

SUBJECT : DEMOCRATIC REPUBLIC OF CONGO: COMPLETION POINT
DOCUMENT UNDER THE ENHANCED HIPC INITIATIVE*

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List of Acronyms and Abbreviations

ADB	African Development Bank
CAF	Country Assistance Framework
CRF	Common Reduction Factor
DRC	Democratic Republic of Congo
DRF	Debt Reduction Facility
ECF	Extended Credit Facility (formerly PRGF, IMF)
ESW	Economic Sector Work
EU	European Union
FDI	Foreign Direct Investment
FSF	Fragile State Facility
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
JSAN	Joint Staff Advisory Note
HIPC	Heavily Indebted Poor Countries
LDC	Least Developed Countries
MDRI	Multilateral Debt Relief Initiative
MOF	Ministry of Finance
NHSS	National Health Sector Strategy
NPV	Net Present Value
RMC	Regional Member Country
PFM	Public Financial Management
PRSP	Poverty Reduction Strategy Paper
PV	Present Value
RCUR	Risk Capital Utilization Rate
SCCA	Sino-Congolese Cooperation Agreement
SDR	Special Drawing Rights
SMP	Staff Monitoring Programme
UA	Units of Account

EXECUTIVE SUMMARY

On July 1, 2010, the Boards of Directors of the World Bank and IMF approved irrevocable debt relief assistance to Democratic Republic of Congo (DRC) under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The DRC is the 26th Regional Member Country (RMC) of the African Development Bank Group (Bank Group) to reach the HIPC Completion Point and qualify for a debt relief of US\$ 7,252 million in end-December 2002 Present Value (PV) terms, of which 1,009.7 million is from the Bank Group. This document presents the justification for DRC reaching the Completion Point and seeks Boards of Directors' approval for the Bank Group's portion of the debt relief.

The preparation of this document was delayed for the following reasons. Firstly, the IMF and World Bank approved the HIPC Completion Point of DRC on 1 July 2010. Because of the World Bank's disclosure policy the final report was only available on 16 September 2010, which included a large number of revisions in the document. Secondly, the nominal debt was revised during a loan reconciliation exercise and therefore the Bank Group's share of debt relief increased from US\$905.1 million at Decision point to US\$1,009.7 million at Completion point in end-2002 PV terms. This was caused by the rise in the DRC's public debt stock which led to an increase in the common reduction factor from 80.2 percent to 82.4 percent. The increase in the Bank Group's share of debt relief of US\$104.6 million in end-2002 PV terms is equivalent to US\$179.6 million in nominal terms. Additional consultations were required to ensure that this increase would be covered by the Debt Relief Trust Fund (formerly HIPC Trust Fund) as agreed at Decision Point.

Assessment of Requirements for the Completion Point

DRC has satisfied all seven Completion Point triggers agreed with the authorities at Decision Point. The triggers that have been implemented include: Completion of a full Poverty Reduction Strategy through a participatory process and its implementation for one year; Continued maintenance of macroeconomic stability, as demonstrated by satisfactory performance under the IMF's Extended Credit Facility-supported program; Use of budgetary savings resulting from enhanced HIPC Initiative-related debt relief; Strengthened public expenditure management; Improvements in governance and service delivery in priority sectors; Adoption of satisfactory sectoral development strategies and related implementation plans for health, education and rural development; and improved debt management systems and strategies.

DRC's Debt Stock at Completion Point and Debt Relief Under the HIPC/MDRI

The stock of HIPC-eligible external debt estimated at the Decision Point in 2002 has been revised upward following the debt reconciliation exercise. As a result, the nominal stock of debt has increased to US\$10,772 million, and the PV of debt after traditional debt relief has been revised upward by US\$933 million to US\$8,801 million in end-December 2002 NPV terms.

The total HIPC debt relief to be provided to DRC is US\$ 7251.5 million in end December 2002 PV terms. This is composed of 36.3 percent from multilateral creditors, 59.3 percent and 4.3 percent from commercial creditors. The Bank Group's share of the HIPC debt relief is US\$ 1009.7 million (US\$ 888.4 million for ADB and US\$ 121.3 million for ADF) and

accounts for 38.3 percent of the total multilateral debt relief and 13.3 percent of the total debt relief.

By reaching the Completion Point, DRC would qualify for MDRI debt relief from the ADF, World Bank's IDA and the IMF on debts eligible for cancellation. The ADF would provide UA 105 million (US\$ 162 million) in nominal terms while IDA and EU-LDC Initiative would provide respectively, US\$887.0 million and US\$75.3 in nominal terms. The IMF provided relief through its own modalities.

Debt Sustainability and its Sensitivity

Full delivery of debt relief at the Completion Point reduces the DRC's external public debt burden considerably. At end-2010, the PV of external debt-to-exports indicator fell from 182.5 percent after traditional debt relief to 57.5 percent with the delivery of the additional debt relief provided by the HIPC/MDRI along with beyond-HIPC bilateral assistance.

While HIPC and MDRI debt relief substantially reduce DRC's debt burden, the sensitivity analysis shows that DRC would remain vulnerable to lower exports and higher borrowing costs. To address this would require continued progress on structural reforms aimed to promote export growth over the long term, and to limit external borrowing to high concessional sources. The sensitivity analysis also highlights the need to diversify the economy to reduce the risk of adverse shocks and maintain low debt vulnerabilities by implementing prudent debt management strategies.

Bank Group's Intervention in DRC

The DRC should be commended for implementing fully all necessary reforms to meet the Completion Point triggers despite challenging economic, social and security conditions. The Bank Group has supported DRC's efforts to satisfy the Completion Point triggers as well as its overall development goals in several ways including by mobilizing resources for DRC's debt relief through innovative financing mechanism; providing two extensions of the HIPC interim period assistance (in 2007 and 2009); providing tailor-made interventions to address the financial and food crises; and providing supplemental resources and capacity building support.

Based on DRC's Results-Based Country Strategy Paper, the Bank Group also supported the DRC in achieving the Completion Point triggers through programme interventions by focusing in the last two Country Strategy Papers (covering the period 2005-2007 and 2008-2012) on the areas of promoting good governance and improving socio-economic conditions and supporting pro-poor growth. Resources from the ADF's Performance Based Allocation system and the FSF were utilized to fund agricultural and rural development, infrastructure rehabilitation and semi-urban and rural electrification projects, governance reform and capacity building initiatives. The Bank Group's operational engagement in DRC was supported by the ADF country allocation of ADF-11 (2008-2010) that amounted to UA 207.1 million as well as UA 60 million from Pillar I and 7.5 million from Pillar III of the Fragile States Facility (FSF).

Debt Relief Delivery Modality and Financing Arrangements

The modality for delivering DRC's debt relief by the Bank Group is unique. In 2002, the Bank Group committed to mobilizing the resources to clear DRC's arrears and to finance the Bank Group's share of HIPC debt relief. The initial resource mobilization enabled the Bank to generate income from the payment of interest on DRC's loans. The Bank has since made

successive allocations of net income to the DRC Special Account. This is described as the interest recycling mechanism.

During the interim debt relief, the required Bank Group's contribution towards DRC debt relief through the DRC Special Account was estimated at US\$ 571.27 million in nominal terms and the total accumulated debt relief US\$ 1,252.81 million. With the upward revision of the HIPC debt relief required for DRC at Completion Point, all the additional resources needed to meet the Bank Group's commitment would come from the Debt Relief Trust Fund (DRTF) as the revision does not affect the interest recycling mechanism (DRC Special Account) portion of the financing arrangement. This brings the total funding required from the DRTF to US\$ 731.64 million in nominal terms, which includes an increase of US\$ 179.6 million between the Decision point and Completion Point. The US\$ 731.64 million in nominal terms is equivalent to US\$ 424 million in PV terms at the end of 2002.

Recommendations

The Boards of Directors are invited to: (i) take note of the justification for DRC reaching its Completion Point under the Enhanced HIPC Initiative and thus qualifying for irrevocable debt relief under the initiative; (ii) approve Completion Point debt relief under the Enhanced HIPC Initiative of US\$ 1009.7 in end-December 2002 present value terms; and (iii) approve DRC's qualification for debt relief under MDRI.

DEMOCRATIC REPUBLIC OF CONGO: COMPLETION POINT DOCUMENT UNDER THE ENHANCED HIPC INITIATIVE

1. Introduction

- 1.1. On July 1, 2010, the Boards of Directors of the World Bank and IMF approved irrevocable debt relief assistance to Democratic Republic of Congo (DRC) under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The DRC is the 26th Regional Member Country (RMC) of the African Development Bank Group (Bank Group) to reach the HIPC Completion Point and qualify for an irrevocable debt relief of US\$ 7,252 million in end-December 2002 Present Value (PV) terms, of which 1,009.7 million is from the Bank Group. This decision by the Bretton Woods Institutions was based on implementation of specific policy measures, i.e. floating Completion Point triggers, agreed with the authorities when the DRC reached its Decision Point in 2003 and revised during the course of the interim period.
- 1.2. The amount of HIPC assistance estimated at Decision Point in 2002 has been revised upwards from US\$ 6,311 million to US\$ 7,252 million, in Net Present Value (NPV) terms as at end-December 2002. This was caused by the rise in the DRC's public debt stock which led to an increase in the common reduction factor from 80.2 percent to 82.4 percent. Having reached the Completion Point, the DRC will also benefit from additional debt relief from the African Development Fund (ADF), the World Bank's International Development Association (IDA), and the IMF under the Multilateral Debt Relief Initiative (MDRI).
- 1.3. This document presents the justification for the DRC reaching the Completion Point and qualifying for debt relief under the Enhanced HIPC Initiative and the MDRI. It also seeks Boards' approval for the Bank Group's portion of the HIPC debt relief to DRC amounting to US\$ 1009.7 million in 2002 NPV terms, which is composed of US\$ 888.4 million from the ADB and US\$ 121.3 million from the ADF. Furthermore, the document seeks Board's approval for debt relief of UA 105 million in nominal terms under the Multilateral Debt Relief Initiative (MDRI).
- 1.4. The report is outlined as follows: The first section assesses the triggers for reaching the Completion Point. The second section presents the total debt stock and discusses debt relief assistance under the HIPC and MDRI. The third section presents the long-term debt sustainability and sensitivity analysis after provision of HIPC/MDRI debt relief. The fourth section describes the role of the contribution of the Bank's Group intervention in the DRC. The fifth and sixth section, discusses respectively the financial modalities and Management recommendation for the Boards' consideration. The final joint IMF/World Bank "HIPC Initiative Completion Point document for DRC" is attached to this document.

2. Assessment of Implementation of Completion Point Triggers

- 2.1. According to the assessment by the staff of the AfDB, IMF and the World Bank, the DRC has satisfied all seven Completion Point triggers agreed with the authorities when the DRC reached its Decision Point. The implementation status of the Completion Point triggers are summarized below (details provided in Annex 1):

Implementation of the Poverty Reduction Strategy

- 2.2. In 2006, the government adopted the Poverty Reduction Growth Strategy (PRGS) paper which has been the central reference document in guiding the design of all Government policies. The PRGS was subsequently extended from 2008 to 2010. The PRGS is built around five main pillars, namely: (1) improve governance and consolidate peace by strengthening institutions; (2) promote growth and consolidate macroeconomic stability; (3) enhance access to basic social services and reduce vulnerability; (4) combat HIV/AIDS; and (5) improve community dynamics and the social environment. Overall, the PRGS has been important in consolidating macroeconomic stability, strengthening economic governance, and deepening program ownership.
- 2.3. Significant progress has been made in several areas such as macroeconomic stability; public financial management; improvements in access to education, child and maternal health, life expectancy and HIV/AIDS; and decentralization of basic services. Achievements in areas such as improved access to water and sanitation, maternal nutrition, gender and environment have been more modest. Despite the difficult economic and social disruptions, poverty incidence does not seem to have deteriorated significantly. The adoption of sector strategies in several key sectors in 2010, as well as analytical work, including a diagnostic trade integration study and surveys of public service delivery are expected to strengthen the evidence base for policy formulation and evaluation of the next PRSP.¹

Maintenance of a Sound Macroeconomic Program

- 2.4. The DRC has maintained macroeconomic stability after reaching the Decision Point, as evidenced by satisfactory performance under the IMF's Extended Credit Facility (ECF)-supported program. The performance under the current ECF arrangement (December 2009-June 2012) has been satisfactory thus far. In the context of the first ECF-support program in 2003-04, the government implemented prudent policies that curtailed the monetization of fiscal deficits - the principal cause of macroeconomic instability - and helped reduce inflation and exchange rate pressures. They also made notable progress in structural reforms in the areas of revenue administration, Public Financial Management (PFM), and the financial sector.
- 2.5. Policy implementation started to weaken in 2005 as the focus of the transitional government shifted to the 2006 national elections; and, subsequently, because of periodic flare ups of conflict in the eastern province and inadequate fiscal discipline. During the period 2006-2008 the country suffered from exogenous shocks including an increase in food and fuel prices and a drop in prices of DRC's main export commodities which worsened the macroeconomic situation. This led to a deterioration of the macroeconomic environment (increase of public sector deficit, depreciation of national currency, reduction of foreign currency reserve, increase in inflation and drop in economic growth).
- 2.6. Since January 2009, the authorities have improved the macroeconomic policies and reinvigorated structural reforms. This was undertaken in the context of the IMF Staff Monitored Program (SMP) and the ECF-supported program which started in December 2009. These structural reforms were critical to improving macroeconomic management, including tightened and streamlined expenditure commitment procedures, strengthened

¹ This is also referred to as the Poverty Reduction Growth Strategy (PRGS).

administrative capacity to collect revenue, established transparent procedures for the commitment and payment. In 2010, real GDP growth is estimated at 5.4 percent supported by the recovery of the mining sector on the back of high export prices, while increased public and Foreign Direct Investment (FDI) in mining and public infrastructure is expected to sustain growth in the services sector. Another area of improvement was that the average Government revenue (excluding grants), increased from 8.6 percent of GDP for the period 2001-2005 to 16.9 percent for the period 2006-2010.

Satisfactory use of Budgetary Savings from HIPC Resources for Pro-poor Spending

- 2.7. During the period of 2003-09, the DRC received interim debt relief of US\$1,308.8 million, some US\$187 million per year while on average non-security priority spending exceeded 2003 levels by US\$250 million per year. Spending by the national authorities on agriculture, education and health sectors was extremely modest at the end of the war in 2003. As a share of total national expenditure, these expenditures rose from 4 percent in 2003 to 18 percent in 2008 and 2009.
- 2.8. The PFM system is sufficiently established and well-run at the national level to monitor the tracking of priority spending for poverty alleviation. Monthly reports on the status of budget implementation, albeit produced with a lag, are available and provide credible information on budget execution at the national level. Weaknesses in the provincial public finance management systems regarding the collection of data on priority expenditure do not impede the assessment of social sector spending.

Improvement in Public Expenditure Management

- 2.9. The conditions for the Completion Point trigger under the public financial management and their implementation status are summarized below:
 - (i) Implementation of a modernized budget-execution system, providing information from commitment to payment, and allowing for the monitoring of arrears: The modernization of public expenditure management in 2008 culminated in the development and adoption of a manual of procedures and the automation of the expenditure chain. At any given time, the system can generate the status of individual expenditure items and provide up-to-date budget implementation information covering every stage of the expenditure chain from commitment to payment. The system also allows the monitoring of payment authorizations from the Treasury and actual payments by the Central Bank, which in turn permits the monitoring of arrears. The budget execution system has over the years provided a solid base for the improvement of budget control and expenditure management as the monitoring reports are used by the Ministry of Budget and Treasury to prepare their quarterly commitment and payments plans, respectively.
 - (ii) Adoption and implementation of a double-entry government accounting system and a new chart of accounts: The authorities introduced double-entry accounting in late 2005 with the creation of the Central Accounts Division (CAD) and the development and adoption of a Chart of Accounts and a procedure manual along with its computerized application. New accounting units and a computer application for accounting were set up within each of the three collection departments (Tax, Customs, and Administrative Revenue) that transfer the accounting information to the accounting department of the Treasury on a regular

basis. Double-entry government accounting system and new chart of accounts was adopted. These have been used for budget execution since 2008.

- (iii) Production of quarterly budget execution reports using economic, administrative, and functional classifications: The budget nomenclature allows for the presentation of execution reports according to a variety of classifications (i.e. economic, administrative, and functional) consistent with the IMF's 2001 Government Finance Statistics manual. Classification by source of funding (local versus foreign), and by geographic location (central versus provincial governments) is also available, in addition to classification based on pro-poor spending, including the use of HIPC resources. Budget execution reports called "Etats de Suivis Budgétaires" have been produced quarterly since 2008 using the three most widespread international classifications.

Improvement in Governance and Service Delivery in Priority Sectors

2.10. The two conditions for the Completion Point trigger under governance and service delivery in priority included:

- (i) Completion of a budget-tracking exercise on health, education, rural development and infrastructure expenditure. This consists of monitoring the execution of poverty-related public expenditure; and evaluation by user groups of the quality of related public services, and evaluation by service-providers of constraints to effective provision were undertaken in 2010. The authorities have made great efforts to gather information and monitor pro-poor spending. Other activities that were carried out include the monitoring of the execution of poverty related public expenditures and the establishment an inter-ministerial committee to monitor and prioritize pro-poor public expenditures.
- (ii) Adoption and implementation of a new procurement code and key implementing decrees: A new Procurement Law was adopted by parliament and signed by the President in April 2010. The administrative and institutional elements to support the new code have been put in place including the relevant secondary legal acts and the creation and staffing of a Public Procurement Directorate. This unit is tasked with overall responsibility to review and give no objection on procurement decisions, including bid documents for large contracts; and the nomination and installation of the board of the *Agence de Régulation de Marchés Publics* (ARMP).

Adoption of Satisfactory Sectoral Development Strategies and Related Implementation Plans for Health, Education and Rural Development

2.11. The government has adopted satisfactory development related to all three key sectors, i.e. Health, Education and Agricultural and Rural Development.

- (i) The health sector objective is to ensure access of the entire population to primary health care, with special focus on vulnerable groups. The National Health Sector Strategy (NHSS) and National Health Development Plan were validated by Ministry of Health and development partners in March, 2010. To reduce fragmentation of services in health zones and vertical interventions of partners, the NHSS emphasized the importance of an integrated approach to basic health service provision through revitalization of health zones and alignment of donor interventions. These plans contribute to the improvement of the general health

status of the population and containment of epidemics and transmission of diseases.

- (ii) Progress has been made in the education sector with the adoption of the basic Education Strategy along with a priority action plan. The strategy, which was developed in consultation with a broad range of stakeholders, has put forward a strategic framework to ensure a more equitable and sustainable access to basic education of acceptable quality. The strategy is accompanied by a medium term expenditure framework that will help assure sustained implementation of priority policies as well as associated budgetary expenditures. Finally, there is also a priority action plan focusing on the planned fee-free policy and other critical actions and/or studies required to further operationalize policy options laid out in the strategy document.
- (iii) The agriculture and rural development sector has also seen improvements with the restructuring of the Ministry of Agriculture and the creation of the Ministry of Rural Development in 2008. A collaboration mechanism was put in place to improve coordination at the level of the public administration in the elaboration of a new sector strategy. The establishment of Agriculture and Rural Management Councils at district level has created a platform for participation and inclusion at the provincial level. The two ministries of Agriculture and Rural Development have also finalized an agriculture and rural development sector strategy based on the findings of a 2006 analytical rural sector review and the agriculture policy note of May 2009.

Improving Debt Management

- 2.12. In 2005, the Government installed and fully activated a computerized debt-recording system, covering all public and publicly guaranteed debt. The Direction Générale de la Dette Publique (DGDP) – General Directorate for Public Debt- is the agency within the Ministry of Finance responsible for the analysis and management of the public debt portfolio. This agency has installed a Debt Management and Financial Analysis System (DMFAS) capable of producing external debt reports at the DGDP. The installation cost of the system, as well as DSM+ software for debt management and analysis, was jointly financed by the AfDB and IDA with technical assistance from the United Nations Conference on Trade and Development.
- 2.13. A more long-standing problem has been the lack of coordination and monitoring of the government's debt policy. As a first step toward addressing this problem, a Prime Ministerial Decree (No. 08/04 dated February 26, 2008) assigned DGDP the sole responsibility for centralizing and managing public debt; this was followed by the development of an Implementation Action Plan, which was endorsed by the Ministry of Finance. The legal mandate assigned to DGDP as well as the Action Plan have been regularly publicized since November 2009 with assistance from AfDB under the *Projet d'Urgence d'Atténuation des Impacts de la Crise Financière* (Emergency Program to mitigate the impact of the Financial Crisis). The Bank Group is currently preparing an initiative which includes a component to strengthen the debt management capacity unit, including human resources, management of debt data and debt sustainability analysis. The final outcome of these initiatives will ensure future debt will remain at sustainable levels.

Overall Assessment

- 2.14. With the foregoing, it is evident that DRC has met all the seven Completion Point triggers and therefore should be granted debt relief under the enhanced HIPC Initiative.
- 2.15. The DRC should be commended for implementing fully all necessary reforms to meet all the Completion Point triggers despite challenging economic, social and security conditions. The Bank Group has supported DRC's efforts to satisfy the Completion Point triggers as well as its overall development goals in several ways including by mobilizing resources for DRC's debt relief through innovative financing mechanism; providing two extensions of the HIPC interim period assistance (in 2007 and 2009); providing tailor-made interventions to address the financial and food crises; and providing supplemental resources and capacity building support.

