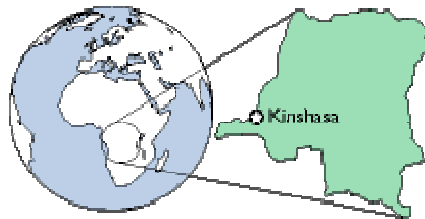


# COUNTRY REVIEW

## Congo, Democratic Republic



1 March 2010

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**EULER HERMES COUNTRY RISK GRADE: D**

**Country Risk Grades are on a scale of AA, A, BB, B, C, D  
where AA is the lowest and D the highest risk.**

## COUNTRY PROFILE

Capital city:	Kinshasa
GDP:	USD11.5bn (2009e)
Population:	66mn (2009e)
GDP per capita:	USD174 (2009e)
Currency:	Franc Congolais (CDF)
Form of state:	Republic
Head of government:	President Joseph Kabila
Next elections:	Presidential and parliamentary 2011

The country (Africa's third largest and over **four times the size of France**) remains fractured, there are periodic outbreaks of violence in the east (particularly around Goma in North Kivu), large portions of the population are displaced and/or subject to **ethnic violence**, there is **little effective infrastructure** and per capita **incomes are among the lowest in the world**.

A variety of domestic groups that were involved in the country's **protracted civil war** (including former rebel factions) took part in a power-sharing transitional government ahead of elections, which eventually took place over two rounds in July and October 2006. Incumbent President Joseph Kabila won the vote for head of state, largely because he was known to have the support of the international community, including Belgium, France, South Africa and the USA. The government formed after the elections is based on an unwieldy 38-party coalition, Alliance pour la majorité présidentielle (AMP), which is difficult to administer and control. However, completion of the national elections was a key determinant for continuity of international support. Involvement of world powers is also crucial to prevent armed incursions from neighbouring states, particularly Rwanda. **China is exerting an increasing influence** in the country and it is estimated that around 90% of the minerals from Katanga province are shipped to the Asian country. Regionally, border disputes are common and, in particular, there are **increasingly fraught relations with Angola** relating to claims over offshore oil fields. Overall, the domestic political environment is far from settled and security remains poor.

Economic management has taken a lower priority than resolving political and electoral issues. Real **economic growth declined by an annual average 5.6% 1991-2000 and did not turn positive until 2002. From then until 2008, GDP growth averaged an annual 6%** but this needs to be assessed against the very weak background in the earlier period. Economic stimulus derives from a relatively more stable political environment but also from new mining and investment codes, although the business and trading environment remains far from transparent and efficient. **The IMF has provided support under a three-year Extended Credit Facility** (formerly a Poverty Reduction and Growth Facility) that expires in December 2012 **and through an Exogenous Shocks Facility**. Wider donor community inflows will be needed to provide the necessary financial resources to rebuild the economy.

**Export receipts derive principally from base metals (45%, including copper and cobalt), diamonds (25%) and crude oil (20%).** China is now the largest export market (45%) and South Africa is the main source of imported goods (30%). The diamond sector has been subject to considerable corruption and its management represents a key challenge to any government, which will rely on gem exports being channelled through official sources as a means of generating FX. Given its development needs, large annual trade and **current account deficits (10-20% of GDP)** will continue to be registered, requiring external financing. This **aid dependence** may encourage political sensibility, but this cannot be guaranteed.

Chronically **weak institutions and infrastructure** remain major constraints to business development. Reputable international investor surveys rank DRC as one of the worst risks, with the World Bank listing it 182 out of 183 economies for the ease of doing business overall and the UN Human Development Index ranks it 176 out of 182 countries. Transparency International ranks the country 162 out of 180 in terms of perceptions of corruption.

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