# Statement by an IMF Staff Mission on the 2012 Article IV Consultation with the Democratic Republic of the Congo

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An International Monetary Fund (IMF) mission visited Kinshasa June 7-21, 2012 to undertake the 2012 Article IV consultation discussions and review performance under the authorities' Extended Credit Facility (ECF) arrangement.[1] The mission met with the President of the Senate Léon Kengo Wa Dondo, the President of the National Assembly Aubin Minuku, Prime Minister Matata Ponyo Mapon, Vice-Prime Minister and Minister of Budget Daniel Mukoko Samba, Minister Delegate to the Prime Minister for Finance Patrice Kitebi Kibol Mvul, Central Bank of the Congo Governor Jean-Claude Masangu, and other senior Ministers and government officials. The mission also met with representatives from the private sector, civil society, and the donor community.

At the end of the mission, Mr. Robert York issued the following statement in Kinshasa:

"In the context of the 2012 Article IV consultation discussions, the mission exchanged views with the Congolese authorities, civil society, and donors, on the regional outlook for sub-Saharan Africa and the risks facing the Democratic Republic of the Congo (DRC). In particular, the discussions focused on the current fiscal stance and how to anchor fiscal policy over the medium term, policy options to enhance the efficacy of monetary policy in light of the extensive dollarization of the economy, and the DRC's external debt sustainability and vulnerability to shocks.

"The mission took note that economic performance improved recently and the DRC economy has largely been shielded from the economic crisis in Europe, mainly because of its low level of global integration. While this low level of integration has been beneficial in the short term, the mission stressed that this would be a significant constraint on DRC's development over the medium term. Closer integration will require diversifying the economy, investing in infrastructure, and improving the business environment more generally to attract investment. Notwithstanding these medium term needs, the mission urged the authorities to improve its macroeconomic buffers over the short term: in particular, through further fiscal consolidation and a buildup of international reserves, which in 2011 reached an equivalent of 8 weeks of non-aid related imports. Building larger buffers is the appropriate policy response to reduce the economy′s external vulnerability.

"The mission encouraged the government to maintain the broad thrust of fiscal policy, which has been the foundation behind better economic performance. In this context, it advised the government to ensure no (net) financing of the fiscal deficit by the Central Bank of the Congo (BCC), as an appropriate anchor for fiscal policy over the medium term. Efforts to mobilize more domestic revenue are the only means currently to meet human and infrastructure development needs. In this regard, changes to tax policies, and tax and customs adminstratrion reform in the natural resource sector is seen as particulary important.

"The mission welcomes the ongoing reforms to enhance the independence and operating efficiency of the BCC and discussed policy options for anchoring inflation in DRC′s highly dollarized economy. The authorities concurred with the mission that continuation of economic policies that support the current stable environment would encourage the use of the local currency (i.e., de-dollarization).

"The mission reiterated the importance of carefully managing external debt and state guarantees as they could quickly grow beyond levels considered to be sustainable. In this regard, considering only projects with a high economic and social return, and external borrowing on highly concessional terms would ensure the sustainability of the country′s debt.

"The short term economic outlook continues to be promising with GDP growth projected at about 7 percent in 2012 driven by the mining sector. Inflation could reach its single-digit target by the end of this year on account of the recent slowdown in global food and fuel prices, and if macreconomic policies continue their current thrust. This thrust would include a slight decline in the domestic fiscal deficit to about 1 percent of GDP in 2012, and actions by the BCC to ensure the monetary aggregates evolve in line with the program. The current account deficit is expected to deteriorate in 2012 to about 12 percent of GDP from 8.3 percent in 2011 as a result of declining commodity prices. However, risks for the outlook are on the downside as the country′s terms of trade may deteriorate further if the global economy weakens, and the uncertainty generated by domestic security concerns in the Eastern part of the country destabilizes the economy.

"A budget consistent with the thrust of policies supported under the ECF arrangement and further progress with governance and transparency reforms in extractive industries would support the mission′s recommendation for the completion of the fourth and fifth reviews of the program. In this event, the IMF′s Executive Board could discuss the 2012 Article IV Consultation and fourth and fifth reviews of the DRC′s program in early September 2012.″

[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, and more focused streamlined conditionality. Financing under the ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

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