3. DRC's Debt Stock and Debt Relief under HIPC/MDRI

Analysis of DRC's Debt Stock and HIPC Debt Relief by Creditors

- 3.1. The stock of HIPC-eligible external debt estimated at Decision Point in 2002 has been revised upward following the 2010 debt reconciliation exercise. As a result, the nominal stock of debt has increased by US\$113 million to US\$10,772 million, and the PV of debt after traditional debt relief has been revised upward by US\$933 million to US\$8,801 million in end-December 2002 NPV terms. The revision is attributable to the following changes in the external debt:
 - **Multilateral Creditors:** The total multilateral debt stock as of end-December 2002 has increased by US\$46 million in nominal terms. This change was primarily due to the addition of debt involving Banque de Développement des Etats des Grands Lacs (BDEGL), with whom the government had suspended relations at the time of the Decision Point. The corresponding PV in end-2002 terms was revised upward from US\$3,077 million to US\$3,196 million due to new information available at the time of the Completion Point reconciliation mission. This led to revisions in the PV of debt outstanding at end-2002 to a number of creditors, including the AfDB Group and the IMF.
 - **Paris Club Bilateral Creditors:** Most of the upward revision of outstanding debt at the Decision Point after traditional debt relief mechanisms is attributable to revisions in Paris Club claims. The PV of debt to Paris Club creditors at end-December 2002 after traditional debt relief has been revised from US\$4,318 million to US\$4,944 million (an increase of US\$626 million). This is mainly due to data revision following the debt reconciliation mission in 2010. The Paris club creditor countries and Brazil have fulfilled their obligation and cancelled their share of debt on 17 November 2010².
 - **Other official bilateral creditors.** The nominal value of the stock of debt owed to other official bilateral creditors has increased by US\$11 million to US\$448 million and the corresponding PV of debt after traditional relief has increased to US\$278 million in December 2002 terms.

² The press release "The Paris Club Agrees on a Reduction of the Debt of the Democratic Republic of the Congo in the Framework of the Enhanced Heavily indebted poor countries initiative" is attached in Annex 2

- **Commercial Creditors:** The increase in the stock of outstanding commercial debt at end-December 2002 by US\$337 million reflects the inclusion of claims previously not included in the Decision Point database.
- 3.2. Based on the revised debt stock, the amount of HIPC assistance required to bring DRC's debt to a sustainable level has been revised upward from US\$6,311 million estimated at the Decision Point to US\$7,252 million at the Completion Point in end-December 2002 PV terms. As a result, the common reduction factor (CRF) has marginally increased from 80.2 percent to 82.4 percent. Creditors accounting for approximately 96 percent of the revised HIPC assistance have given DRC assurances of their participation including all multilateral creditors with two exceptions³; all Paris Club creditors; and some other official bilateral creditors. China provided outright cancellation of some of its claims in 2007.
- 3.3. Table 1 and Figure 1 present the breakdown of debt relief to DRC by creditors. Commitments by multilateral creditors makes up 36.3 percent of total HIPC assistance, with the Bank Group providing the largest share of multilateral debt relief (13.3 percent of total debt relief); bilateral creditors would provide 59.3 percent of the total debt relief, which corresponds to 56.2 percent for Paris Club and 3.2 percent for non-Paris club members, respectively; and debt relief from commercial creditors would account for 4.3 percent.

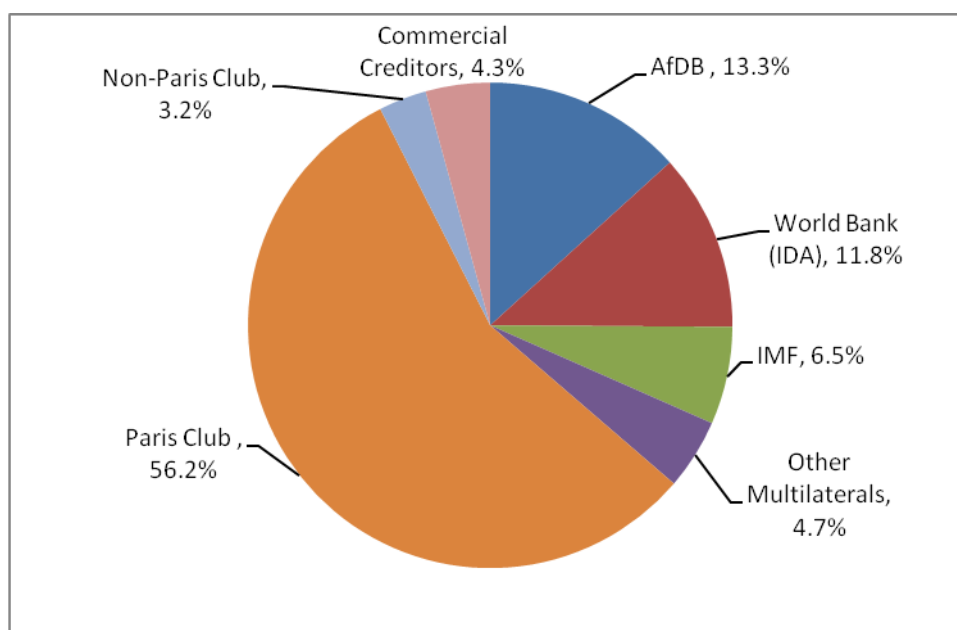
Table 1: Creditor Participation in DRC's HIPC Debt Relief

Creditors	Completion Debt Relief (end-December PV)	Point 2002	Percentage of Total Debt Relief from Multilateral Creditors (%)	Percentage of Total Debt Relief from all Creditors (%)
Multilateral Creditors	2633.5		100	36.3
<i>AfDB</i>	1009.7		38.3	13.3
<i>World Bank (IDA)</i>	854.0		32.4	11.8
<i>IMF</i>	471.5		17.9	6.5
<i>Other Multilaterals</i>	298.3		11.4	4.7
Bilateral Creditors	4302.6			59.3
<i>Paris Club</i>	4073.6			56.2
<i>Non-Paris Club</i>	229.0			3.2
Commercial Creditors	315.4			4.3
Total HIPC Debt Relief	7251.5			100

Sources: IDA/IMF: DRC – Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Completion Point Document and Multilateral Debt Relief Initiative (MDRI), June 15, 2010.

³ The Banque de Development des Etats des Grand Lacs (BDEGL) and the Banque des Etats de l'Afrique Centrale (BEAC) have not officially agreed to participate

Figure 1: Distribution of DRC's HIPC Debt Relief by Creditor Group



Sources: IDA/IMF: DRC – Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Completion Point Document and Multilateral Debt Relief Initiative (MDRI), June 15, 2010.

Interim Debt Relief and Creditors Participation

3.4. IDA, the AfDB Group, the European Union (EU) and the IMF have provided HIPC debt relief through both arrears clearance operations and interim relief. The International Fund for Agricultural Development (IFAD), BADEA⁴, Banque des Etats de l’Afrique Centrale (BEAC) and European Investment Bank (EIB) have delivered a portion of their HIPC assistance through arrears restructurings. The breakdown of HIPC assistance from the AfDB Group, IDA, IMF and other multilateral creditors are the following:

- **AfDB Group:** The HIPC debt relief from the Bank Group amounts to US\$713.8 million (US\$ 571.26 million from interest recycling mechanism and US\$ 142.50 million from donor contribution through the Debt Relief Trust Fund). The AfDB Group's total debt relief has been delivered through the restructuring of arrears at the Decision Point and debt service reduction during the interim period. The remainder of the AfDB Group's HIPC relief is to be delivered in the form of debt service relief of DRC's debt service due from the Completion Point until July 2026.
- **IDA:** Debt relief has been delivered through the clearance of arrears and debt service reduction during the interim period amounting to US\$442.7 million in end-2002 PV terms or 52 percent of total HIPC relief estimated at the Decision Point. IDA is assumed to provide the remaining amount of relief through a 90 percent reduction of DRC's debt service through November 2027.
- **IMF:** The IMF's share of debt relief for the DRC under the HIPC Initiative amounts to SDR337.5 million (US\$471.5 million) in PV terms. Of this amount, SDR57.2 million (equivalent to about US\$79.9 million) has been delivered through the concessional element associated with the disbursement of an ECF

⁴ This Bank is a financial institution funded by the Governments of the Member States of the League of Arab States.

loan following the DRC's arrears clearance to the IMF in June 2002, which counted toward the IMF's contribution to HIPC assistance.

- **Other multilateral creditors.** Other multilateral creditors that provide debt relief through their own modalities include: BADEA, EU, EIB, IFAD, BEAC, BDEGL, IFC and OFID.
- 3.5. Bilateral and commercial creditors have also participated in debt relief operation. Paris Club creditors have agreed to provide their share of enhanced HIPC assistance (estimated at US\$ 4074 million in end-December 2002 PV terms). The major Paris Club creditors are the United States and France with 15.5 percent and 10.8 percent, respectively, of the HIPC eligible debt stock at end-December 2002, followed by Belgium and Japan with approximately 7 percent of the debt stock. Switzerland has already delivered its share of debt relief by cancelling 100 percent of its claims in 2003. Several Paris Club creditors will also provide additional debt relief beyond obligations under the HIPC Initiative, including 100 percent stock-of-debt cancellation. This additional relief is estimated at about US\$47 million at end-December 2009 PV terms.
- 3.6. Non-Paris Club bilateral creditors are expected to provide relief on HIPC-eligible debt on terms comparable to those of the Paris Club. The PV of HIPC relief expected from non-Paris Club creditors at end-December 2002 is estimated at US\$229 million. The major non-Paris Club creditor is the United Arab Emirates comprising 1.6 percent of HIPC-eligible debt, followed by Kuwait (0.9 percent), China, Serbia and Montenegro (former Yugoslavia) and Taiwan, Province of China (0.4 percent each). The authorities have negotiated relief efforts in the interim period with some of Non-Paris Club bilateral creditors and are working toward reaching agreements on provision of the remaining debt relief at the Completion Point with all non-Paris Club creditors.
- 3.7. Several commercial creditors have provided HIPC-comparable relief in the interim period. The commercial debt has been divided into claims held by the London Club and non-London club creditors. Several missing claims have been included in the debt stock at Completion Point which has almost doubled from the figure that was used at the Decision Point. For most of these claims the authorities have managed to obtain rescheduling on HIPC comparable terms. As of end-December 2009, the claims held by commercial creditors fell by about US\$400 million to US\$214 million in nominal terms.

Considerations for Exceptional Topping-Up Assistance

- 3.8. The Enhanced HIPC Initiative framework allows for the provision, on an exceptional basis, of additional debt relief (or "topping-up") at the Completion Point. Additional debt relief is provided if a country's actual debt burden indicators have deteriorated compared to the Decision Point projections, and this deterioration is primarily attributed to a fundamental change in the country's economic circumstance due to exogenous factors.⁵
- 3.9. DRC does not qualify for topping-up. The ratio of debt-to-exports at end-December 2009 PV terms, after full delivery of the HIPC assistance, is now estimated at 44.2 percent, which is 53 percentage points below the projection at time of the Decision Point. The ratio of PV of debt-to-exports, after the full delivery of additional voluntary bilateral debt relief beyond the HIPC Initiative at end-December 2009, would further

⁵ Additional debt relief may be provided to bring a country's debt ratio to the relevant HIPC threshold at the Completion Point. To date six countries have received topping-up assistance under the enhanced HIPC Initiative: Burkina Faso, Ethiopia, Rwanda, Malawi, Niger, Sao Tome and Principe and Guinea-Bissau.

decline to 43.3 percent, which is below the 150 percent threshold for consideration of topping-up assistance. Higher-than-expected exports and lower-than-expected new borrowing mainly explain why the PV of the debt-to-exports ratio at end-2009 is 53 percentage point lower than anticipated at the time of the Decision Point.

Debt Relief under the Multilateral Debt Relief Initiative (MDRI)

3.10. Upon reaching the Completion Point under the Enhanced HIPC Initiative, DRC would qualify for additional debt relief under the MDRI from the ADF, IDA and the IMF. In addition, the EU LDC Initiative will provide a full debt relief on selected EU loans that are still outstanding after HIPC assistance. The MDRI debt relief is broken down as followed:

- The ADF would provide debt relief to DRC under the MDRI amounting to US\$162.1 million (UA 105 million) in nominal terms. This amount is calculated based on debt disbursed as of December 31, 2004 and still outstanding on July 1, 2010. This implies an average debt service savings (net of HIPC assistance) of US\$3.9 million per year until 2053.
- IDA would provide debt relief under the MDRI amounting to US\$887.0 million in nominal terms. IDA would provide MDRI debt forgiveness by canceling the DRC's debt service obligations for credits disbursed before end-2003 and still outstanding at end-September 2010 after the application of HIPC assistance. MDRI debt relief from IDA would imply average debt service savings (excluding HIPC assistance) of US\$28.4 million per year until 2043.
- For the IMF, because of an extended interim period and revision of the HIPC assistance, the estimated balance in the DRC's HIPC Umbrella Account is sufficient to cover the remaining MDRI-eligible debt (i.e. all debt disbursed before end-2004 and still outstanding).
- The EU will provide additional resources through the LDC Initiative in the form of 100 percent cancellation of future debt service of US\$75.3 million on selected loans over-and-above relief provided through HIPC.

Debt Sustainability and Sensitivity Analysis

3.11. The objective of the Debt Sustainability and Sensitivity Analysis is to ensure that debt remains manageable in the long term. The baseline macroeconomic framework assumes a strong recovery in economic activity over the medium term, supported by large investments in mining and public infrastructure projects. The key assumptions that underpin the baseline macroeconomic projections are the following:

- **The near-term outlook** is dominated by a rebound in world commodity prices (copper in particular) and external demand associated with the global economic recovery, followed by a strong recovery over the medium term fueled by a US\$3.2 billion investment in a mining project along with US\$3 billion in investments in public infrastructure projects envisaged under the Sino-Congolese Cooperation Agreement (SCCA).
- **Real GDP growth** is projected to increase from 2.8 percent in 2009 to an average rate of 6.8 percent in 2010-15 and then gradually decline to 4.4 percent in the long run.

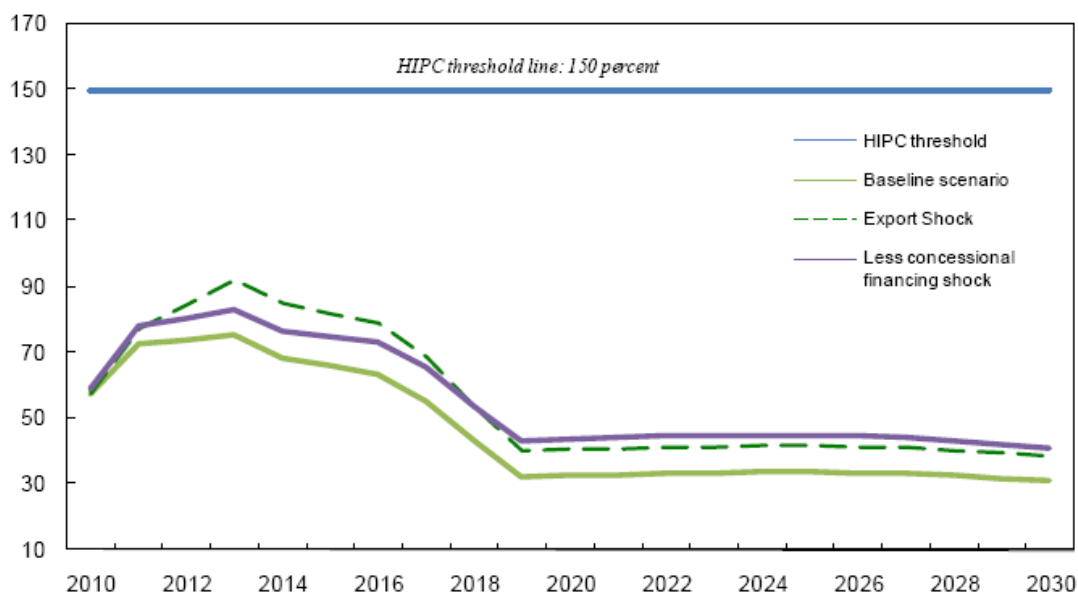
- **Government revenues** (excluding grants) are projected to rebound from 17 percent of GDP in 2009 to 20 percent in 2010, and then increase gradually to just under 24 percent over the long term. Meanwhile grants drop sharply from 11.7 percent of GDP in 2009 to 6.6 percent in 2010 and then decline gradually to under 4 percent in the long run.
 - **The current account** deficit widens dramatically from 10 percent of GDP in 2009 to over 20 percent in 2010-11, mainly due to a large increase in imported inputs for mining and public infrastructure projects. The deficit narrows thereafter as mining exports expand and investment-related imports diminish over time, gradually declining below 4 percent of GDP by the end of the 20-year projection horizon. Much of the widening in the current account deficit in 2010-11 is covered by net Foreign Direct Investment (FDI), which increases from 5.7 percent of GDP in 2000 to 8.6 percent in 2011 and then quickly falls back to 5.6 percent in 2013. The surge in FDI inflows reflects foreign investment in a series of mining projects planned over the next few years (notably those financed under the SCCA).
 - **External financing** in the short term is dominated by loans disbursed to fund public infrastructure projects under the SCCA, which account for over one half of gross borrowing needs over the period 2010–14. The average grant element of new borrowing rises steadily from 20 percent in 2010-11 to over 48 percent in 2015-16 and then declines gradually to under 45 percent in the long run.
- 3.12. Within the macro framework presented above, full delivery of debt relief from all sources at the Completion Point would reduce the DRC’s external public debt burden considerably. At end-2010 the PV of external debt-to-exports indicator would fall from 182.5 percent after traditional debt relief to 57.5 percent with the delivery of the additional debt relief provided by the Enhanced HIPC/MDRI Initiatives along with beyond HIPC bilateral assistance, which is below the HIPC threshold of 150 percent.
- 3.13. Furthermore, the external debt outlook is projected to improve markedly over the long term with full delivery of debt relief. The external debt indicators initially worsen over the medium term, but then improve gradually over the longer term. This is mainly due to a public guarantee on external borrowing to finance public infrastructure projects under the SCCA.

Sensitivity Analysis and Long-Term Debt Sustainability

- 3.14. As indicated in Figure 2 below, the external debt-to-exports indicator remains well below the HIPC threshold level under two alternative scenarios: lower export growth and less concessional borrowing terms. In first scenario “export shock” export values remain at their 2010 levels (zero growth) in 2011-12 compared to a 19 percent expansion in the baseline scenario. In scenario two “less concessional financing shock” the average grant element of new borrowing declines to 23 percent by the end of the 20-year projection period, compared to 45 percent in the baseline. The external debt indicators worsen over the medium term in both alternative scenarios, but improve over the longer term. The external debt-to-exports indicator remains well below the 150 percent threshold level in both cases.

Figure 2: Present value of external Debt-to-export after HIPC and MDRI assistance

(In percentage)



Sources: IDA/IMF: DRC – Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Completion Point Document and Multilateral Debt Relief Initiative (MDRI), June 15, 2010.

3.15. The sensitivity analysis highlights the need for strong and continued efforts to diversify the economy to reduce the risk of adverse shocks and maintain low debt vulnerabilities by implementing prudent debt management strategies. While HIPC and MDRI debt relief substantially reduce DRC’s debt burden, the sensitivity analysis clearly shows that DRC would remain vulnerable to lower exports and higher borrowing costs than assumed in the baseline scenario. In order to ensure that the new debt remain below the HIPC thresholds, it will be crucial to continue to make progress on structural reforms aimed to promote export growth over the long term, and to limit external borrowing to high concessional sources.

4. Bank Group’s Intervention in DRC

Strategic Orientation

- 4.1. The Bank Group supported the DRC in achieving the Completion Point triggers through programme interventions by focusing in the last two Country Strategy Papers (covering the period 2005-2007 and 2008-2012) on the areas of promoting good governance and improving socio-economic conditions and supporting pro-poor growth. These documents were based on the 2006 Poverty Reduction and Growth Strategy Paper and the donor’s Country Assistance Framework (CAF). The CAF is intended to coordinate and harmonize the monitoring of external aid to the country, which is a key challenge in a post-conflict country like DRC.
- 4.2. Guided by the DRC Results-Based Country Strategy Paper, the Bank Group has supported DRC in consolidating peace and improving delivery of basic services through direct sector interventions and capacity building initiatives. Resources from the ADF’s Performance Based Allocation system and the FSF were utilized to fund agricultural

and rural development, infrastructure rehabilitation and semi-urban and rural electrification projects as well as governance reform and capacity building initiatives. Economic Sector Work was also undertaken in 2009 which focused on strengthening Regional Economic Development in Bas Congo in the context of decentralization of local government. The recommendations emphasized the strengthening of service delivery and local economic development. The Bank Group's operational engagement in DRC was supported by the ADF country allocation of ADF-11 (2008-2010) that amounted to UA 207.1 million as well as UA 60 million from Pillar I and 7.5 million from Pillar III of the Fragile States Facility (FSF).

- 4.3. As of December 2010, the Bank's active portfolio in the public sector consisted of eleven operations covering nine projects and one ESW. The total portfolio is UA 418.3 million of which UA 96.97 million (23.18 percent) have been disbursed (see Annex 3 for details). The breakdown of the portfolio is the following: Infrastructure Sector (75.76 percent), Agriculture (14.79 percent) and Social sector (9.56 percent). The average age of the portfolio is 4 years.
- 4.4. To strengthen the development of the private sector in DRC, the Bank approved an operation to support a copper and cobalt project in Katanga province for US\$ 100 million in September 2007 and an equity investment in the Advans Bank of Congo amounting to US\$ 1.1 million and 0.650 million in the form of technical assistance in January 2008. Finally, an increase in the Bank's equity investment in Advans Bank for US\$ 1.1 million was approved in December 2009.
- 4.5. The indicative lending program for the period 2010-2013 (see annex 4 for details) envisages four projects under Pillar 1 "Support for good governance": the local government support project and the public administration human resources development project planned for 2010 but will be approved in 2011. It is also envisaged to launch an initiative to support the Government reforms program as well as an initiative to support business climate improvement in 2012. Under Pillar 2 "Promoting pro-poor growth", the Bank will support five projects, including semi-urban and rural electrification project and the aviation safety project approved in 2010. For the period 2011-2012 of the strategy, there are plans to fund a Drinking Water Supply and Sanitary project, a road project and a rural infrastructure support project.

