid-Access Component of the IMF’s Exogenous Shock Facility in an amount up to twenty-five percent of quota (about US\$200 million). Access would be subject to IMF management and Executive Board approval and be contingent, among other things, on the authorities continuing with an appropriate policy response to the commodity price shocks and demonstrating good public financial management and a commitment to external debt sustainability. Other development partners are also considering providing additional emergency financial support. Together, this could help facilitate the adjustment process while mitigating socio-economic disruptions induced by the exogenous shocks.

“Discussions on a new three-year arrangement under the IMF’s Poverty Reduction and Growth Facility (PRGF) will continue. In this regard, it will be important that the authorities demonstrate a track record on continued policy and structural reform implementation, including in the area of public financial management. The Sino-Congolese cooperation agreement will also need to be made compatible with debt sustainability.

“The mission would like to thank the authorities for their warm hospitality and excellent cooperation during the visit.”