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Statement at the Conclusion of an IMF Staff Visit to the Democratic Republic of the Congo

An International Monetary Fund (IMF) mission led by Mr. Brian Ames visited the Democratic Republic of the Congo March 16-31, 2009 to conduct the 2009 Article IV Consultation and continue discussions on a new three-year arrangement under the IMF's Poverty Reduction and Growth Facility (PRGF). The mission met with Prime Minister Adolphe Muzito, Deputy-Prime Minister Emile Bongeli, Deputy Prime Minister Nzanga Mobutu, Minister of Finance Athanase Matenda, Minister of Budget Michel Lokola, Minister of Plan Olivier Kamitatu, Central Bank Governor Jean-Claude Masangu, and other senior government officials. It also met with members of the Economic and Financial Commissions of both the National Assembly and the Senate and representatives from civil society and the private sector.

Mr. Brian Ames, Mission Chief for the Democratic Republic of the Congo (DRC), issued the following statement today in Kinshasa:

"The discussions took place against a backdrop of deteriorating economic conditions. The continued decline in key commodity export prices has taken a toll on economic activity and higher security and humanitarian spending have led to a deterioration of the fiscal position, a decline in international reserves, and pressures on the exchange rate. The growth rate in 2008 is now estimated at 6 percent, due to a larger than expected slowdown in mining and construction activities. Annual inflation fell to 28 percent in December, reflecting the decline in world prices for petroleum products and food, while international reserves fell to a five-year low.

"The economic situation during the first two months of 2009 continued to deteriorate. Lower mining exports and the associated spillover effects have significantly reduced economic activity, raised unemployment, and weakened the balance of payments, placing additional pressure on the exchange rate. Inflation peaked in February, reflecting the impact of the fiscal slippages in late 2008 on domestic demand and the exchange rate. For 2009, economic growth is projected at 2½ percent and inflation for the year is expected to be 25 percent. With revenues below expectations and expenditures on the rise, the financing gap is projected to widen significantly. The government is implementing corrective measures and seeking

additional concessional external financing consistent with macroeconomic stability and debt sustainability.

“The Article IV consultation discussions focused on the challenges for development, the appropriateness of the exchange rate policy, debt sustainability, and weaknesses in economic statistics and program monitoring. The authorities agreed that the DRC faces obstacles to high economic growth and poverty reduction which needed to be addressed through prudent macroeconomic policies and structural reforms. They concurred that a flexible exchange rate policy is appropriate given the economy’s openness and susceptibility to exogenous shocks. To place fiscal policy on a sustainable path, domestic revenues needed to be mobilized, public financial management improved, and external financing highly concessional. They also agreed that economic data needed to be strengthened and program monitoring and coordination improved.

“There has been good progress in the discussions on a new three-year PRGF arrangement. The mission reached understandings on the main parameters of a revised 2009 fiscal framework and a set of economic and financial policies consistent with the government’s revised medium-term outlook. The government’s program aims to achieve a growth rate of 6 percent while reducing inflation to single digit and increasing gross foreign reserves to about 5 weeks of import cover over the three-year period 2009-11. Key pillars include mobilizing domestic revenues, strengthening public financial management, and reforming the central bank. The authorities developed a far reaching plan of structural reforms that will support achieving the program objectives. The mission reiterated its support for the government’s dual objectives of rebuilding the country’s dilapidated infrastructure and achieving significant debt relief. The mission looks forward to the finalization of the Sino-Congolese cooperation agreement at which time the Fund will assess the implications for debt sustainability and debt relief.

“The discussions will continue during the Spring Meetings of the IMF and World Bank in late April. The mission would like to thank the authorities for their warm hospitality and excellent cooperation during the visit.”