Banks Group's Response to the Food and Financial Crisis

- 4.6. The 2008-09 financial crisis led to a drop in economic growth, which was reduced from 6.2 percent in 2008 to 2.6 percent in 2009. At the same time, the food crisis resulted in further stress on already limited household expenditures. These economic challenges could lead into civil strife and eliminate the recent gains in post-conflict reconstruction. The Bank Group responded through tailor-made projects to mitigate the financial and the food crises. These initiatives, together with the strong policy commitment of DRC, ensured that this country stayed on track and met the triggers to successfully reach the Completion Point of the Enhanced HIPC Initiative.
- 4.7. To mitigate the impact of the financial crisis, the Bank Group provided balance of payment support in the amount of UA 65 million under the "Emergency Program to mitigate the impact of the Financial Crisis" initiative. The operational objectives of this initiative were: (a) facilitation of the supply of essential imported goods and products; and (b) facilitation of the financing of top priority expenditures of the 2009 Budget. The expected outcomes were: (i) strengthening of the international reserves of the Central Bank of Congo and availability of essential imported commodities; (ii) establishment of

some key benchmarks for reaching the enhanced HIPC Initiative Completion Point by end 2009; (iii) implementation in 2009 of the crisis exit emergency plan of the National Railway Corporation of Congo, a strategic public enterprise for economic recovery and social stability; (iv) more regular payment in 2009 of the salaries of primary and secondary school teachers; and (v) more regular payment in 2009 of the water and electricity bills of public entities.

- 4.8. The Bank Group also responded to the 2008 food crisis by supporting agricultural productivity and food security. This was undertaken by using non-committed resources through restructuring the DRC portfolio, which resulted in the release of UA 5.323 million.⁶ This financed the procurement of inputs and items of equipment to ensure greater food security. This operation would increase annual production by 5850 tonnes of chicken meat and 360 tonnes of pork, with the view to making it a pilot farm for countrywide expansion.

Banks Group's Contribution to Capacity Development

- 4.9. The DRC is one of the 18 countries benefiting from assistance under the FSF. In this context, a capacity building and targeted technical assistance grant allocation of UA 7.5 million (US\$ 11.09 million) has been approved by the Bank for DRC under FSF Pillar III. FSF capacity building assistance is a multi-sector and rapid response instrument, which complements the Bank's traditional capacity building operations. The current FSF-supported capacity development projects include the following:

1. **Technical assistance for strategic planning.** The objective is to assist DRC, in partnership with UNDP, in the preparation of a Long Term and Sustainable Development Strategy (Vision 2035) and implementation of a results focused action plan.
2. **Technical assistance and capacity building in economic management.** Three projects aimed at strengthening DRC's institutional capacity in the following areas: (i) macroeconomic policy and public financial management⁷; (ii) implementation of a strategy for optimizing the Diaspora's contribution to reconstruction and development in DRC; and (iii) implementation of a strategy and an action plan for urban planning and local development; and
3. **Provision of institutional capacity support to key ministries.** This project included providing essential IT infrastructure to government offices, including the Prime Minister's Office, the Ministry of Finance, the Ministry of planning, the Ministry of budget and the technical Committees for Monitoring and Evaluation of the macroeconomic and structural reforms program.

- 4.10. These projects are implemented in coordination with other donors (UNDP, UNFPA, World Bank, IMF, etc.) to ensure synergies with other operations, and in line with the Bank Group's commitment for aid effectiveness and the principles of good international engagement in Fragile States.

⁶ These two projects from which non committed resources were reallocated from are: (i) Agricultural and Rural Sector Rehabilitation Project in Katanga Kasai-Oriental and Kasai Provinces; and (ii) Agricultural and Rural Sector Rehabilitation Project in Bandundu and Bas-Congo Provinces (ADF/BD/WP/2009/79/Approved)

⁷ A dozen of international experts from the diaspora and the private sector

5. Debt Relief Delivery Modality and Financing Arrangements

- 5.1. The Boards of Directors recall that the modality for delivering DRC's debt relief by the Bank Group is unique. In 2002, the Bank Group committed to mobilizing the resources to clear DRC's arrears and to finance the Bank Group's share of HIPC debt relief. The initial resource mobilization enabled the Bank to generate income from the payment of interest on DRC's loans.⁸ The Bank has since made successive allocations of net income to the DRC Special Account. This is described as the interest recycling mechanism. Part of DRC's arrears to the ADB was consolidated into a new loan and the ADF arrears were cleared through a grant.
- 5.2. Table 2, below provides a summary of the financing arrangement approved by the Bank Group's Boards at the Decision Point⁹ and the status of debt relief delivery in end-December 2002 PV terms. During the interim debt relief period, the required Bank Group's contribution towards DRC debt relief through the DRC Special Account was estimated at US\$ 571.27 million in nominal terms and the total accumulated debt relief US\$ 1,252.81 million¹⁰. With the upward revision of the HIPC debt relief required for DRC at Completion Point, all the additional resources needed to meet the Bank Group's commitment would come from the Debt Relief Trust Fund (DRTF) as the revision does not affect the interest recycling mechanism (DRC Special Account) portion of the financing arrangement. This brings the total funding required from the DRTF to US\$ 731.64 million in nominal terms, which includes an increase of US\$ 179.6 million between the Decision and Completion Point (see annex 5 on Bank Group Debt Relief Projections). The US\$ 731.64 million in nominal terms is equivalent to US\$ 424 million in PV terms at the end of 2002.

Table 2: DRC HIPC Debt Relief Financing Arrangements

(In millions in nominal terms US\$)

DRC debt relief financing	Contribution from the Bank interest recycling mechanism	Contribution from the Debt Relief Trust Fund*	Total contribution for DRC HIPC assistance
Interim debt relief	571.27	142.50*	713.77
Completion Point debt relief**	681.54	589.14	1,270.68
Total	1,252.81	731.64**	1,984.45

* Debt Relief Trust Fund contributions exclude the grant (US\$59.8 million) provided prior to the Bank DRC Decision Point approval 2004

** The Debt Relief TF Completion grant is equivalent to US\$424 million, in end-December 2002 npv terms.

⁸ In 2002, the Bank Group established a special arrangement to finance its share of DRC's debt relief, which at the time was estimated at US\$ 1.8 billion in nominal terms. At the time there were no dedicated facility (e.g. such as the PCCF and FSF) to support the clearance of arrears. Accordingly, the Bank Group committed to mobilizing resources through a special funds account (the DRC Special Account). The DRC Special Account, operates through a "partial payment-partial consolidation" or interest recycling mechanism approved by the Board of Directors in 2002. Under this arrangement, the Bank Group makes an annual allocation of net income equal to the amount of interest received on DRC's consolidated loans. The DRC Special Account then provides debt relief to DRC in the following year. See *Mechanism for Clearing the Arrears of the Democratic Republic of Congo and Additional Information on the Arrears Clearance Mechanism for the Democratic Republic of Congo (DRC)*. ADB/BD/WP/2002/52/Add.1 and ADF/BD/WP/2002/58/Add.1, approved by Board of Directors' Resolutions B/BD/2002/16 and F/BD/2002/15 on 26 June 2002.

⁹ Resolution B/BD/2004/8- F/DB/2004/6

¹⁰ The seed money required to activate the interest recycling mechanism, amounting to US\$ 54 million and US\$ 17.5 million, was provided by bilateral donors and the DRTF respectively.

- 5.3. Under the Enhanced HIPC Initiative, the DRC's debt relief will be provided in accordance with the terms described in paragraph 47 and 48. These modalities will be implemented pursuant to a Grant Agreement concluded between the Bank Group and the World Bank (IDA). These debt relief modalities are consistent with the applicable rules and policies of the African Development Bank and the African Development Fund.

The Impact on the Bank's Exposure to DRC and projections for prudential ratios

- 5.4. The Board of Directors also recall that DRC's debt to ADB accounts for a significant proportion of the Bank's total outstanding debt. DRC's reaching the Completion Point will therefore have a significant impact on two key parameters affecting the Bank's prudential ratios: (i) the level of exposure to DRC; and (ii) the risk rating of the country at the Completion Point. The full impact on the Bank's Exposure to DRC and projects for prudential ratios is attached in Annex 6.

6. Recommendations

- 6.1. The Boards of Directors are invited to:

- (i) Take note of the justification for DRC reaching its Completion Point under the Enhanced HIPC Initiative and thus qualifying for irrevocable debt relief under the initiative;
- (ii) Approve Completion Point debt relief under the Enhanced HIPC Initiative of US\$ 1009.7 in NPV terms as of end December 2002.
- (iii) Approve DRC's qualification for debt relief under MDRI.

Annex 1: Status of floating Completion Point triggers

TRIGGER	STATUS/COMMENTS
1. PRSP	
Completion of a full PRSP through a participatory process and its implementation for one year, duly documented in the DRC's annual progress reports and confirmed as satisfactory by a Joint Staff Advisory Note (JSAN).	Implemented. The JSAN confirmed satisfactory preparation and implementation of the strategy - Staff also deemed overall implementation of the PRGS during the 12 months leading up to Completion Point as satisfactory, with high budget execution rates and budgetary allocations for priority spending, good initial results on social outcomes, and significant progress on structural reforms.
2. Macroeconomic stability	
Continued maintenance of macroeconomic stability after reaching Decision Point, as shown by satisfactory performance under the IMF's ECF-supported program.	Implemented. The staff report for the First ECF Review was circulated to the IMF Executive Board concurrently with the HIPC document on June 14, 2010. Overall, it was indicated that there was continued macroeconomic stability after reaching Decision Point.
3. Use of budgetary savings	
Use of budgetary savings resulting from Enhanced HIPC Initiative-related debt service relief during the interim period for poverty-related expenditures in accordance with the I-PRSP, with supporting documentation.	Implemented. HIPC resources have been allocated to key areas with greatest impact on poverty, e.g., social sectors and security.
4. Public expenditure management	
(a) Implementation of a modernized budget-execution system, providing information from commitment to payment, and allowing for the monitoring of arrears;	Implemented. New modern budget-execution system covering the four key stages of expenditure management in use since 2008 at the Chaine de la Depense unit of MOF.
(b) Adoption and implementation of a double-entry government accounting system and a new chart of accounts; and	Implemented. Double-entry government accounting system and new chart of accounts was adopted. These have been used for budget execution since 2008.
(c) Production of quarterly budget execution reports using economic, administrative, and functional classifications.	Implemented. Budget execution reports called ESBs have been produced quarterly since 2008 using the three most widespread international classifications. These reports also provide the status of budget arrears monthly.
5. Governance and service delivery in priority sectors	
(a) Completion of a budget-tracking exercise on health, education, rural development and infrastructure expenditure, consisting of (i) monitoring the execution of poverty-related public expenditure; (ii) evaluation by user groups of the quality of related public services; and (iii) evaluation by service-providers of constraints to effective provision; and	Implemented. Budget-tracking exercise to monitor the execution of social sector expenditures completed. Survey of users and providers of four essential public service delivery items completed in 2010.

<p>(b) Adoption and implementation of a new procurement code and key implementing decrees.</p>	<p>Implemented. New procurement code passed by Parliament in April 2010 and all key implementing steps and documents adopted including the establishment of key institutions and the adoption of a manual of procedures. An implementation report will be prepared by November 2010.</p>
<p>6. Social and rural sectors</p>	
<p>Adoption of satisfactory sectoral development strategies and related implementation plans for health, education and rural development.</p>	<p>Implemented. The government adopted in 2010 satisfactory development strategies and related action plans for all three sectors, which were developed on the basis of reliable analyses and consultations with stakeholders.</p>
<p>7. Debt management</p>	
<p>Installation and full activation of a computerized debt-recording system, covering all public and publicly guaranteed debt, as well as public enterprise debt not carrying the guarantee of the State that can:</p> <p>(a) produce monthly debt-service projections, and incorporate actual disbursement and debt-service payment execution data; and</p> <p>(b) support the centralization of debt information in a single center.</p> <p>In addition, monthly debt-service projections will be published in advance on a quarterly basis.</p>	<p>Implemented. Computerized debt-recording system covering all the various types of public debt installed and fully activated. Monthly debt-service statements, including debt-service projections, produced on a quarterly basis and sent to the MOF for payments. All debt information is now centralized at the OGEDEP.</p>

Source: IDA/IMF: DRC – Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Completion Point Document and Multilateral Debt Relief Initiative (MDRI), June 15, 2010.

Annex 2: Press release of the Paris Club (17 November 2010)



PRESS RELEASE

**THE PARIS CLUB AGREES ON A REDUCTION OF THE DEBT
OF THE DEMOCRATIC REPUBLIC OF THE CONGO IN THE FRAMEWORK
OF THE ENHANCED HEAVILY INDEBTED POOR COUNTRIES INITIATIVE**

The representatives of the Paris Club creditor countries and Brazil met with the representatives of the Government of the Democratic Republic of the Congo (DRC) on 17 November 2010 and agreed on a reduction of the debt following the DRC having reached its Completion Point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC Initiative) on 1 July 2010.

As a contribution to restoring the DRC's debt sustainability, the Paris Club creditors will provide a cancellation of US\$ 7 350 million, fulfilling all their commitments under the enhanced HIPC initiative.

Paris Club creditors expressed their concern over the business environment and urged the Government of the DRC to carry out further reforms to improve governance, strengthen the rule of law and fight corruption which are necessary conditions to ensure a sustainable development after the enhanced HIPC initiative. They noted the DRC's determination to implement a comprehensive poverty reduction strategy and an ambitious economic program providing the basis for sustainable economic growth, including the commitment to improve governance and business environment.

The case of the DRC raised the issue of non cooperative behavior from some litigating creditors.

The Government of the DRC committed to seek from all its remaining external creditors a treatment comparable to HIPC debt relief.

The Government of DRC committed to devote the additional resources coming from the debt cancellation to priority areas identified in the country's poverty reduction strategy paper.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of creditor governments from major industrialized countries. It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.
2. The members of the Paris Club which participated in the reorganization of the Democratic Republic of the Congo's debt were representatives of the governments of Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, the Russian Federation, Spain, Sweden, Switzerland, the United Kingdom and the United States of America. Brazil also participated in this reorganisation and committed to provide its share of the effort under the Enhanced HIPC initiative.
3. Observers at the meeting were representatives of the government of Finland, as well as the International Monetary Fund (IMF), the International Development Association (IDA), the African Development Bank (AFDB), the Organisation for Economic Co-operation and Development (OECD) and the Secretariat of the UNCTAD.
4. The delegation of the Democratic Republic of the Congo was headed by Mr MATATA PONYO Mapon, Minister of Finance. The meeting was chaired by Ms Delphine d'AMARZIT, Co Chairperson of the Paris Club, Assistant Secretary at the Directorate-General of the Treasury of the French Ministry of Economy, Finance and Industry.

Technical notes

1. The Democratic Republic of the Congo's economic program is supported by a three-year arrangement under the Extended Credit Facility approved by the Executive Board of the International Monetary Fund (IMF) on 11 December 2009.
2. The Democratic Republic of the Congo's public external debt was estimated to be US\$ 13.70 billion as of end 2009 (source: IMF and IDA documents). The debt owed to Paris Club creditors was estimated to be US\$ 7.53 billion as of 1st July 2010 (source: Paris Club).
3. IDA-administered EU loans are included in this treatment.

Annex 3: Bank Group's current operations as at 31 December 2010

Project	Amount (UA)		Disbursement rate	Geographic coverage (by province)	Key dates		
	Commitment	Disbursed			Signature	Effectiveness	Effective closure
Agricultural and Rural Sector Rehabilitation Support Project in the Bas Congo and Bandundu provinces (PARSAR)	18, 000,000 (Loan)	8,813,772.82	48.97%	Bas-Congo, Bandundu	25/5/2004	4/2/2005	31/03/2011
	7, 000,000 (Grant)	4,747,794.20	67.83%		25/5/2004	4/2/2005	31/03/2011
Agricultural and Rural Sector Rehabilitation Project (PARSAR)	35, 000,000	22,359,930.18	63.89%	Katanga, East Kasai Or, West. Kasai	2/2/2006	12/5/2006	31/01/2013
Agriculture Sector Study (ESA)	1, 800,000	1,052,051.72	56.87%	Bas-Congo, Bandundu, 2 Kasai, Kin, Manie – East P.	11/10/2006	17/1/2007	30/12/2010
Total Agriculture and Rural Sector Development	61, 850,000	36,973,548.92	59.78%				
Nsele-Lufimi and Kwango-Kenge Roads Rehabilitation Project	52,450,000	33,629,845.42	64,12%	Kinshasa, Bandundu, W. Kasai, East Kasai	29/12/2005	27/6/2007	31/12/2011
Inga Hydroelectric Power Plants and Kinshasa. Network Rehabilitation and Reinforcement Project (PMEDE)	35, 700,000	-	0.00%	Kinshasa, Bas-Congo	10/4/2008	-	31/12/2014
Semi-Urban Drinking and Water Supply and Sanitation Project (PEASU)	70,000,000	18,032,058.91	25,76%	Bas-Congo, Equateur, West Kasai	9/8/2007	4/4/2008	31/07/2012
Emergency Air Safety Project	88,600,000	-	-	Entire DRC	2/11/2010		31/12/2015
Rural and Peri-urban Electrification Project	69,690,000	-	-	Kinshasa, Bas-Congo, Bandundu, Sud Kivu, Province Orientale	-	-	31/12/2014
Total Infrastructure Sector	316,440,000	51,661,904.33	16,33%				
Health Project I – Eastern Province Healthcare Development Master Plan Support (PAPDDS)	20, 000,000 (Loan)	5,067,009.48	25,34%	Eastern Province.	25/05/2004	17/03/2005	31/3/2012
	5, 000,000 (Grant)	1,816,841.23	36.34%	Eastern Province.	25/05/2004	17/3/2005	31/3/2012
Post-conflict Socio-Economic Reintegration Support Project (PARSEC)	15, 000,000	1,447,924.52	9,65%	Katanga, N.Kivu- S.Kivu, Eastern P., Maniema	9/8/2007	25/9/2008	30/6/2011
Total Social Sectors	40,000,000	8,331,775.23	20.83%				
Total Portfolio	418,290,000	96,967,228.48	23,18%				

Annex 4: 2008-2013 Lending Program

Operation	Year	ADF 11 (UA million)		ADF 12 (UA million)		Total
		Performance-based Allocation	FSF	Performance-based Allocation	FSF	
Ongoing						
Rail-Road Bridge Between DRC and Congo Study (multinational operation)	2008	1				1
NELSAP Interconnection Project (multinational operation)	2008	9.2				9.2
Inga Site Development Study (multinational operation)	2008	3.17				3.17
Programme to Mitigate the Impact of International Financial Crisis	2009	65				65
Public Administration Human Resource Strengthening**	2010	20				20
Local Governance Support Project **	2010	10				10
Electricity Infrastructure Rehabilitation and Extension	2010	9.69	60 ⁺			69.69
Emergency Air Safety Project	2010	88.6				88.6
Congo-Sangha River Navigation Study (Congo-CAR-DRC)	2010	0.44				0.44
Long Term Perspective Study 2030	2010		0.3 ⁺⁺			0.3
Strengthening of Capacity and Technical Assistance of Public Finance Management Experts	2010		0.75 ⁺⁺			0.75
Other FSF Window III Activities	To be determined		6.45 ⁺⁺			6.45
Total		207.1	67.5			274.6
Programming 2011/2013*						
Rural Infrastructure Support Project	2011			50		50
Boali III Interconnection Project (DRC-CAR)	2011			10		10
Public Sector Reform Project	2012			30		30
Road Project	2012			50		50
Rural and Semi-Urban Water Supply and Sanitation	2012			30		30
Improving Business Climate	2013			20		20
Emergency Air Safety Project (phase II)	2013				60	60
Rail-Road Bridge Between DRC and Congo Study (multinational operation)	2013			11.67		11.67
Congo-Sangha River Navigation project (Congo-CAR-DRC multinational operation)	2013			5.56		5.56
Total				207.23	60	267.23

(*) Depending on the financial allocation to the country under ADF-12, (**) Projects for 2010 not yet approved

(+) Window I FSF Supplementary Support, (++) Window III of FSF Targeted Support.

Annex 5: Bank Group Debt Relief Projections

Year	Provision of Debt Relief at Decision Point						Revised Provision of Debt Relief at Completion Point					
	ADF	ADB				Bank Group	ADF	ADB				Bank Group
		Debt Relief Trust Fund (Debt Service)	Interest Recycling Payments from DRC Special Account	on Principal Payments				Total ADB	Debt Relief Trust Fund (Debt Service)	Interest Recycling Payments from DRC Special Account	on Principal Payments		Total ADB
from DRC Special Account	Debt Relief Trust Fund			from DRC Special	Debt Relief Trust Fund							
2003	1,227	-	-	-	-	1,227	1,227	-	-	-	-	1,227
2004	5,039	77,762	-	3,563	81,325	86,364	5,039	77,762	-	3,563	81,325	86,364
2005	4,286	84,944	-	9,949	94,893	99,179	4,286	84,944	-	9,949	94,893	99,179
2006	5,055	92,410	1,389	12,767	106,567	111,621	5,055	92,410	1,389	12,767	106,567	111,621
2007	5,366	90,729	1,950	17,045	109,723	115,089	5,366	90,729	1,950	17,045	109,723	115,089
2008	5,298	88,784	2,213	21,887	112,884	118,183	5,298	88,784	2,213	21,887	112,884	118,183
2009	5,196	85,796	3,282	25,719	114,797	119,992	5,196	85,796	3,282	25,719	114,797	119,992
2010	5,338	82,467	3,594	30,417	116,479	121,817	5,338	82,467	3,594	30,417	116,479	121,817
2011	5,306	78,637	4,099	34,802	117,538	122,844	5,306	78,637	4,099	34,802	117,538	122,844
2012	5,346	74,447	4,488	39,976	118,911	124,257	5,346	74,447	4,488	39,976	118,911	124,257
2013	5,381	69,266	5,446	43,446	118,158	123,540	5,381	69,266	5,446	43,446	118,158	123,540
2014	5,348	63,789	5,743	48,174	117,706	123,055	5,348	63,789	5,743	48,174	117,706	123,055
2015	5,315	57,754	6,303	52,452	116,510	121,825	5,315	57,754	6,303	52,452	116,510	121,825
2016	5,284	51,351	6,633	56,547	114,530	119,815	5,284	51,351	6,633	56,547	114,530	119,815
2017	5,250	44,192	7,053	45,471	96,715	101,965	5,250	44,192	7,053	53,311	104,555	109,805
2018	5,217	37,819	6,182	-	44,001	49,217	5,217	37,819	6,182	51,332	95,332	100,549
2019	5,184	31,427	6,586	-	38,013	43,197	5,184	31,427	6,586	54,431	92,445	97,628
2020	5,152	24,732	6,892	-	31,624	36,776	5,152	24,732	6,892	57,562	89,185	94,338
2021	5,118	17,500	7,426	-	24,926	30,044	5,118	17,500	7,426	-	24,926	30,044
2022	5,225	9,969	7,726	-	17,695	22,919	5,225	9,969	7,726	-	17,695	22,919
2023	5,330	2,029	-	-	2,029	7,358	5,330	2,029	-	-	2,029	7,358
2024	4,586	-	-	-	-	4,586	5,295	-	-	-	-	5,295
2025	-	-	-	-	-	-	5,259	-	-	-	-	5,259
2026	-	-	-	-	-	-	2,451	-	-	-	-	2,451
Total	109,8466	1 165,8036	87,0054	442,2144	1 695,0234	1 804,8701	118,2653	1 165,8036	87,0054	613,3785	1 866,1875	1 984,4528

Annex 6: The impact of DRC on Bank's Exposure to DRC and projections for prudential ratios

The Board of Directors recalls that DRC's debt to ADB accounts for a significant proportion of the Bank's total outstanding debt. DRC's reaching Completion Point will therefore have a significant impact on two key parameters affecting the Bank's prudential ratios: (i) the level of exposure to DRC; and (ii) the risk rating of the country at the Completion Point.

- DRC's total outstanding loan balance to the ADB window amounted to UA 762 million at the end-December 2010, representing 9 percent of the total outstanding portfolio. This includes UA 469 million to be paid by DRC and UA 293 million to be paid by the Debt Relief Trust Fund. (DRTF, formerly HIPC Trust Fund) The Bank's exposure to DRC is expected to decrease after the Completion Point.
- Regarding the country risk rating, the debt relief provided under the enhanced HIPC Initiative and MDRI will be considered as a credit enhancement as well as an improvement in the country debt sustainability index which is an important factor for the country rating. The country's risk rating is therefore expected to improve by one notch and the risk capital charge applied to the exposure will decline from 89 percent to 57 percent. Due to its rating in the high risk category, a risk capital charge of 89 percent is assigned to DRC, and its used risk capital amounts to UA 678 million. Table 1 below summarizes the Bank's exposure to DRC in terms of nominal exposure and risk capital utilization, and provides the comparison with the 5 largest exposures in the Bank's portfolio.

Table 1: The Bank's exposure to DRC at the end of December 2010

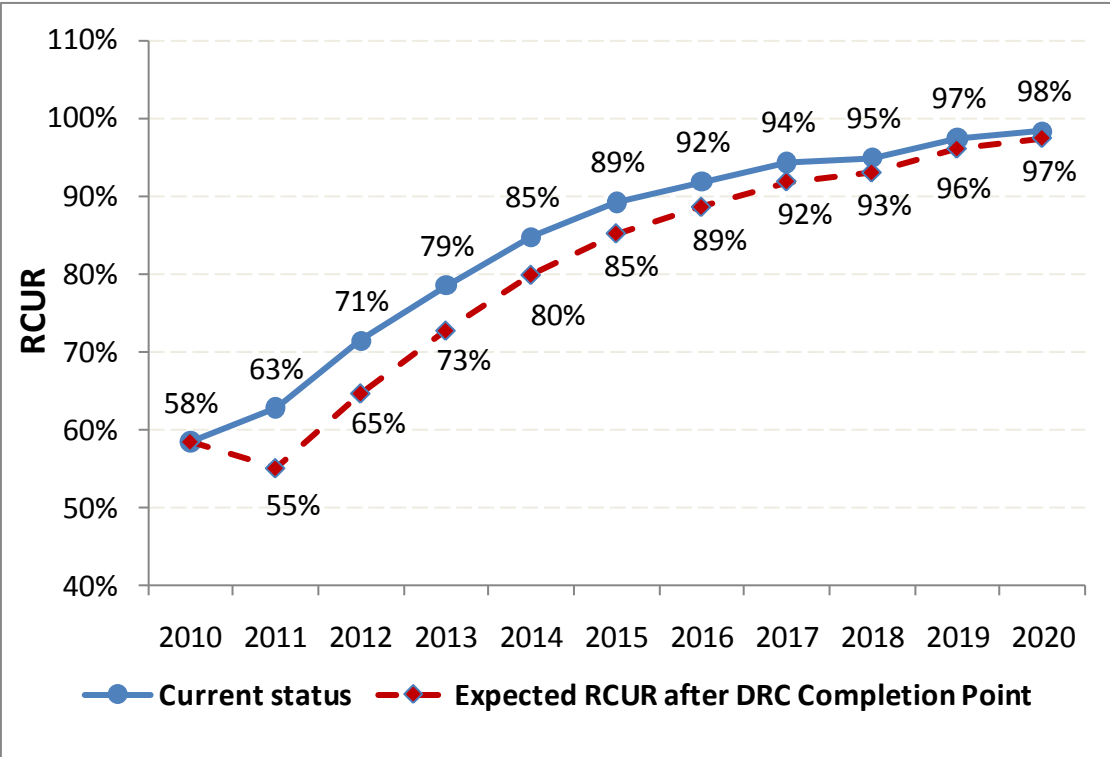
Concentration		Outstanding		Used Risk Capital	
		Notional	Share	Notional	Share
Borrower Concentration	Exposure to 5 largest borrowers	5,250	60%	861	34%
	of which: - DRC	762	9%	678	26%

Taking into account the engagements of both the Bank and the DRTF to provide the total amount of debt relief that is committed to DRC at the Completion Point, the Bank's exposure to DRC may be considered reduced by the amount received from DRTF (see annex 7 for details). Therefore, after the Completion Point, the Bank's exposure to DRC would be reduced¹¹ by UA 293 million, the amount due by HIPC Trust Fund.

The double impact (exposure reduction and decrease in risk capital charge) of DRC reaching the Completion Point on the Risk Capital Utilization Rate (RCUR) is shown in Figure 1. This figure indicates that compared to initial projections compared to excluding the impact of DRC reaching the Completion Point, the RCUR will decline by approximately 8 percent during the year following the Completion Point. In subsequent years, the impact is less significant as the Bank's outstanding exposure to DRC decreases. It is also assumed that DRC's risk rating will improve by one notch as its debt sustainability improves.

¹¹ At Completion Point the DRTF transfers in the form of a grant to the Bank the total amount of the allocations on NPV basis. These resources are invested and disbursed by the Bank.

Figure 3: Impact of DRC Completion Point on Risk Capital Utilization Rate



Annex 7: Cash Flows Details related to DRC Debt Relief Mechanism

UA million	Cash Flows of Consolidated Loan as of 31 December 2010			Interest recycled (ADB Income allocation)*	DRTF Allocation	Balance to be paid by DRC
	Year	Interests	Principal			
2010			10.02	10.02	10.02	
2011	68.80	40.76	109.56	67.32	22.60	18.16
2012	65.56	46.42	111.98	63.46	25.96	20.46
2013	61.09	51.49	112.58	58.77	28.21	23.28
2014	56.38	56.55	112.93	53.82	31.28	25.27
2015	51.18	61.66	112.84	48.39	34.06	27.61
2016	45.67	66.18	111.85	43.11	34.62	31.57
2017	38.89	57.64	96.52	34.96	33.33	24.31
2018	32.85	59.28	92.12	30.20	35.34	23.93
2019	27.50	62.91	90.41	24.68	37.38	25.53
2020	21.89	66.59	88.47	18.91		66.59
2021	15.83	70.22	86.05	12.68		70.22
2022	9.51	73.86	83.36	6.77		73.86
2023	2.85	37.95	40.80			37.95
Total	497.98	761.53	1,259.51	531.18	292.80	468.73

Source: FFMA

* Each year an income allocation equal to the earned on the consolidated loan is made. Interest payments due on January 1st of any year are assumed to be made by December 31 of the previous year.

** HIPC TF commitment is in USD million. Amounts are converted using exchange rate at the end of December 2010. The current outstanding balance is USD 435.5 million and is equivalent to UA 282.8 million.

Annex 8: IMF/World Bank HIPC Completion Point document for DRC (See Overleaf)

INTERNATIONAL DEVELOPMENT ASSOCIATION AND
INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF THE CONGO

**Enhanced Heavily Indebted Poor Countries (HIPC) Initiative
Completion Point Document and
Multilateral Debt Relief Initiative (MDRI)**

Prepared by the Staffs of the International Development Association
and the International Monetary Fund

Approved by Obiageli K. Ezekwesili and Otaviano Canuto (IDA)
Mark Plant and Christian Mumssen (IMF)

June 11, 2010

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ACRONYMS

AfDB	African Development Bank
AfDF	Africa Development Fund
AFRITAC	African Regional Technical Assistance Center
AGRER	Agrer Etudes et Conseils
ARMP	<i>Agence de Regulation des Marchés Publics</i> (Public Procurement Regulatory Authority)
<i>BDEGL</i>	<i>Banque de Développement des Etats des Grands Lacs</i>
BERCI	Bureau d'Études, de Recherches et Consulting International
CEMAC	<i>Communauté Économique Monétaire de l'Afrique Centrale</i> (Central African Economic and Monetary Community)
CFAA	Country Financial Accountability Assessment
CAD	Chart of Accounts
DGMP	Public Procurement General Directorate
DGDP	Direction Generale de la Dette Publique
DMFAS	Debt Management and Financial Analysis System
DRC	Democratic Republic of the Congo
DSA	Debt Sustainability Analysis
EC	European Commission
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
ESB	Etats de Suivis Budgetaires
EU	European Union
GDP	Gross Domestic Product
GIBS	Groupe Inter-Bailleurs de la Sante
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IDA	International Development Association
IMF	International Monetary Fund
JSAN	Joint Staff Advisory Note
LICUS	Low Income Countries under Stress
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MOF	Ministry of Finance
NGO	Non-Governmental Organization
NHDP	National Health Development Plan
NHSS	National Health Sector Strategy
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PR	Progress Report
PRCG	Projet de Renforcement de Capacite et de Gouvernance
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PRGS	Poverty Reduction and Growth Strategy
<i>PUAICF</i>	<i>Projet d'Urgence d'Attenuation des Impacts de la Crise Financiere</i>
PV	Present Value
SCCA	Sino-Congolese Cooperation Agreement
SDR	Special Drawing Right
UN	United Nations
UNDP	United Nations Development Program
WBI	World Bank Institute

EXECUTIVE SUMMARY

In July 2003, The Boards of Executive Directors of the International Development Association (IDA) and the International Monetary Fund (IMF) agreed that the Democratic Republic of the Congo had met the requirements for reaching the decision point under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative. To reduce the present value (PV) of eligible external debt to 150 percent of exports, the amount of debt relief determined at the decision point was US\$6,311 million at end-December 2002 in PV terms. This relief implied a common reduction factor of 80.2 percent.

DRC has successfully implemented key reforms under the enhanced HIPC Initiative, despite experiencing exceptional challenges since the decision point, including a challenging security situation. IDA and IMF staffs are of the view that the DRC has made satisfactory progress in meeting the requirements to reach the completion point. All completion point triggers have been fully implemented. The first poverty reduction strategy paper (PRSP) was finalized in 2006 and formally adopted in 2007. Its implementation has been satisfactory, as acknowledged by the Joint Staff Advisory Note (JSAN) on the Progress Report of the DRC Poverty Reduction and Growth Strategy. The First Review under the Extended Credit Facility (ECF) arrangement is being completed concurrently with the HIPC completion point review. In addition, the authorities have fully implemented the triggers on the use of HIPC resources for pro-poor spending, improvement in public expenditure management, improvement in governance and procurement, enhancements in service delivery in priority sectors, and public debt management.

As a result of the debt reconciliation exercise for the completion point, the PV of eligible external debt at December 31, 2002, after traditional debt relief has been revised upward by US\$933 million. Therefore, the required HIPC assistance at December 31, 2002 in PV terms has been revised from US\$6,311 million at the decision point to US\$7,252 million. The common reduction factor has increased from 80.2 percent to 82.4 percent.

Creditors accounting for approximately 96 percent of the revised PV of HIPC assistance have given satisfactory assurances of their participation in the enhanced HIPC Initiative. All multilateral creditors with two exceptions,¹ all Paris Club creditors, and some other official creditors, have agreed to participate. The authorities are working toward securing the participation of the remaining creditors.

DRC does not qualify for topping-up under the enhanced HIPC Initiative. The ratio of PV of debt-to-exports after enhanced HIPC assistance at end-December 2009 was 44.2 percent, substantially lower-than-anticipated at the decision point. This decrease is the result of higher-than-expected exports and lower than expected new borrowing. The ratio of PV of

¹ The Banque de Développement des États des Grand Lacs (BDEGL) and the Banque des États de l'Afrique Centrale (BEAC) have not officially agreed to participate. BDEGL is currently in negotiations with the authorities on providing debt relief. BEAC has provided debt relief amounting to \$2.8 million in PV terms at the decision point resulting from multiple rounds of arrears rescheduling (see footnote 20).

debt-to-exports at end-December 2009, and after the full delivery of additional bilateral debt relief beyond the HIPC Initiative, is estimated to be 43.3 percent, well below the 150 percent threshold for topping-up consideration under the enhanced HIPC Initiative.

Upon reaching the completion point under the enhanced HIPC Initiative, DRC will also qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI), beyond-HIPC assistance from the Paris Club, and the Least Developed Country (LDC) Initiative from the European Union (EU). Debt relief under the MDRI from IDA would reduce nominal debt service by an average of US\$28.4 million per year until 2043.

Full delivery of HIPC debt relief, additional bilateral assistance beyond HIPC, and MDRI debt relief at the completion point would reduce DRC's external debt burden significantly. The ratio of PV of debt-to-exports at end-December 2010 would fall to 57.5 percent after delivery of MDRI assistance; this ratio is predicted to increase until end December 2013 mainly due to new borrowing, and thereafter is expected to decrease to 31.1 percent by end-December 2030. However, the future evolution of these indicators is highly uncertain and will depend on several factors, particularly economic growth and the terms of new external financing.

The staffs recommend that the Executive Directors of IDA and the IMF approve the completion point for DRC under the enhanced HIPC Initiative.

I. INTRODUCTION

1. **This paper discusses the DRC's progress under the enhanced HIPC Initiative.** In the view of the staffs of the IDA and the IMF, this progress is sufficient for recommending to their respective Boards of Executive Directors the approval of the completion point for DRC under the enhanced HIPC Initiative. The authorities have fully implemented all the completion point triggers as formulated in the 2003 HIPC Decision Point document.²

2. **In July 2003, the Boards of Executive Directors of IDA and the IMF agreed that DRC had met the requirements for reaching the HIPC decision point.** Executive Directors also determined that the floating completion point would be reached when the triggers in Box 6 of the Decision Point Document were met. The amount of debt relief committed at the decision point was US\$ 6,311 million in PV terms, calculated as of end-December 2002. Such relief represented an overall reduction of 80.2 percent in the PV of all public- and publicly-guaranteed external debt as of end-December 2002 after application of traditional debt relief mechanisms. At the same time, the two Boards approved interim debt relief to the DRC. IMF interim relief was suspended from June 2006 to December 2009 because the DRC was not supported under a formal IMF arrangement. The DRC reached the ceiling for HIPC interim relief provided by IDA of 33 percent of committed debt relief (in present value terms) on October 15, 2009. Interim relief resumed on December 15, 2009 when IDA's ceiling was raised to 50 percent.³

3. **This paper is organized as follows.** Section II assesses the DRC's performance in meeting the requirements for reaching the completion point under the enhanced HIPC Initiative. Section III provides an updated debt relief and debt sustainability analysis (DSA), including the status of creditor participation, and delivery of debt relief under the HIPC Initiative and the MDRI. Section IV summarizes the main conclusions, and Section V presents issues for discussion by Executive Directors.

II. ASSESSMENT OF REQUIREMENTS FOR REACHING THE COMPLETION POINT

4. **In the view of the staffs of IDA and the IMF, DRC has met in full all the triggers for reaching the completion point (Box 1).** All key decisions, actions, and measures required to fulfill the triggers have been taken, including progress in the implementation of the poverty reduction strategy (Trigger 1); maintenance of a sound macroeconomic program, as indicated by performance under the program supported by the Extended Credit Facility arrangement (ECF) (Trigger 2); satisfactory use of HIPC resources for pro-poor spending (Trigger 3); improvement in public expenditure

² See "Democratic Republic of the Congo: Enhanced Initiative for Heavily Indebted Poor Country - Decision Point Document", *IDA/R2003-0059/2 and EBS/03/267*, July 14, 2003.

³ Democratic Republic of the Congo: Revised Schedule of IDA's HIPC Debt Relief, *IDA/SecM2009-0671*, December 10, 2009.

management (Trigger 4); improvement in governance and procurement (Trigger 5); enhancements in service delivery in priority sectors (Trigger 6); and in public debt management (Trigger 7).

Box 1: DRC: Status of Floating Completion Point Triggers	
Trigger	Status/Comments
1. PRSP	
Completion of a full PRSP through a participatory process and its implementation for one year, duly documented in the DRC's annual progress reports and confirmed as satisfactory by a joint staff advisory note (JSAN).	Implemented. The JSAN confirmed satisfactory preparation and implementation of the strategy - Staff also deemed overall implementation of the PRGS during the 12 months leading up to the completion point as satisfactory, with high budget execution rates and budgetary allocations for priority spending, good initial results on social outcomes, and significant progress on structural reforms.
2. Macroeconomic stability	
Continued maintenance of macroeconomic stability after reaching the decision point, as shown by satisfactory performance under the IMF's ECF-supported program.	Implemented. The staff report for the First ECF Review was circulated to the IMF Executive Board concurrently with the HIPC document on June 14, 2010.
3. Use of budgetary savings	
Use of budgetary savings resulting from enhanced HIPC Initiative-related debt service relief during the interim period for poverty-related expenditures in accordance with the I-PRSP, with supporting documentation.	Implemented. HIPC resources have been allocated to key areas with greatest impact on poverty, e.g., social sectors and security.
4. Public expenditure management	
(a) Implementation of a modernized budget-execution system, providing information from commitment to payment, and allowing for the monitoring of arrears;	Implemented. New modern budget-execution system covering the four key stages of expenditure management in use since 2008 at the Chaîne de la Dépense unit of MOF.
(b) Adoption and implementation of a double-entry government accounting system and a new chart of accounts; and	Implemented. Double-entry government accounting system and new chart of accounts was adopted. These have been used for budget execution since 2008.
(c) Production of quarterly budget execution reports using economic, administrative, and functional classifications.	Implemented. Budget execution reports called ESBs have been produced quarterly since 2008 using the three most widespread international classifications. These reports also provide the status of budget arrears monthly.
5. Governance and service delivery in priority sectors	
(a) Completion of a budget-tracking exercise on health, education, rural development and infrastructure expenditure, consisting of (i) monitoring the execution of poverty-related public expenditure; (ii) evaluation	Implemented. Budget-tracking exercise to monitor the execution of social sector expenditures completed. Survey of users and providers of four essential public service delivery items completed

<p>by user groups of the quality of related public services; and (iii) evaluation by service-providers of constraints to effective provision; and</p> <p>(b) Adoption and implementation of a new procurement code and key implementing decrees.</p>	<p>in 2010.</p> <p>Implemented. New procurement code passed by Parliament in April 2010 and all key implementing steps and documents adopted including the establishment of key institutions and the adoption of a manual of procedures. An implementation report will be prepared by November 2010.</p>
<p>6. Social and rural sectors</p>	
<p>Adoption of satisfactory sectoral development strategies and related implementation plans for health, education and rural development.</p>	<p>Implemented. The government adopted in 2010 satisfactory development strategies and related action plans for all three sectors, which were developed on the basis of reliable analyses and consultations with stakeholders.</p>
<p>7. Debt management</p>	
<p>Installation and full activation of a computerized debt-recording system, covering all public and publicly guaranteed debt, as well as public enterprise debt not carrying the guarantee of the State that can:</p> <p>(a) produce monthly debt-service projections, and incorporate actual disbursement and debt-service payment execution data; and</p> <p>(b) support the centralization of debt information in a single center.</p> <p>In addition, monthly debt-service projections will be published in advance on a quarterly basis.</p>	<p>Implemented. Computerized debt-recording system covering all the various types of public debt installed and fully activated. Monthly debt-service statements, including debt-service projections, produced on a quarterly basis and sent to the MOF for payments. All debt information is now centralized at the OGEDEP.</p>

A. PRSP Process

Completion of a full PRSP through a participatory process and its implementation for one year, duly documented in the DRC’s annual progress reports and confirmed as satisfactory by a joint staff advisory note (JSAN).

5. **Staffs consider this trigger met since implementation of the full participatory PRSP adopted in July 2006 was satisfactory, as discussed in the JSAN on the most recent progress report (PR) on the authorities Poverty Reduction and Growth Strategy (PRGS).**⁴ Since the 2002 peace process that ended full scale armed conflicts and led the country to democratic elections, the Congolese authorities have made important progress in promoting growth and fighting poverty. The 2006 PRGS has been the central reference document in guiding and designing all Government programs, including the “*Programme de Gouvernance*”, the “*Cinq Chantiers*”. Indeed, the PRGS has been an important step in consolidating macroeconomic stability, strengthening economic governance, and deepening program ownership. Its main pillars are to: (1) improve governance and consolidate peace by strengthening institutions; (2) promote growth and

⁴ The Democratic Republic of the Congo, Joint Staff Advisory Note on the Poverty Reduction Strategy, Progress Report, June 14, 2010.

consolidate macroeconomic stability; (3) enhance access to basic social services and reduce vulnerability; (4) combat HIV/AIDS; and (5) improve community dynamics and the social environment.⁵

6. **The DRC's PRGS provided a sound basis for strengthening policies due to its participatory approach.** The strategy derives much of its strength from the broad and inclusive preparation process, which involved a series of consultations in numerous provinces with stakeholders from civil society, NGOs, youth groups, labor unions, parliament, and the private sector. Moreover, focus groups and country-wide surveys were undertaken with the support of the National Institute of Statistics and ten partner non-governmental organizations. Despite the conflict in the East, these surveys and consultations covered remote and dangerous areas of North and South Kivu, Katanga, and Ituri. The process also reached out as much as possible to rebel groups and political opposition factions to foster inclusive dialogue for peace and reconstruction, and priority setting. Provincial and sector summaries of survey results were prepared as inputs to the national PRSP in an effort to capture the diversity of this immense country and to prepare the groundwork for work its eventual decentralization.

7. **The 2006 Poverty Assessment (PA), based on the 2004/5 1–2–3 survey, significantly enhanced understanding of the causes, extent and distribution of poverty. That PA will be updated in the run up to the second PRGS.** The 1–2–3 survey was the first national household poverty survey and has provided a wide range of information on poverty and living conditions. Approximately 71 percent of Congolese lived in poverty, with higher rural (76 percent) than urban (61 percent) poverty while the provinces of Kinshasa, Maniema, Katanga, and Bas-Congo fared better than the other provinces. Households headed by women were also better-off than those led by men. The report identified the main causes of poverty as the conflicts, the fall of wage employment, decline in demand for agricultural products, malnutrition and diseases, corruption, deterioration of infrastructures, environment, and basic social services, especially in rural areas. The disruption of socioeconomic ties and institutions in communities also contributed to the poverty situation. In August 2010, the authorities will launch a new poverty assessment , which will include a second 1–2–3 survey to produce comparable household and poverty data for use in the second generation PRGS.

8. **Progress since 2006 in implementing the PRGS was uneven and the authorities decided to extend the implementation period until end-2010.** A government review of the PRGS over the period April 2007-December 2008 concluded that implementation needed to be strengthened if its objectives were to be achieved. In particular, budgetary spending needed to be better aligned with government priorities and the efficiency of government interventions needed to be enhanced. The authorities therefore decided to extend the implementation period of their original PRGS to end-2010 in order to assure

⁵ IDA and IMF Executive Directors discussed the JSAN on the PRGS in September 2007. Staffs' main conclusions were that while the PRGS contained rich insights on poverty diagnosis, it could be enhanced by additional information on sources of livelihood of households and analyses of the productive sectors.

sufficient time to achieve its objectives and to prepare a second generation strategy.⁶ The joint staff's assessment presented below is based on progress in implementing the first generation PRSP during the most recent period leading up to the completion point.

9. **During the past twelve months, the overall implementation of the PRGS has been satisfactory.** Despite the impact of lingering conflict and the global financial crisis, budget execution of pro-poor spending remained at over 95 percent in 2009, and the 2010 budget ceilings accommodated higher priority spending in these sectors. The higher spending is showing good initial results in terms of rising school enrollment, improved health indicators, and greater access to infrastructure, notably through the rehabilitation of roads. With the recent improvements on the security front, the authorities were able to make significant progress in 2009-10 on the structural agenda underpinning their PRGS. They developed new sector strategies and medium-term spending plans for key sectors such as education and health. New legal frameworks for procurement and businesses (OHADA) were adopted by parliament in 2009-10, and reforms in the public financial management systems were resumed with renewed vigor

10. **The 2010 PR is candid about the need to strengthen PRGS monitoring and evaluation in the period ahead.** Staffs propose that the plan to develop a comprehensive statistical strategy, identified in the PRGS, receive greater attention to support improved monitoring in the new PRGS. While progress was made in several areas (i.e., macroeconomic stability, public financial management, education, child mortality, life expectancy, HIV/AIDS, access to maternal care, and decentralization), achievements in areas such as water and sanitation, maternal nutrition, gender and environment have been more modest. Monetary poverty incidence does not seem to have deteriorated significantly despite the difficult economic and social disruptions. The analytical work, including a Diagnostic Trade Integration Study, the adoption of sector strategies in several key sectors in 2010 (see ¶ 36-43), as well as the surveys of public service delivery (see ¶ 26-28) are expected to strengthen the base for policy formulation and evaluation in the next PRSP.

B. Macroeconomic Stability

Continued maintenance of macroeconomic stability after reaching the decision point, as evidenced by satisfactory performance under the IMF's ECF-supported program.

11. **Staffs consider this trigger met, as performance under the current ECF arrangement (July 2009-June 2012) has been satisfactory.** In 2003-04, the authorities implemented—in the context of the first ECF-supported program—prudent policies that curtailed the monetization of fiscal deficits—the principal cause of macroeconomic instability—and helped reduce inflation and exchange rate pressures.⁷ They also made notable progress in structural reforms in the areas of revenue administration, public

⁶ See *Note Synthese Sur Le Processus DSCR EN RDC*, July 15, 2009 that accompanied the Progress Report on the 2006-2008 PRGS (April 2007) and attached Priority Action Plan for 2009-2010.

⁷ The IMF Executive Board approved a three-year arrangement under the ECF in July 2002.

financial management (PFM), and the financial sector. However, policy implementation started to weaken in 2005 as the focus of the transitional government shifted to the 2006 national elections; and, subsequently, because of periodic flares ups of conflict in the eastern provinces and inadequate fiscal discipline. Since January 2009, the authorities improved their policies and reinvigorated structural reforms—in the context of a staff monitored program (SMP) and the current ECF-supported program—despite the adverse impact of the global financial crisis on the local economy. In particular, the government curtailed its recourse to central bank financing by bolstering revenue and improving expenditure control. It advanced structural reforms, especially in revenue administration, PFM, and the financial sector. These efforts made the economy more resilient to the global economic downturn and helped reduce macroeconomic pressures.

12. **Macroeconomic performance—albeit uneven before the onset of the current ECF-supported program—was satisfactory.** In 2003-04, real GDP expanded by 6.2 percent per annum (some 3 percentage points higher than the population growth rate), while inflation decelerated to single digits (from 135 percent in 2001). Growth began to slow in 2006 in the lead up to the election, while inflation rose because of policy slippages. In 2009, economic growth was curbed by the deterioration in the country's terms of trade induced by a contraction in global demand for commodity exports and the consequent retrenchment of domestic demand. Year-on-year inflation rose to 53 percent at end-year due to a sharp depreciation of the Congolese Franc against the U.S. dollar in response to the drop in export receipts and an uptick in central bank credit to the government in late 2008 to finance security-related spending. However, inflation eased to 15 percent at end April 2010 due to prudent fiscal and monetary policies. In 2010, real GDP growth is projected at 5.4 percent supported by the recovery of the mining sector on the back of high export prices, while increased public and foreign direct investment in mining and public infrastructure will sustain growth in the services sector.

13. **The external position is weak but it improved recently thanks to increased balance of payment support.** The current account balance shifted from a balance in 2003 to a deficit of 16 percent in 2008. Although exports were buoyant in view of a strong mining sector recovery, imports grew faster partly reflecting post-conflict reconstruction. International reserves, which averaged about three weeks of import cover in 2003-2005, shrank to one week in 2007-08 because of strong domestic demand. In 2009, despite a decline in export receipts, the current account deficit narrowed reflecting a reduction in income repatriation—mainly from mining activities—and an increase in official transfers to help mitigate the impact of the global financial crisis. International reserves rose to 7 weeks of import cover, boosted by the general and special SDR allocations, disbursements under the current ECF arrangement and the rapid access component of the Exogenous Shocks Facility, and the first tranche of the signing bonus under the Sino-Congolese Cooperation Agreement (SCCA). The current account deficit is expected to widen in 2010 as higher imports that are tied to major investment projects in mining and infrastructure more than offset projected increase in export receipts as these investment projects are being financed largely by foreign direct investment and development assistance. International reserves are expected to increase to 7.5 weeks of import coverage by year end.

14. **Macroeconomic policy implementation—though mixed since the decision point— improved in 2009.** Macroeconomic policy performance was satisfactory in 2003-04. Government revenue rose from 7.7 percent of GDP in 2001 to 9.5 percent in 2004. The increase in revenue, combined with a renewal of the DRC's access to external financing, allowed the government to increase spending, including on investment, while avoiding the monetization of the fiscal deficit. This helped the central bank better control monetary aggregates in line with its disinflation objective. However, there were fiscal slippages in the lead up to the 2006 elections, and policy implementation remained uneven until end-2008. The authorities made good progress and established a track record of good macroeconomic management under the SMP. Performance improved further under the current ECF supported program. Thanks to a strong revenue effort, increased donor support, and better expenditure control, the 2009 domestic fiscal deficit (cash basis and before official transfers) was held to 2.5 percent of GDP on a cash basis, 0.6 percentage points lower than envisaged. This, along with higher external budget support helped the government build significant deposits at the central bank. The improvement in the fiscal position and an increase in the central bank's discount rate from 40 percent to 70 percent in three steps helped contain base money growth. Policy implementation in 2010 has been satisfactory thus far, and the objectives and targets for end-June of the current ECF-supported program are likely to be achieved.

15. **Structural reforms were critical to improving macroeconomic management.** In 2003-04, the authorities made notable progress. They tightened and streamlined expenditure commitment procedures, including through computerization. On the revenue side, administrative capacity to collect revenue was rebuilt and data collection and information management systems strengthened. A new large taxpayers' unit was established, monitoring of exemptions was enhanced, and customs procedures were simplified. The capacity of the central bank to conduct monetary policy and supervise commercial banks was also strengthened. Although the pace of structural reforms slowed during the period 2005-08, it picked up in 2009 under the current ECF-supported program. On revenue administration, the authorities further strengthened the information management systems of both the customs and tax departments, enhanced import valuation procedures, strengthened the large taxpayers unit (especially regarding collection from the mining sector), and adopted an action plan to reduce and streamline tax exemptions. On PFM, they established transparent procedures for the commitment and payment of urgent spending, improved the planning and the monitoring of expenditure commitments, and advanced reforms to modernize the legal and regulatory framework of the PFM system. The authorities also adopted an action plan setting out the strategy and the objectives for PFM reforms for the coming years. On financial sector reform, the BCC was restructured and reorganized as the first step toward its recapitalization and eventual financial independence. Banking supervision was also strengthened, as was the central bank's capacity to conduct monetary policy.

Table 1 : DRC: Selected Economic and Financial Indicators, 2003-09

	2003	2004	2005	2006	2007	2008	2009 Est.
(Annual percentage change; unless otherwise indicated)							
GDP and prices							
Real GDP	5.7	6.6	7.8	5.6	6.3	6.2	2.8
Consumer prices, period average	12.8	4.0	21.4	13.2	16.7	18.0	46.2
Consumer prices, end-of-period	4.4	9.2	21.3	18.2	10.0	27.6	53.4
External sector							
Exports, f.o.b. (U.S.dollars)	24.6	35.9	13.8	13.5	161.2	7.2	-33.6
Imports, f.o.b. (U.S.dollars)	18.8	43.3	40.9	16.9	81.8	27.6	-26.3
Export volume	4.6	18.5	-5.5	-12.5	55.5	6.3	0.6
Import volume	10.5	31.7	32.8	15.0	69.0	15.8	-17.9
(Percent of GDP; unless otherwise indicated)							
Central government finance							
Total revenue (including grants)	9.7	11.5	16.6	19.5	17.0	20.8	23.7
Of which: Domestic revenue	7.7	9.5	11.4	12.8	14.7	18.5	16.8
Total expenditure	14.9	15.8	20.5	20.1	18.9	23.0	26.7
Overall fiscal balance (payment order basis, incl. grants)	-5.2	-4.3	-3.9	-0.6	-1.9	-2.2	-3.0
Overall fiscal balance (cash basis, incl. grants)	-2.7	-3.0	-10.3	-0.7	-2.5	-3.0	-3.9
Domestic balance (cash basis)	-1.2	-1.3	-7.3	-1.0	-0.1	-0.3	-2.5
Gross national saving							
Investment	12.6	9.6	1.5	4.7	17.1	6.1	9.3
Investment	12.2	12.8	13.8	13.2	18.2	22.0	19.4
Balance of payments							
Current account balance (incl. transfers)	0.4	-3.2	-12.3	-8.5	-1.1	-15.9	-10.1
Gross official reserves (weeks of nonaid-related imports of goods and services)	2.8	3.5	2.4	1.4	1.2	0.8	7.2

Sources: Congolese authorities and IMF staff estimates and projections.

C. Use of Budgetary Savings

Use of budgetary savings resulting from enhanced HIPC Initiative-related debt service relief during the interim period for poverty-related expenditures in accordance with the I-PRSP, with supporting documentation.

16. **Staffs consider this trigger met since public priority spending increased by more than the interim debt relief that was delivered since 2003.**⁸ This is true also if, in contrast to the authorities' definition of such spending in the PRSP, security spending is excluded from priority spending. During 2003–09, the DRC received interim debt relief of US\$1,308.8 million, some US\$187 million per year while on average non-security priority spending exceeded 2003 levels by US\$250 million per year. Spending by the national authorities on agriculture, education and health sectors was extremely modest at the end of

⁸ The Government started depositing interim HIPC assistance into a special Treasury account at the Central Bank in 2006 but discontinued the practice in 2007 as it was proving cumbersome for an already overburdened PFM system and an unnecessary duplication given the greater reliability of the newly introduced PFM system.

the war in 2003.⁹ Priority sectors, excluding security, received only 0.4 percent of GDP while security amounted to 1.7 percent of GDP. Since then, spending by the national authorities on the priority sectors (excluding security) increased to 3.5 percent of GDP. As a share of total national expenditure, these expenditures rose from 4 percent in 2003 to 18 percent in 2008 and 2009 (see Table 1). During 2006-08, the increase in non-security priority spending exceeded interim debt relief and fell to just under 100 percent in 2009 because debt relief more than doubled.

17. The 2006 Constitution delegates responsibility for priority spending in the areas of agriculture, education, and health to the provinces. Following an agreement between the national and the provincial authorities, public service salaries, which are by far the largest component of expenditures, continue to be administered at the national level for the period 2008–10 even though these services are now under the purview of the provincial governments. Administration of these salaries at the national level has allowed for the tracking of spending for key public services. The data on spending in Table 1 include wage and nonwage expenditures.

18. The PFM system is sufficiently well established at the national level to monitor the tracking of priority spending for poverty alleviation. Reports on the status of budget implementation (Etats de Suivi Budgétaire, ESB)—albeit produced with a lag—including a functional classification of expenditures are available on a monthly basis and provide credible information on budget execution at the national level (see section D below). Weaknesses in the provincial public finance management systems regarding the collection of data on priority expenditure do not impede the assessment of social sector spending at present given that transitional arrangements result in most of such spending continuing to be executed at the central government level.

⁹ Audits of these accounts at the Central Bank have been carried out by an independent company in 2006 and 2010. Their findings were consolidated with those of the Cour des Comptes in 2010. The report reiterated the PFM weaknesses described in Section D and made recommendations to strengthen further expenditure chain management. These have been taken into account in the government's PFM reform action plan.

Table 2 : DRC: Expenditures of Priority-sector Ministries, 2003-09

	2003	2004	2005	2006	2007	2008	2009
<u>In percent of GDP</u>							
Health	0.1	0.1	0.5	0.5	1.0	0.8	0.6
Education	0.2	0.2	1.4	2.0	2.5	2.8	2.1
Agriculture and Rural Development	0.1	0.1	0.1	0.3	0.3	0.4	0.8
Security sectors (1)	1.7	2.8	3.0	2.5	3.8	4.2	4.5
<i>Pro memoire</i>							
Total, excluding security spending	0.4	0.4	2.0	2.9	3.8	4.0	3.5
Total, including security spending	2.1	3.2	5.0	5.4	7.6	8.2	8.0
GDP (FC, billion)	2299	2611	3431	4114	5148	6526	8729
<u>In percent of total expenditures</u>							
Health	1.0	1.0	3.0	3.2	5.8	3.9	3.0
Education	2.3	1.9	9.3	11.6	14.3	13.1	10.8
Agriculture and Rural Development	0.5	0.6	0.9	2.0	1.5	1.8	4.1
Police, Defence and Ministry of Interieur	16.1	20.9	19.7	14.9	21.9	19.9	23.4
<i>Pro memoire</i>							
Total, excluding security spending	3.7	3.4	13.2	16.8	21.6	18.8	18.0
Total, including security spending	19.9	24.3	32.9	31.7	43.5	38.7	41.3
Total public expenditure (FC, billion)	242	345	520	699	904	1381	1700
<u>In US\$ million</u>							
Health	5.8	8.5	33.3	48.3	101.7	95.2	63.3
Education	13.6	16.1	101.5	172.8	250.7	320.7	225.4
Agriculture and Rural Development	3.0	4.8	10.3	29.4	26.6	44.8	85.3
Police, Defence and Ministry of Interieur	96.6	181.1	216.1	223.0	382.8	487.7	486.0
<i>Pro memoire</i>							
Total, excluding security spending	22.4	29.4	145.1	250.5	378.9	460.7	374.0
Total, including security spending	119.0	210.5	361.2	473.5	761.7	948.4	860.0
Debt relief	90	121	225	156	163	178	376
Increase in spending since 2003 as percent of debt relief in current year (2)							
Total, excluding security spending	-	6	54	146	219	246	94
Total, including security spending	-	76	107	227	395	465	197

Note 1: Police, Defence and Ministry of Interieur

Note 2: (Spending in year x - spending in year 2003) as percent of debt relief in year x

Sources: Congolese authorities, World Bank and IMF staff estimates.

D. Public Expenditure Management

Implementation of a modernized budget-execution system, providing information from commitment to payment, and allowing for the monitoring of arrears.

19. **Staffs consider this trigger met.** The budget-execution system that was set up in 2003 is supported by a new budget nomenclature. The four phases of the expenditure process were restored with specific efforts to streamline the process from commitment to payment, and to guarantee the security of transactions. The modernization of public expenditure management culminated in the development and adoption of a manual of procedures and the automation of the expenditure chain. At any given time, the system can not only provide the status of individual expenditure items, but, more importantly, also monitoring reports (ESBs) using different budget classifications which provide up-to-date

information covering every stage of the expenditure chain from commitment to payment. The system also allows the monitoring of payment authorizations from the Treasury and actual payments by the Central Bank, which in turn permits the monitoring of arrears. Based on this information, the stock of arrears is determined and an arrears clearance plan defined.

20. The budget execution system has over the years provided a solid base for the improvement of budget control and expenditure management as the monitoring reports are used by the Ministry of Budget and Treasury to prepare their quarterly commitment and payments plans, respectively. While representing a major improvement over the last few years, expenditure data need to be improved, especially regarding their timeliness and coverage of urgent spending as well as provincial government spending. Under the program supported by the current ECF arrangement, the Treasury and Central Bank conduct a monthly data reconciliation exercise to further improve the comprehensiveness and reliability of the monitoring reports. Further, the 2003 manual of expenditures was revised in February 2010 to further streamline budget execution and restrict extra-budgetary expenditures. With assistance from the Central AFRITAC and the World Bank, the government is implementing an upgrade plan and a pilot budget management computerization system in three provinces (South Kivu, Bandundu and Katanga), which will prepare the ground for the development and gradual implementation of a fully integrated government financial management information system.

Adoption and implementation of a double-entry government accounting system and a new chart of accounts.

21. **Staffs consider this trigger met.** The authorities introduced double-entry accounting in late 2005 starting at the Treasury department with the creation of the Central Accounts Division (CAD) and the development and adoption of a Chart of Accounts, a 12-digit accounting nomenclature for revenues and expenditures, and a procedure manual along with its computerized application. New accounting units and a computer application for accounting were set up within each of the collection department of the three “regies” (Tax, Customs, and Administrative Revenue departments) that transfer the accounting information to the accounting department of the Treasury on a regular basis. A procedure manual was developed to assist with their operations. The production of general ledgers for 2006, 2007, and 2008 was, however, very challenging and experienced much delay. Technical assistance provided by the Central AFRITAC supported this process.

Production of quarterly budget execution reports using economic, administrative, and functional classifications.

22. **The staffs consider this trigger met.** The budget nomenclature allows for the presentations of execution reports according to a variety of classifications (i.e., economic, administrative, and functional) consistent with the Fund’s 2001 Government Finance Statistics manual. Classification by source of funding (local versus foreign), by geographic location (central versus provincial governments) is also available, in addition to classification based on pro-poor spending, including the use of HIPC resources. The system makes it possible to produce reports combining different classifications.

Unfortunately, these quarterly reports take time to be updated and reconciled due to the need to include expenditures that do not follow the standard procedures; these are being curtailed with the adoption of a new expenditure management manual. The ESBs are sent on a quarterly basis to the Minister of Finance who oversees budget execution. The improvements under way in expenditure management described above will also improve the reliability and timeliness of the quarterly budget execution reports produced using any of the available classifications.

E. Governance and Service Delivery in Priority Sectors

Poverty-Related Expenditure Monitoring

Completion of a budget-tracking exercise on health, education, rural development and infrastructure expenditure, consisting of monitoring the execution of poverty-related public expenditure. Evaluation by user groups of the quality of related public services, and evaluation by service-providers of constraints to effective provision.

23. **Staffs consider this trigger met.** The authorities made great efforts to gather information and monitor pro-poor spending. In addition to close monitoring of pro-poor budget expenditures, a multi-topic survey in three provinces (Katanga, Bandundu and Sud-Kivu) was undertaken in late 2009/early 2010 by the National Statistical Institute (INS) and Bureau d'Études, de Recherches et Consulting International (BERCI; a private Congolese consulting firm) with assistance from Agrer Etudes et Conseils (AGRER; a Brussels-based consulting firm) and the World Bank Institute (WBI). The results of these efforts have been summarized in two reports, one on the execution of pro-poor spending and the second on the survey outcomes, both prepared in the context of a collaborative exercise between several Government administrations. Though a full Public Expenditure Tracking Survey (PETS) could not be carried out for technical reasons,¹⁰ the reports provided a strong platform for assessing the quality of public spending on social services. Likewise, while a full Service Delivery Facility Survey was not conducted, the BERCI/AGRER/INS 2010 survey provided reliable information on the perceived quality of services by users and the bottlenecks identified by providers.

Monitoring the execution of poverty related public expenditures

24. **The execution of poverty-related public expenditures is monitored through the ESB.** The ESB allow a comparison of the budget allocation approved by Parliament and the execution as managed by the Sector Ministries and the Ministries of Budget and Finance. Budget execution rates in health and education sectors were close to 100 percent

¹⁰ A full PETS would have required detailed tracking of expenditures from the central to the lowest administrative level, which was not possible at the time, due to the lack of expertise to implement such a complex exercise, the complexity and evolving nature of the administrative structure toward greater decentralization, the size of DRC and the costs such survey would entail. In the case of the DRC, a full PETS is expected to take several months and up to one year. The authorities have expressed the intention to conduct such an exercise in the near future.

by 2009, compared to less than 60 percent in 2003. The budget allocation for the Ministries of Agriculture and Rural Development was modest but it was fully executed for the first time in 2008.

25. **The Government also established an inter-ministerial committee to monitor and prioritize pro-poor public expenditures (Comité Consultatif du Suivi des Dépenses Pro-Pauvres).** This committee was established in the initial stage of PRSP implementation to monitor not just resource allocation between ministries but also pro-poor budget allocations within ministries. It stopped operating in 2006 when the Ministry of Finance (MOF) and the Ministry of Planning started obtaining poverty data directly from the expenditure chain unit and this function was devolved to the line ministries. The execution rate of this pro-poor budget was in the range of 85–95 percent during 2006–08 and over 100 percent during 2009, significantly higher than the average budget execution rate of 66–75 percent.

Service delivery and governance

26. **Consistent with the HIPC trigger the Government conducted a quantitative assessment of the service delivery realized with the priority spending.** With international assistance from AGRER/WBI, the Government, through the Ministry of Planning and its INS Department, and local technical assistance of BERCI launched a large survey of user groups (exit poll users and households) of public services in 2010. The survey was stratified at the district level and had nine modules. Four types of users were interviewed: households (3,200), individual users of services at the exit of service delivery points (3,000), administration agents (800), and providers and managers of firms (290). The survey has been very successful given the logistical difficulties to reach households and services across the country, and the short timeframe to complete the process (about two months). The household component of the survey was linked to a UNICEF-sponsored Multiple Indicator Cluster Survey (MICS)¹¹ in three provinces (Katanga, Sud-Kivu, and Bandundu). Infrastructure services were covered from the service providers' perspective while the user/household survey focused on governance and service delivery in social sectors. The survey report prepared by the Ministry of Planning summarized main findings on users' perception of quality of services as well as the perceived bottlenecks by providers. Main findings are reported below and are generally in line with expectations.

Evaluation by user groups of priority public services

27. **The main findings of the users and households survey can be summarized as follows:** (a) The DRC is still perceived by its citizens as a fragile state with a high level of corruption. The population has a dim view of the army and police due partly to the low

¹¹ The MICS is a survey program developed by the United Nations Children's Fund to provide internationally comparable, statistically rigorous data on the socioeconomic situation of children and women (health, education, labor, access to utilities and other social services, etc.). The DRC MICS is unusually comprehensive and is expected to be completed by August 2010. Field data collection is almost complete and data cleaning will begin very shortly.

level of interaction between the population and the State (through its administrations and institutions). DRC's Government is perceived as weakly committed to fighting corruption and ill-governance. (b) Despite the increase in pro-poor spending, access to basic services remains inadequate (31 percent of households have access to safe water and 15 percent to electricity – poor households do not have access to electricity). In addition, the quality of services remains a major concern for the population, followed by the high cost of these services (which explain the low level of school enrolment in particular). Respondents expressed a willingness to pay more for improved services. (c) Nonetheless, users and households noted a significant improvement in service delivery as compared to 2003.

Evaluation of service providers of constraints to effective provision

28. **The Bureau d'Etudes, de Recherches et Consulting International and Agrer Etudes et Conseils (BERCI/AGRER/INS) survey also gathered information on the constraints faced by public service providers.** The sampling methodology was to survey all service infrastructures available in the primary sampling unit (PSU) and ask for available services in a 30-km range if none was available in the PSU. Four enterprises were also covered in each unit. The key constraints to service delivery were identified as: (a) lack of funding, especially for recurrent expenditures,¹² (b) lack of investment, (c) low salaries for, and the poor motivation of, staff, (d) shortage of qualified staff, (e) frequency of strikes, and (f) weak institutional structures, including a lack of clear hierarchy within service organizations.

29. **Main recommendations of the report are to:** (a) increase resources available to ministries, sectors and services, by direct transfers, and raise institutional effectiveness through the decentralization, (b) improve salaries, (c) clarify roles and responsibilities, (d) combat corruption and fraud by reinforcing controls, (e) increase the number of staff and strengthen training and performance, (f) improve administrations' capacity, and (g) regularize "unofficial" staff. The Ministry of Planning fully endorsed the recommendations and is preparing an action plan to address the most egregious failures described above.

30. **IMF and Bank staffs note that the reports are good platforms to inform government future action.** There is scope for exploiting the available data further, a step that the authorities have promised to take in the near future. Similarly, analysis of service delivery in infrastructure (especially roads and energy) should be given greater attention and resources as they are major contributors to poverty alleviation. Lastly, there is scope for additional analytical work on public enterprises and understanding more deeply the reasons behind the slow disbursement rate of projects. The authorities' recent efforts under the *Projet de Renforcement de Capacité et de Gouvernance (PRCG)* to prepare the analytical foundations for public sector restructuring, including in particular effective departure of retirees in selected ministries, are steps in the right direction.

¹² This impacted more directly logistics support (buildings, cars, furnished materials) and maintenance of infrastructures.

Adoption and implementation of a new procurement code and key implementing decrees

31. **The staffs consider this trigger as met since a new public procurement law was adopted and its implementation process has been found satisfactory.** The new Procurement Law prepared with assistance from the Bank and the Canadian Cooperation was adopted by Parliament and signed by the President on April 27, 2010 with an improved legal and regulatory framework. Transparency is most evident in the sense that (i) all contract opportunities are largely publicly advertised; (ii) contract award decisions are to be published in addition to formal notification to bidders; (iii) there will be a free and independent complaints review mechanism through the *Agence de Régulation de Marchés Publics* (ARMP); and (iv) ARMP will be involved in all aspects related to the regulation of the new system and is expected to play a major role in limiting political interference. The administrative and institutional elements to support the new code have been put in place including the relevant secondary legal acts; the creation and staffing of a Public Procurement Directorate (DGCMP) which is tasked with overall responsibility to review and give no objection on procurement decisions, including bid documents for large contracts; and the nomination and installation of the board of the ARMP.

32. **The authorities completed all of the administrative steps to support the satisfactory application of the new code.** The recruitment process of the staffs of the operational unit of the regulatory body that includes the General Directorate and the Bidders' Complaint Unit is ongoing. The main responsibility of the Bidder's Complaint Unit that reports to the board of the ARMP is to ensure that effective procedures are implemented for resolving disputes and that all complaints that may arise during the procurement process are properly addressed. By end of July 2010, procurement units (CGMPs) will be set up in seven line ministries that include Education, Health, Infrastructure, Budget, Energy, Environment and Agriculture and three pilot provinces that include Bas Congo, Kinshasa, Province Orientale.

33. **To facilitate implementation of the Code,** a manual of procedures for executing agencies, standard bidding documents, and a description of the general conditions of contracts have been prepared, and the training program on these tools is scheduled to start by end September 2010 soon after the firm assigned to provide the needed technical assistance is selected.

34. **According to Clause 83 of the Procurement Law, the new procurement system will be enforced six months after its approval and promulgation—i.e., no later than October 2010.** In addition, the government has committed to conduct after one year of implementation of the new procurement law, an audit under the control and supervision of the board of the ARMP. Further, the ARMP will assess the implementation of the whole procurement system by end-April 2011.

35. **The Minister of Budget has communicated to Bank and IMF staffs a detailed implementation report based on inputs received from ARMP, COREF (*Comité d'Orientation des Réformes des Finances Publiques*) and COREMAP (*Comité de Réforme des Marchés Publics*).** The report is accompanied with supportive documents related to (i) the installation of the board of ARMP, (ii) the final approval of the

application texts that include mainly a procedure manual and the text regulating the organization and the functioning of the ARMP; (iii) the progress in the recruitment process of the key personnel of the ARMP operational unit; and (iv) the progress in the selection process of the firm that will provide technical assistance to the new institution including the training of all actors on procurement matters in the PFM system that includes procurement.

F. Social and Rural Sector Strategies

Adoption of satisfactory sectoral development strategies and related implementation plans for health, education and rural development.

Health

36. **The staffs consider the trigger met** since a National Health Sector Strategy (NHSS) and a National Health Development Plan (NHDP) 2011–15 were validated by the Ministry of Health and development partners on March 31, 2010. The NHDP is the first multiyear implementation plan for NHSS adopted in 2006 and revised in 2010. To reduce fragmentation of services in health zones and vertical interventions of partners, the 2006 NHSS had emphasized the importance of an integrated approach to basic health service provision through revitalization of health zones and alignment of donor interventions. The revised strategy aims to further strengthen these aspects both operationally and institutionally, while strengthening government ownership in managing health development programs. The revised strategy includes six strategic axes of intervention and focuses on lead areas where progress will determine success of the overall health of the population: (i) revitalization of health zones; (ii) strengthening government ownership and leadership; (iii) development of health human resources; (iv) pharmaceutical sector reform; (v) health financing reform; (vi) inter- and intra sector partnerships; and (vii) strengthening health system-related research. The Declaration made by the health sector Donor Coordination Group (*Groupe inter-bailleurs de santé-GIBS*) in Kinshasa on the day of the adoption of the strategy demonstrates a political commitment by the donors to align their interventions to the government's strategy. Revision of the NHSS took a participatory approach involving delegates from Provincial levels (Provincial Health Ministers and Provincial Medical Inspectors). It also took into account the analyses and diagnoses carried out for each province in the process of NHDP elaboration.

37. The NHDP, whose five year planning cycle is aimed at coinciding with the second generation PRSP under preparation, was finalized under the leadership of the Prime Minister. It outlines four major implementing goals: (i) providing the basis for implementing the "Health Chantier" of the DRC and serving as the common framework for the Government and its partners in pursuit of the Millennium Development Goals (MDGs); (ii) making the NHSS operational with a main focus on primary health care responding to the needs of the Congolese population; (iii) developing a strategic tool to guide the implementation of decentralization in the health sector through the establishment of new provincial directorates that have greater autonomy to organize health services and to manage resources; and (iv) providing the basis to reconcile provincial plans and the

national planning cycle that will serve as the reference for preparation of the annual budget allocated to health.

38. **The overarching objective of the NHDP is to contribute to the improvement of the general health status of the population and containment of endemics and transmittal diseases, while the sector objective is to ensure access of the entire population to primary health care, with special focus on vulnerable groups.** The Plan analyzes in detail the key health challenges in DRC and identifies concrete actions to be taken in the next five years. The NHDP was developed through a participatory approach involving all levels of the health system – central, intermediate and peripheral - and was elaborated based on Provincial Health Development Plans that were based on the Health Zone Development Plans in their respective provinces. Implementation of the NHDP will build on this approach, thus allowing the health zone levels to benefit from experiences of other levels of the health system pyramid. The Plan will also help partners align their future interventions on the sector priorities. This strategy is expected to yield much greater results in addressing the key health challenges of the country such as infant mortality, maternal health, malaria incidence, respiratory diseases, and HIV/AIDS in addition to strengthening the statistical base for closer monitoring of trends in the sector.

Education sector

39. **The staffs consider the trigger met.** The Council of Ministers adopted on March 18, 2010 the basic Education Strategy¹³ along with a priority action plan. The strategy, which has also been intensively reviewed by the donor community and validated in a national workshop, built on a series of thematic analytical pieces and benefitted from recommendations from an independent committee of specialists and local leaders. It is accompanied by a medium term expenditure framework that will help assure sustained implementation of priority policies as well as associated budgetary expenditures. Preparation of the strategy involved organization of consultations and workshops with the participation of a wide range of stakeholders--parent associations, teacher associations, NGOs, local administration, etc.

40. **The strategy document has put forward strategic framework to ensure a more equitable and sustainable access to basic education of acceptable quality.** To this end, it has set three strategic objectives; (i) improving access and retention in basic education; (ii) improving the quality and pertinence of basic education where the government intends to strengthen its role as a regulator and quality controller over the numerous non-public education providers; and (iii) strengthening the management and governance of the system—this also aims at deepening provincial authorities’ responsibilities in education management. Guided by results of simulation work, it also articulated a set of specific policy measures to address the main factors that in the past have constrained education sector efficiency and outcomes. These include (i) concrete measures to reduce direct costs of education to households, especially those in rural areas; (ii) empowering community involvement in school management and increasing accountability of all actors for

¹³ Basic education is defined as primary and secondary education

educational outcomes; (iii) over-hauling teacher in-service training with the view to improving teacher productivity and professional development; and (iv) emphasizing student learning assessment. A key short term objective for the government is to raise the currently low retention rate of about 50 percent significantly over the next five years.

41. **The priority action plan focuses on the planned fee-free policy and other critical actions and/or studies required to further operationalize policy options laid out in the strategy document.** In particular, it has already identified steps, actions, monitoring framework, and resources needed for launching a gradual implementation of the fee-free policy at the primary school level starting with the next school year (September 2010).

Agriculture and Rural Development sector

42. **Staffs consider the trigger in this area to have been met.** In the context of the restructuring of the Ministry of Agriculture and the creation of the Ministry of Rural Development launched in 2008, a collaboration mechanism was put in place so as to coordinate efforts at the level of the public administration in the elaboration of a new sector strategy. The establishment of Agriculture and Rural Management Councils at district level was the main platform for a participatory process at the provincial level. The Belgian Cooperation, FAO, AfDB and the World Bank contributed significantly during the past year to these developments. The two ministries of Agriculture and Rural Development have finalized an agriculture and rural development sector strategy based on the findings of the 2006 analytical rural sector review and the agriculture policy note of May 2009. The strategy represents the first robust attempt at harmonizing the agriculture and rural development strategies and defining an implementation plan at all levels. A validation workshop of the strategy was held on March 25 2010 with extensive attendance from numerous stakeholders, including all donors involved in this sector. The strategy and action plan were jointly approved by the two Ministers, and adopted by the Council of Ministers on April 30, 2010. The strategy is consistent with the country's PRSP pillars and its overarching objective is to reduce poverty and improve food security by re-launching agricultural production and enabling better access to basic social services by the rural poor. It has five strategic axes: (i) improving access to markets by enhancing rural infrastructure; (ii) increasing crops, animal, fishery and artisanal production; (iii) improving access to financing (with specific focus on microfinance); (iv) strengthening governance and institutional capacity; and (v) supporting the development of rural institutions especially public, private, research, extension, and village cooperatives. In terms of management of natural resources, the strategy aims at accelerating the adoption of laws related to natural resources management and protection of vegetal and animal products, an on-going work under the responsibility of the central government.

43. **The agriculture and rural development strategy represents a common vision for the two ministries** given the complementary nature of their activities. Its implementation will ensure donor alignment around the five agreed axes. This strategy is also being complemented by a set of provincial, agricultural and rural development strategies and action plans that will facilitate geographic and sector linkages. These provincial plans are currently being completed with the support of different donors,

including the World Bank. In addition, the overall sector strategy will be supplemented by the Agricultural Code recently adopted by the Senate and is expected to be promulgated soon as a law. The Agricultural Code defines more precisely the strategy to boost agricultural production at the local level, but also on a larger scale, including private agribusiness. It is built around five strategic chapters: (i) land tenure security; (ii) access to renewable sources of energy; (iii) research, information, and training and technology access; (iv) infrastructure; and (v) fiscal regime. Implementation of this strategy will be carried out through a combination of public-private initiatives, including an explicit role devoted to local communities organized at district level within the Agriculture and Rural Management Counsels (*CARG-Conseils Agricoles and Bureau de Gestion*) now in place in most of the territories. A monitoring and evaluation mechanism has also been defined in the strategy that will be put in place to oversee implementation.

G. Debt Management

Installation and full activation of a computerized debt-recording system, covering all public and publicly guaranteed debt, as well as public enterprise debt not carrying the guarantee of the state that can (a) produce monthly debt-service projections, and incorporate actual disbursement and debt-service payment execution data; and (b) support the centralization of debt information in a single center. In addition, monthly debt-service projections that will be published in advance on a quarterly basis.

44. **Staffs consider the trigger met.** The Direction Generale de la Dette Publique (DGDP) is the agency within the Ministry of Finance responsible for the analysis and management of the public debt portfolio. A computerized Debt Management and Financial Analysis System (DMFAS) capable of producing external debt reports is operating at the DGDP. The system, as well as DSM+ software for debt management and analysis, was installed in 2005 with joint financing from IDA and the AfDB and with technical assistance from the United Nations Conference on Trade and Development (UNCTAD). Capacity in using the system has been reinforced through training by UNCTAD; but more training is needed to fully familiarize local staff with the system's more advanced functions. A more long-standing problem has been the lack of coordination and monitoring of the government's debt policy. As a first step toward addressing this problem, a Prime Ministerial Decree (No. 08/04 dated February 26, 2008) assigned DGDP the sole responsibility for centralizing and managing public debt; this was followed by the development of an Implementation Action Plan, which was endorsed by the Ministry of Finance. The legal mandate assigned to DGDP as well as the Action Plan have been regularly publicized since November 2009 with assistance from AfDB under the *Projet d'Urgence d'Attenuation des Impacts de la Crise Financiere* (PUAICF). The government is currently preparing a progress report on these activities. While awaiting approval of the official debt management strategy, the government, under its program supported by the ECF arrangement, reaffirmed its commitment to refrain from contracting nonconcessional debt.

45. **A well documented debt database, covering domestic and external debt data, has been established and is being maintained.** The debt records in the database contain

data on external public and publicly guaranteed debt, as well as preliminary data for enterprises with more than 50 percent government ownership, all in a format that follows international standards. State enterprise debt data was collected through surveys in March 2010. The database also contains a sizeable amount of data on domestic debt¹⁴, which is largely in the form of government arrears that date back to the conflict period in the 1990s. The debt records contain both aggregated and disaggregated data on all debt outstanding and disbursed for public and publicly guaranteed domestic and external debt as of December 31, 2009. On the basis of the database, DGDP produces periodic debt reports with relatively short lags. Recording of loan disbursements into DMFAS has improved but remains a challenge. Recording of data on debt service payments are done on a monthly basis after full reconciliation of the external debt accounts with the Central Bank and the ministries in charge of budget and finance. In every quarter, DGDP prepares monthly debt service due and provides it to the Ministry of Finance (MOF) for payments.

46. **Institutional capacity for an annual publication of public debt data is being developed.** Three annual debt statistical bulletins were published at end 2008, 2009, and March 2010. The last, which includes debt data assessed at December 31, 2009, is consistent with international standards, in terms of scope and information content. They are available on the government's website. The plan is to have these data produced on a half-yearly basis in 2010 and on a quarterly basis thereafter. The functionality of DMFAS, the training and experience gained by DGDP over the years, as well as the clear mandate that has been given to the agency through a Prime Ministerial Decree to produce statistical debt bulletins, provide solid assurance that public debt data management has taken hold in DRC.

47. **The authorities need to consolidate the gains achieved so far in improving public debt management.** The authorities are aware of the need to give more functionality to the DMFAS system by integrating it electronically with the expenditure chain. For this purpose DGDP has already prepared a project for the acquisition of DMFAS VI which allows this integration through Web-based technology. This will greatly reduce the time necessary to effect debt service payments and record transactions, and will minimize the possibility of inadvertent late payments. The project has been prepared in collaboration with UNCTAD and is now awaiting donor financing of approximately US\$550,000. DGDP has also prepared a matrix of immediate actions that will help address other problems in this area consistent with the DeMPA, such as greater involvement of DGDP in external resource negotiations, digitizing documentation, capacity building in the use of information technology, strengthened data management processes, and quality control. In collaboration with the ministries of Budget and Treasury, DGDP is also preparing an action plan to strengthen capacity in the collection of domestic debt data including arrears for non central government institutions and agencies.

¹⁴ Estimated at US\$1.3 billion most of which are being negotiated.

III. UPDATED DEBT RELIEF AND DEBT SUSTAINABILITY ANALYSIS

48. **The stock of HIPC-eligible external debt in PV terms at end-December 2002 was revised upward following the debt reconciliation exercise.** The staffs of IDA and the IMF, together with the Congolese authorities, reviewed the end-December 2002 stock of debt data that was presented in the decision point document against recent creditor information. As a result, the nominal stock of debt has increased by US\$113 million to US\$10,772 million, and the PV of debt after traditional debt relief has been revised upward by US\$933 million to US\$8,801 million (Table 4). The revision is attributable to the following changes in the external debt.

- **Multilateral creditors.** The total multilateral debt stock as of end-December 2002 has increased by US\$46 million in nominal terms. This change was primarily due to the addition of debt involving BDEGL, with whom the government had suspended relations at the time of the decision point. These included direct outstanding loans from BDEGL to the government, guarantees by the government on loans made to BDEGL by the AfDB Group, and a direct non-guaranteed loan to a public enterprise from BDEGL.¹⁵ The corresponding PV in end-2002 terms was revised upward from US\$3,077 million to US\$3,196 million due to new information available at the time of the completion point reconciliation mission, which led to revisions in the PV of debt outstanding at end-2002 to a number of creditors, including the AfDB group and the IMF.¹⁶
- **Paris Club creditors.** Most of the upward revision to the PV of outstanding debt at decision point after traditional debt relief mechanisms is attributable to revisions in Paris Club claims. The PV of debt to Paris Club creditors at end-December 2002 after traditional debt relief has been revised from US\$4,318 million to US\$4,944 million. This increase by US\$626 million is attributable to more recent data available as a result of the reconciliation mission at Completion Point.¹⁷
- **Other official bilateral creditors.** The nominal value of the stock of debt owed to other official bilateral creditors has increased by US\$11 million to US\$448 million

¹⁵ Other minor changes in nominal terms included revisions to the debt outstanding to IFAD and AfDF due to revisions in the database used at decision point discovered during the debt reconciliation mission.

¹⁶ Smaller changes were made to the PV as of end-2002 of IDA, IFAD and BEAC. In addition, revisions were made to debt outstanding to BDEGL, the IMF and the AfDB group. The PV of debt to the AfDB was revised upward compared to the decision point estimates based on (i) changes in the PV of debt of the AfDB due to revised estimates of the amount of arrears and current maturities at end-2002; and (ii) revisions to the estimate of HIPC relief delivered by the AfDB group on the loan approved by the AfDB to clear the arrears of DRC at the time of the decision point. These revisions were agreed to between the World Bank and the AfDB in January 2004. Finally, the PV of debt outstanding to the IMF was revised downward as compared to the decision point due to revisions in projected interest payments.

¹⁷ Missing claims held by the Paris Club creditors are now included in the debt stock. The large difference in the claims for Belgium is due to the change in methodology from Debt Service Reduction to Debt Reduction for providing relief based on the September 2002 Paris Club minutes along with including missing claims as of the decision point.

and the corresponding PV of debt after traditional relief has increased to US\$278 million in December 2002 terms.¹⁸

- **Commercial creditors.** The increase in the stock of outstanding commercial debt at end-December 2002 by US\$337 million reflects the inclusion of claims previously not included in the decision point database.

49. **Exports of goods and services have changed slightly.** The estimate of the 2000-02 average of exports of goods and services used to evaluate HIPC assistance at the decision point declined from US\$1,038 million to US\$1,033 million due to data revisions.

A. Revision of HIPC Assistance and Status of Creditor Participation

50. **The required HIPC assistance at end-December 2002 PV terms has been revised upward from US\$6,311 million estimated at the decision point to US\$7,252 million.** As a result, the common reduction factor (CRF) has marginally increased from 80.2 percent to 82.4 percent (Table 5).¹⁹

51. **At the completion point, the DRC has received financing assurances by creditors accounting for about 96 percent of the revised PV of HIPC assistance estimated at the decision point** (Table 7). All multilateral creditors (of which IDA, the IMF, and the AfDB Group comprise 32.2 percent of total HIPC assistance) with two exceptions²⁰ and all Paris Club creditors (56 percent of total HIPC assistance) have confirmed their participation. China provided outright cancellation of some of its claims in 2007.

Multilateral Creditors

52. **The revised amount of enhanced HIPC assistance from multilateral creditors is US\$2,633 million at end-December 2002 PV terms.** IDA, the AfDB Group, the EU, and the IMF have provided HIPC debt relief through both arrears clearance operations and interim relief. IFAD, BADEA, BEAC and EIB have delivered a portion of their HIPC assistance through arrears restructurings.

¹⁸ Claims now include revisions based on more updated information including claims held by Romania that are now included in the debt stock.

¹⁹ In accordance with the “Information Reporting in the Context of HIPC Initiative Assistance”, the assistance for DRC will be revised upward based on the new common reduction factor of 82.4 percent.

²⁰ At end-December 2002, the authorities had US\$52.3 million in arrears to BDEGL and are negotiating with the bank regarding debt relief. DRC’s debt to BEAC results from unpaid amounts due as a result of clearinghouse operations undertaken by BEAC on behalf of the Communauté des Etats de l’Afrique Centrale (CEAC), amounting to \$30 million SDRs in 1993, when the first of several reschedulings took place. BEAC has subsequently rescheduled its DRC debt on multiple occasions: in 1995, 2001, 2004, and 2008. Authorities are currently on track with the most recent BEAC rescheduling and are scheduled to pay off the debt in December 2011.

- **IDA.** Debt relief has been delivered through the clearance of arrears and debt service reduction during the interim period amounting to US\$442.7 million in decision point PV terms or 52 percent of total HIPC relief estimated at the decision point.²¹ IDA is assumed to provide the remaining amount of relief through a 90 percent reduction of DRC's debt service through November 2027.
- **IMF.** As a result of the revisions of the PV of debt as of the decision point and the changes in the common reduction factor discussed above, the IMF's share in debt relief for the DRC under the HIPC Initiative amounts to SDR337.5 million (US\$471.5 million) in PV terms, slightly lower than the amount calculated at the decision point (SDR337.8 million or US\$472.0 million). Of this amount, SDR57.2 million (equivalent to about US\$79.9 million) has been delivered through the concessional element associated with the disbursement of an ECF (formerly PRGF) loan following the DRC's arrears clearance to the IMF in June 2002, which is counted toward the IMF's contribution to HIPC assistance. The amount, however, is significantly lower than the SDR109.6 million (US\$153.1 million) assumed at the time of the decision point.²² To ensure that DRC receives the full share of assistance from the Fund under the HIPC Initiative, Fund staff proposes that the amount of the grant assistance approved at the decision point (SDR 228.3 million) be increased by SDR52 million to SDR280.3 million in view of the lower than assumed concessional element associated with the ECF loan and taking into account the revised debt sustainability analysis. The IMF has already approved SDR49.1 million in the form of interim HIPC assistance to meet DRC's debt service payments to the Fund. The remaining SDR231.2 million (in PV terms) would be delivered at the completion point through a stock-of-debt operation (see Table 13).
- **AfDB Group.** Debt relief amounting to US\$571.6 million or 57 percent of AfDB Group's total debt relief has been delivered through the restructuring of arrears at decision point and debt service reduction during the interim period. The remainder of the AfDB Group's HIPC relief is assumed to be delivered through an 80 percent reduction of DRC's debt service from the completion point until July 2022.

²¹ IDA arrears clearance amounted to \$222.7 million in PV terms at decision point. Three modalities were used to deliver IDA's Enhanced HIPC debt relief. First, on July 3, 2002 arrears owed to IBRD and to IDA by the DRC were cleared through a bridge loan which was repaid through the first tranche of the Emergency Recovery Credit, resulting in an PV reduction of US\$199.2 million in end-2002 terms—of which US\$78.2 million resulted from the treatment of arrears owed to IBRD, and US\$121.0 million from the treatment of arrears owed to IDA—which was applied to Enhanced HIPC debt relief on debts owed to IDA. Second, on July 31, 2001, the Executive Directors approved the post-conflict Emergency Early Recovery Grant in the amount of SDR 40 million, equivalent to a PV reduction of US\$23.5 million in end-2002 terms, to be applied to Enhanced HIPC debt relief on debts owed to IDA. Third, the Executive Directors approved the provision of interim debt relief beginning in August 2003, through a reduction of 90.0 percent of the debt service falling due on disbursed and outstanding IDA debt as of December 31, 2002.

²² This reflects lower than projected interest rates and shortening of the repayment period due to the MDRI stock delivery of debt relief at completion point.

- **Other multilateral creditors.** The modalities of assistance by all other multilateral creditors: BADEA, EU, EIB, IFAD, BEAC, BDEGL, IFC, and OFID are summarized in Table 7.

Bilateral and commercial creditors

53. **Paris Club creditors have agreed in principle to provide their share of enhanced HIPC assistance** (estimated at US\$4074 million in end-December 2002 PV terms, in accordance with the revised assistance, Table 5). The major Paris Club creditors are the United States and France with 15.5 percent and 10.8 percent, respectively, of the HIPC eligible debt stock at end-December 2002, followed by Belgium and Japan with approximately 7 percent of the debt stock. Interim assistance has been delivered through a flow rescheduling on Cologne terms during the interim period, agreed in November 2003. Switzerland has already delivered its share of debt relief by cancelling 100 percent of its claims in 2003. Several Paris Club creditors will also provide additional debt relief beyond obligations under the HIPC Initiative, including 100 percent stock-of-debt cancellation (Table 15). This additional relief is estimated at about US\$47 million at end-December 2009 PV terms.

54. **Non-Paris Club bilateral creditors are assumed to provide relief on HIPC-eligible debt on terms comparable to those of the Paris Club.** The PV of HIPC relief expected from non-Paris Club creditors at end-December 2002 is estimated at US\$229 million. The major non-Paris Club creditor is the United Arab Emirates comprising 1.6 percent of HIPC-eligible debt, followed by Kuwait (0.9 percent), China, Serbia and Montenegro (former Yugoslavia) and Taiwan, Province of China (0.4 percent each). The authorities have negotiated relief efforts in the interim period with some of Non-Paris Club bilateral creditors²³ and are working toward reaching agreements on provision of the remaining debt relief at completion point with all non-Paris Club creditors.

55. **Several commercial creditors have provided HIPC comparable relief in the interim period.** The commercial debt has been divided into claims held by the London Club²⁴ and non-London club creditors. Several missing claims have now been included in the debt stock as of end- December 2002 which has almost doubled from the figure that was used at Decision Point. For most of these claims the authorities have managed to obtain rescheduling on HIPC comparable terms. As of end-December 2009, the claims held by commercial creditors fell by about US\$400 million to US\$214 million in nominal terms. Currently the DRC is in the process of negotiating a buy-back operation supported by IDA's Debt Reduction Facility (DRF) to extinguish the remaining HIPC eligible commercial claims as of end-December 2009.

²³ In 2007, China cancelled outstanding claims, amounting to US\$29 million in nominal amounts as of end-December 2002 and Egypt cancelled 100 percent of its claims in 2008. Israel cancelled approximately US\$ 28 million in 2007 and rescheduled US\$6 million while Kuwait Fund cancelled 100 percent of the interest held in arrears as of 2004.

²⁴ Claims of the London Club creditors shown in Table 4 do not include claims held by the Belgolaise Bank for reasons described in Box 2.

Box 2: DRC: The Treatment of Claims held by Belgolaise Bank

Belgolaise Bank (la Banque Belgolaise)²⁵ holds the largest share of commercial external debt claims of the DRC owed to the London Club, of which Belgolaise Bank is a member. Calculations by IMF staff based on records provided by the Union Bank of California (the Servicing Bank for London Club creditors with claims on the DRC) indicate that at end-2009 interest in arrears to London Club creditors totaled \$546.3 million, implying total claims of US\$897.3 million, 91 percent of which (US\$816.5 million) is held by Belgolaise.

From the HIPC Completion Point perspective, the Belgolaise debt is currently being identified as “passive debt”.²⁶ In April 2008, senior officials of Belgolaise stated in a letter to the DRC authorities that Belgolaise irrevocably renounced then and in the future to pursue the recovery of their claims.²⁷ Since then, Belgolaise has continued not to bill the DRC. Thus the Belgolaise debt is being identified as ‘passive’. Such issues have arisen in the past under the HIPC Initiative, although this is the first time that it involves a private creditor.²⁸

Passive debt is excluded from the HIPC-eligible debt stock. The rationale for this treatment is to avoid unduly inflating the common reduction factor, which would require all creditors to provide higher debt relief on account of a debt that is not expected to be collected. The downside of such a treatment is that a passive debt can, in principle, become active again after the HIPC completion point. In such a case, the holder of the formerly passive claim would still be expected to provide HIPC debt relief. However, the debtor would not be able to get the additional relief it would have received from the other creditors had the CRF been higher in the first place.²⁹

At the HIPC decision point, Belgolaise debt was not included in HIPC-eligible debt stock because no information was available on this claim at the time. Including the Belgolaise claim in the calculations would increase the PV of debt after traditional debt relief at end-2002 from US\$8,801 million to US\$9,019 million, which would imply a higher common reduction factor (82.8 percent instead of 82.4 percent) in order to reduce the external debt-to-export ratio to 150 percent. The higher common reduction factor implies that the amount of assistance provided by creditors other than Belgolaise would increase from US\$7,252 million to US\$7,470 million (in PV terms). For the Fund and IDA, the additional effort would increase from US\$2.4 million to US\$4.4 million (in PV terms).

The Belgolaise claim is currently being considered in the context of on-going negotiations between the DRC authorities and Belgolaise. In September 2005, the DRC benefited from an IDA Debt Reduction Facility (DRF) Preparation Grant to finance legal and financial advisory services to assist the DRC in the preparation of an external commercial debt buyback operation. The DRF Preparation Grant reached its closing date on June 30, 2010.

²⁵ In 1989 Generale Bank (Générale de Banque) had a controlling share (55 percent equity ownership) of Belgolaise. In 1999 Generale Bank was acquired by Fortis, which operated Belgolaise as subsidiary in sub-Saharan Africa. In early 2005, Fortis put Belgolaise up for sale but was unable to find a suitable buyer. Belgolaise ceased all operations after October 2006. Belgolaise no longer carries out banking activities and is no longer a credit institution but does still exist as a corporate entity in the form of a Belgian law limited company, and is now part of the BNP Paribas Fortis group.

²⁶ *HIPC Initiative guidelines* identify passive debt as follows: “The debtor country authorities may classify some external obligations kept on their books as passive debt on the basis of the following presumptions: (i) formal requests to resume debt service payments or to regularize arrears have not been received from the creditor concerned for a long time; and/or (ii) there has been an informal understanding between the debtor country authorities and the creditor concerned on a temporary or indefinite (without termination clause) waiver of debt service payments on the basis of the initial payments schedules.”

²⁷ The letter was signed by the Managing Director and Chairman of Board of Belgolaise.

²⁸ The treatment of a debt as passive was originally conceived for a sovereign creditor, whose views about the treatment of the claim could have been sought during the IMF and IDA Board discussions.

²⁹ For example, when Mauritania reached its Completion Point in 2002, claims held by Arab governments and state-owned development agencies were identified as passive and therefore excluded from the calculation of the common reduction factor. The creditors subsequently requested payment on such claims. These claims are currently being negotiated for the provision of debt relief consistent with the common reduction factor estimated at the completion point for Mauritania in the Enhanced HIPC Initiative.

B. Considerations for Exceptional Topping-Up Assistance

56. **The Debt Relief Analysis (DRA) has been updated jointly by the authorities and the IMF and IDA staffs** on the basis of loan-by-loan debt data, exchange rates and interest rates as of end-December 2009 (Table 6).³⁰ At end-December 2009, the nominal stock of DRC's external debt amounted to US\$ 13,704 million (Table 8). Multilateral creditors accounted for US\$ 4,986 million or 36.4 percent of total nominal debt, of which IDA, IMF, and AfDB Group accounted for 18.2, 5.8, and 10.3 percent, respectively. Paris Club creditors accounted for 54.5 percent of total outstanding nominal debt at end-December 2009 while non-Paris Club creditors accounted for 7.5 percent of total debt, of which the large creditors are China, Kuwait and the UAE.

57. **DRC does not qualify for topping-up. The ratio of PV of debt-to-exports at end-December 2009**—after full delivery of the HIPC assistance committed at the decision point—is now estimated at 44.2 percent, which is 53 percentage points below the projection at time of the decision point. The ratio of PV of debt-to-exports—after the full delivery of additional voluntary bilateral debt relief beyond the HIPC Initiative at end-December 2009—would further decline to 43.3 percent, which is below the 150 percent threshold for consideration of topping-up assistance defined under the enhanced HIPC Initiative (Table 3).³¹ Higher-than-expected exports and lower-than-expected new borrowing mainly explain why the PV of the debt-to-exports ratio at end-2009 is 53 percentage point lower than anticipated at the time of the decision point.³²

³⁰ This section updates the debt sustainability analysis using the HIPC DRA methodology, while Appendix II provides a forward-looking update using the Low-Income Countries Debt Sustainability Framework (LIC DSA) methodology.

³¹ The debt stock after delivery beyond the HIPC relief is used as a base for topping up consideration. See “The Enhanced HIPC Initiative - Completion Point Considerations,” EBS/01/141 (8/20/2001) and IDA/SecM2001-0539/1 (8/21/2001).

³² The actual figure for the three year average of exports of services at end-2009 are higher than what was assumed at the decision point, which was estimated by using comparator country data.

Table 3 : DRC: Breakdown of the increase of PV of Debt-to-Exports Ratio, end-December 2009

	Percentage Points	Percent of Total Change
PV of debt-to-exports ratio (as projected at the Decision Point)	97.2	
PV of debt-to-exports ratio (actual)	44.2	
Unanticipated change in the ratio	-53.0	100.0
1. Due to changes in the parameters	8.5	-16.1
<i>Of which:</i> due to changes in the discount rates	3.2	-6.0
<i>Of which:</i> due to changes in the exchange rates	5.4	-10.2
2. Due to unanticipated new borrowing	-4.3	8.1
<i>Of which:</i> due to lower than expected disbursements	-11.4	21.4
<i>Of which:</i> due to lower concessionality of the loans	7.0	-13.3
3. Due to unanticipated changes in exports	-68.6	129.5
4. Due to changes in HIPC relief and other factors ²	11.4	-21.5
PV of debt-to-revenue ratio (actual)	44.2	
Bilateral debt relief beyond HIPC	-0.9	
PV of debt-to-exports ratio after full delivery of HIPC assistance and bilateral debt relief beyond HIPC (actual)	43.3	

Sources: Staff estimates

¹ PV of debt-to-exports ratio after full delivery of enhanced HIPC assistance.

² DRC's program went off track in the latter half of 2006. This affected the initial assumption of the timing of the completion point, and the expected interim relief. The revisions to the decision point debt database at completion point and the changes in the timing of interim assistance delivery pushed this ratio up by 21.4 percentage points.

C. Creditor Participation in the Multilateral Debt Relief Initiative (MDRI)

58. Conditional on reaching the completion point under the Enhanced HIPC Initiative, DRC would qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI) from IDA and the AfDB Group. While the IMF also provides MDRI assistance, because of an extended interim period and revision of the HIPC assistance, the estimated balance in the DRC's HIPC Umbrella Account is sufficient to cover the remaining MDRI-eligible debt. As a result, even though all debt disbursed before end-2004 and still outstanding will be cancelled, there will be no resources needed from the MDRI-I Trust. In addition, the EU LDC Initiative will provide a full debt relief on selected EU loans that are still outstanding after HIPC assistance.

- **MDRI from IDA.** IDA would provide debt relief under the MDRI amounting to US\$887.0 million in nominal terms (Table 14). IDA would provide MDRI debt forgiveness by irrevocably canceling the DRC's debt service obligations for credits disbursed before end-2003 and still outstanding at end-September 2010 after the application of HIPC assistance. MDRI debt relief from IDA would imply average debt service savings (net of HIPC assistance) of US\$28.4 million per year until 2043.

- **MDRI from the African Development Fund (AfDF).** The AfDF would provide debt relief to DRC under the MDRI amounting to US\$162.8 million in nominal terms starting from the completion point. This amount is calculated based on debt disbursed as of December 31, 2004 and still outstanding on July 1, 2010. This implies an average debt service savings (net of HIPC assistance) of US\$3.9 million per year until 2053.
- **EU LDC Initiative³³** Through the LDC Initiative, the EU will provide additional resources in the form of 100 percent cancellation of future debt service of US\$75.3 million on selected loans over-and-above relief provided through HIPC once DRC reaches the completion point.

D. Debt Sustainability Outlook, 2009/10–29/30

59. **The baseline macroeconomic framework assumes a strong recovery in economic activity over the medium term, supported by large investments in mining and public infrastructure projects.** The projections are consistent with the medium-term macroeconomic framework under the ECF arrangement and the key assumptions are summarized in Box 3.

³³ The EU special initiative provides full debt relief to eligible Least Developed Countries on all outstanding European Development Fund special loans remaining after the full applications of debt relief under the HIPC initiative.

Box 3: DRC: Key Baseline Macroeconomic Assumptions

The near-term outlook is dominated by a rebound in world commodity prices (copper in particular) and external demand associated with the global economic recovery, followed by a strong recovery over the medium term fueled by a US\$3.2 billion investment in a mining project along with US\$3 billion in investments in public infrastructure projects envisaged under the SCCA. **Real GDP growth** is projected to increase from 2.8 percent in 2009 to an average rate of 6.8 percent in 2010-15 and then gradually decline to 4.4 percent in the long run.

Government revenues (excluding grants) are projected to rebound from 17 percent of GDP in 2009 to 20 percent in 2010, and then increase gradually to just under 24 percent over the long term. Meanwhile grants drop sharply from 11.7 percent of GDP in 2009 to 6.6 percent in 2010 and then decline gradually to under 4 percent in the long run.

The current account deficit widens dramatically from 10 percent of GDP in 2009 to over 20 percent in 2010-11, mainly due to a large increase in imported factors used in the mining and public infrastructure projects. The deficit narrows thereafter as mining exports expand and investment-related imports diminish over time, gradually declining below 4 percent of GDP by the end of the 20-year projection horizon. Much of the widening in the current account deficit in 2010-11 is covered by net foreign direct investment (FDI), which increases from 5.7 percent of GDP in 2000 to 8.6 percent in 2011 and then quickly falls back to 5.6 percent in 2013. The surge in FDI inflows reflects foreign investment in a series of mining projects planned over the next few years (notably those financed under the SCCA).

External financing in the short term is dominated by loans disbursed to fund public infrastructure projects under the SCCA, which account for over one half of gross borrowing needs over the period 2010–14. The average grant element of new borrowing rises steadily from 20 percent in 2010-11 to just over 48 percent in 2015-16 and then declines gradually to under 45 percent in the long run.

60. **Full delivery of debt relief from all sources at the completion point would reduce the DRC's external public debt burden considerably.** At end-2010 the PV of external debt-to-exports indicator would fall from 182.5 percent after traditional debt relief to 57.5 percent with the delivery of the additional debt relief provided by the Enhanced HIPC/MDRI Initiatives along with beyond HIPC bilateral assistance, which is below the HIPC threshold of 150 percent (Table 11).

61. **With full delivery of debt relief, the external debt outlook is projected to improve markedly over the long term.** The external debt indicators initially worsen over the medium term, but then improve gradually over the longer term (Figure 2 and Table 11). This is mainly due to a public guarantee on external borrowing to finance public infrastructure projects under the Sino-Congolese Cooperation Agreement (SCCA).^{34,35}

³⁴ Details of this agreement are outlined in EBS/09/191 Supp. 1 (Box 3).

³⁵ Figure 2 in Appendix II illustrates the implications of removing the public guarantee in the context of the LIC DSA framework.

E. Sensitivity Analysis and Long-Term Debt Sustainability

62. **The external debt-to-exports indicator remains well below the HIPC threshold level under two alternative scenarios: lower export growth and less concessional borrowing terms** (Table 12 and Figure 3). In scenario 1, export values remain at their 2010 levels (zero growth) in 2011-12 compared to a 19 percent expansion in the baseline scenario. In scenario 2, the average grant element of new borrowing declines to 23 percent by the end of the 20-year projection period, compared to 45 percent in the baseline. The external debt indicators worsen over the medium term in both alternative scenarios, but improve over the longer term (Figure 3 and Table 12). The external debt-to-exports indicator remains well below the 150 percent threshold level in both cases.

63. **The sensitivity analysis highlights the need for strong and continued efforts to diversify the economy to reduce the risk of adverse shocks and prudent debt management to maintain low debt vulnerabilities.** While HIPC, beyond HIPC, and MDRI debt relief substantially reduce DRC's debt burden, the sensitivity analysis clearly shows that DRC would remain vulnerable to lower exports and higher borrowing costs than assumed in the baseline scenario. In order to ensure that the new debt remain below the HIPC thresholds, it will be crucial to continue to make progress on structural reforms aimed to promote export growth over the long term, and to limit external borrowing to high concessional sources.

IV. CONCLUSION

64. **In the view of the staffs of IDA and IMF, the DRC has met the requirements established in July 2003 for reaching the completion point under the enhanced HIPC initiative.** The authorities introduced the required measures to meet the objectives laid out under the seven triggers and moved decisively to implement reforms in PFM, procurement, governance and debt management. The main elements of the HIPC reform program have therefore been satisfactorily implemented.

65. **Revisions to the end-2002 data have resulted in an upward adjustment in the amount of HIPC debt relief.**

66. **Full delivery of HIPC debt relief, and additional bilateral assistance beyond HIPC and MDRI, would considerably reduce DRC's external public debt.** In end-2009 PV terms, the stock of debt would decline to US\$2,147 million at the completion point.

67. **In light of the information above, the staffs of IDA and IMF recommend that the Executive Directors determine that DRC has reached the completion point under the enhanced HIPC initiative.**

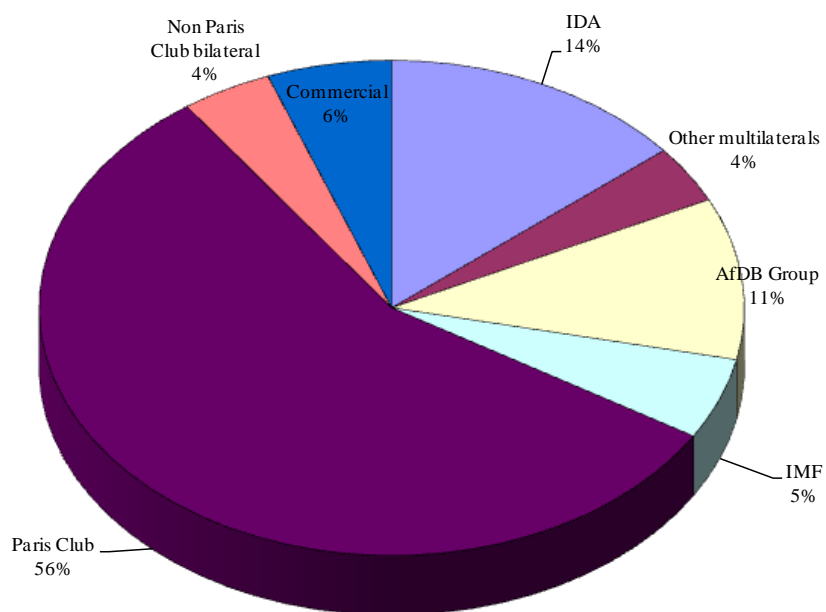
V. ISSUES FOR DISCUSSION

68. **Executive Directors may wish to consider this report based on the following issues for discussion:**

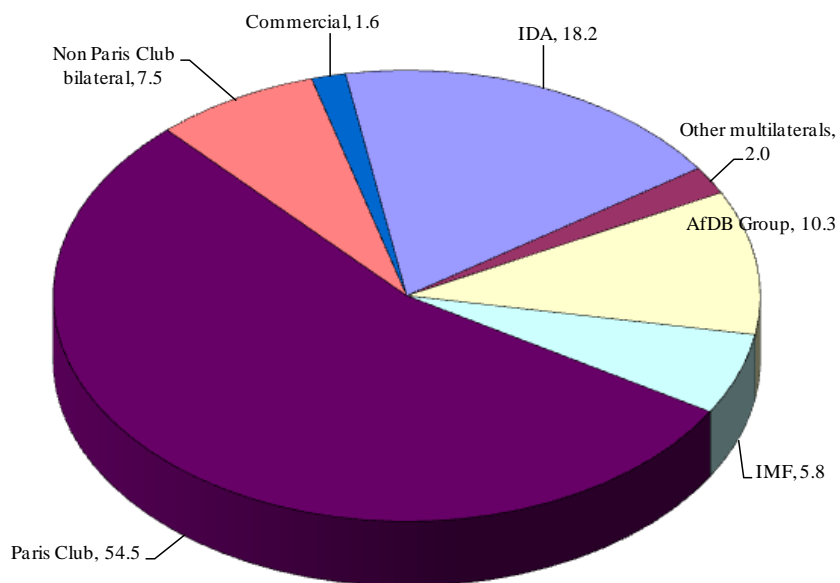
- **Completion point.** Do Directors agree that DRC has reached the completion point under the enhanced HIPC Initiative, considering the emphasis in the decision point document on the need to establish a track record of sustained performance?
- **Data revision.** Do Directors agree with staffs' recommendations that the revised amount of HIPC assistance of US\$7,252 million at end-December 2002 PV terms be provided to DRC?
- **Topping up.** Do Directors agree with the conclusion that there is no need for topping up?
- **Creditor participation.** Do Directors agree that DRC's creditors have given sufficient assurances to irrevocably commit HIPC Initiative assistance to DRC?

**Figure 1 : DRC-Composition of the Stock of External Debt by Creditor Group
End-December 2002 and 2009 (in percent)**

End December-2002

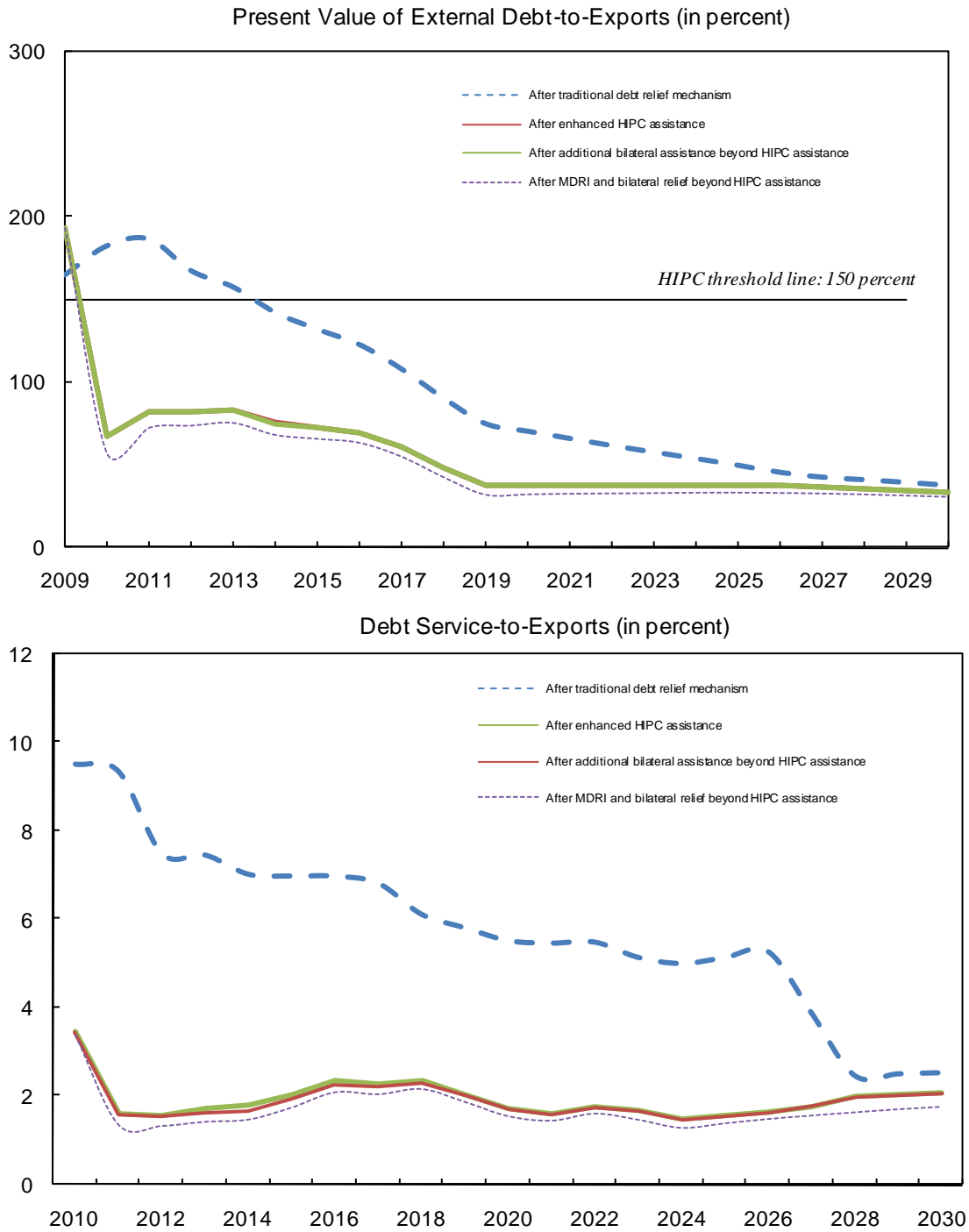


End December-2009



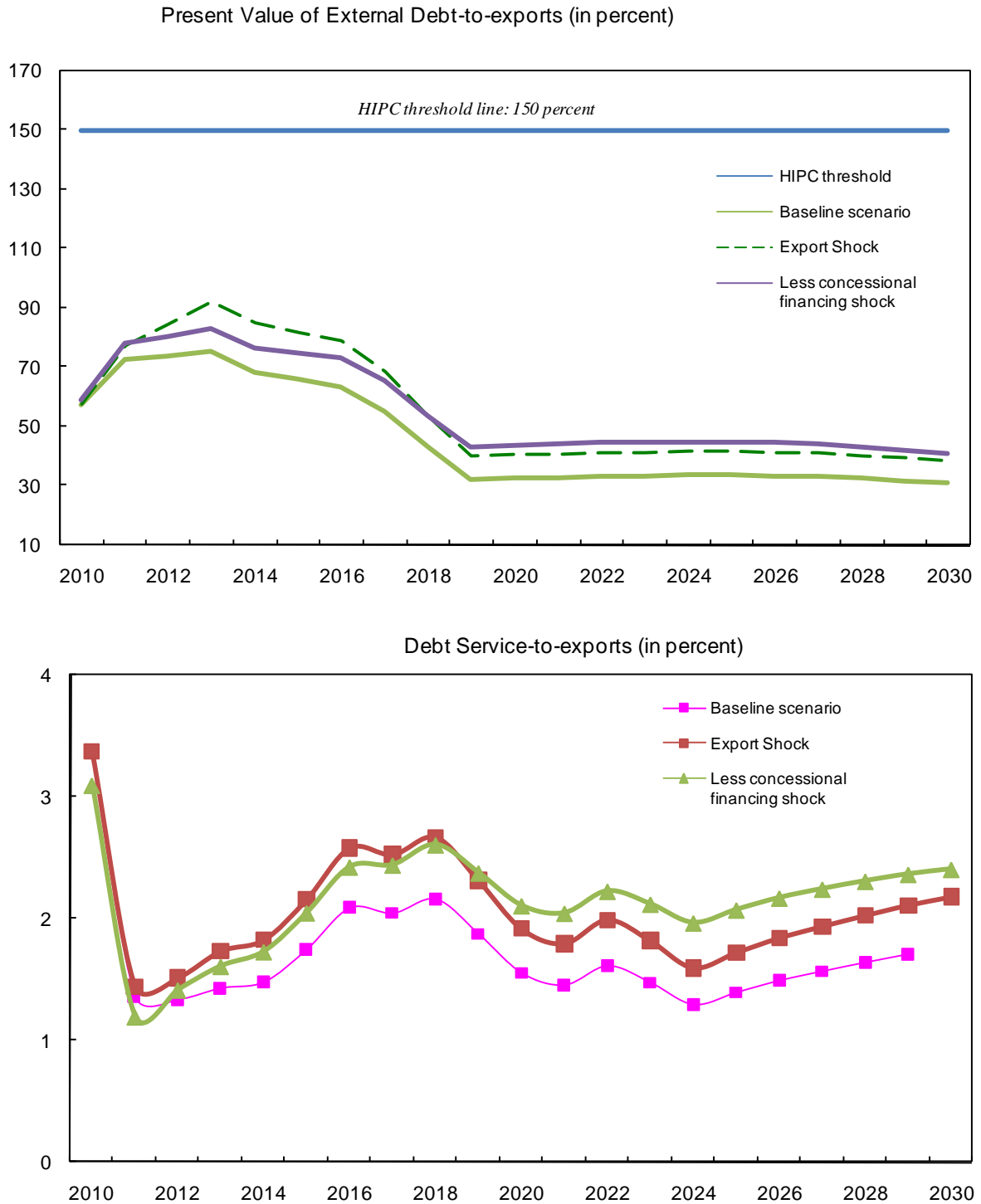
Sources: Congolese authorities; and IMF and World Bank staff estimates.

Figure 2 : External Debt and Debt Service Indicators for Medium and Long-Term Public Sector Debt, 2010-30



Sources: Congolese authorities; and IMF and World Bank staff estimates.

Figure 3 : Sensitivity Analysis, 2010-30



Sources: Congolese authorities; and IMF and World Bank staff estimates.

¹ Zero export growth in 2011-12 than baseline scenario.

² Less concessional financing terms than baseline scenario. Grant element of new borrowing declines to below 24 percent at 2030.

**Table 4 : DRC: Revised Nominal Stocks and Present Value of Debt at Decision Point
By Creditor Groups as of end-December 2002¹**

	Nominal Debt Stock at End-December, 2002				PV of Debt Before Rescheduling ²				PV of Debt After Rescheduling ^{2,3}			
	At Decision Point		Revised At Completion Point		At Decision Point		Revised At Completion Point		At Decision Point		Revised At Completion Point	
	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total	US\$ million	Percent of total
Total	10,659.0	100	10,772	100	8,404	100	9,638	100	7,868	100	8,801	100
Multilateral	3,580	34	3,626	34	3,077	37	3,196	33	3,077	39	3,196	36
IDA	1,512	14	1,511	14	1,037	12	1,036	11	1,037	13	1,036	12
AfDB Group	1,136	11	1,138	11	1,128	13	1,225	13	1,128	14	1,225	14
IMF	571	5	571	5	588	7	572	6	588	7	572	7
European Investment Bank	25	0	25	0	25	0	25	0	25	0	25	0
European Union	205	2	206	2	170	2	170	2	170	2	170	2
IFAD	28	0	27	0	22	0	20	0	22	0	20	0
IFC	30	0	30	0	30	0	30	0	30	0	30	0
BADEA	22	0	22	0	22	0	22	0	22	0	22	0
OPEC Fund	1	0	1	0	1	0	1	0	1	0	1	0
BDEGL	8	0	52	0	8	0	52	1	8	0	52	1
BEAC	43	0	43	0	46	1	42	0	46	1	42	0
Official bilateral and commercial	7,079	66	7,146	66	5,328	63	6,442	67	4,791	61	5,605	64
Paris Club	6,363	60	6,082	56	4,616	55	5,385	56	4,318	55	4,944	56
Pre-cutoff date	5,293	50	5,100	47	3,709	44	4,535	47	3,410	43	4,095	47
ODA	805	8	1,205	11	538	6	922	10	378	5	874	10
Non-ODA	4,488	42	3,895	36	3,171	38	3,612	37	3,033	39	3,221	37
Post-cutoff date	1,070	10	982	9	907	11	850	9	907	12	849	10
<i>by country:</i>												
Austria	97	1	94	1	44	1	44	0	44	1	44	1
Belgium	1,361	13	760	7	591	7	708	7	523	7	595	7
Brazil	2	0	2	0	1	0	1	0	1	0	1	0
Canada	31	0	29	0	23	0	25	0	23	0	25	0
France	1,075	10	1,160	11	866	10	1,010	10	866	11	1,010	11
Germany	415	4	472	4	337	4	432	4	334	4	431	5
Italy	529	5	606	6	422	5	509	5	422	5	509	6
Japan	696	7	738	7	563	7	603	6	540	7	595	7
Netherlands	284	3	260	2	253	3	267	3	211	3	202	2
Norway	19	0	19	0	10	0	11	0	10	0	11	0
Spain	18	0	18	0	16	0	16	0	16	0	16	0
Sweden	116	1	117	1	67	1	86	1	55	1	68	1
Switzerland	11	0	10	0	10	0	10	0	10	0	10	0
United Kingdom	123	1	119	1	94	1	100	1	94	1	100	1
United States	1,575	15	1,669	15	1,310	16	1,555	16	1,161	15	1,323	15
EU administered by IDA ⁴	10	0	10	0	8	0	6	0	8	0	3	0
Non Paris Club bilateral	437	4	448	4	433	5	442	5	274	3	278	3
Burundi	4	0	4	0	4	0	4	0	1	0	1	0
China	39	0	39	0	35	0	35	0	34	0	33	0
Egypt	9	0	9	0	9	0	9	0	9	0	9	0
Israel	18	0	18	0	18	0	18	0	18	0	17	0
Kuwait	95	1	98	1	95	1	96	1	41	1	42	0
Namibia	2	0	2	0	2	0	2	0	1	0	1	0
Romania	-	-	2	0	-	-	2	0	-	-	2	0
Rwanda	1	0	1	0	1	0	1	0	0	0	0	0
Saudi Arabia	28	0	28	0	28	0	28	0	19	0	19	0
Serbia and Montenegro	48	0	40	0	48	1	40	0	37	0	32	0
Taiwan, Province of China	37	0	38	0	36	0	37	0	36	0	37	0
United Arab Emirates	155	1	171	2	155	2	171	2	77	1	85	1
Commercial	279	3	616	6	279	3	615	6	200	3	383	4
of which: London Club ⁵	58	1	67	1	58	1	67	1	19	0	22	0

Sources: Congolese authorities; and IMF and World Bank staff estimates.

¹ Information based on end-December 2002 data available at completion point after implementing the September 2002 Paris Club agreement.

² Includes a stock-of-debt operation on Naples terms at end-December 2002; and comparable action by other official bilateral creditors on eligible debt (pre-cutoff and non-ODA).

³ The increase in the PV of debt for the official bilateral creditors depends on the better documentation available at completion point

⁴ Claims from the European Union loan administered by IDA has been removed from the multilateral section at decision point and now included under bilateral debt.

⁵ Indicates claims of the creditors of the London Club excluding Belgolaise. For more information please refer to the box 2.

Table 5 : DRC: Estimated Assistance at Decision Point*(Amended)*¹(In millions of U.S. dollars in end-December 2002 NPV terms, unless otherwise indicated)²

	Total	Multilaterals	Bilaterals	Commercial	Common Reduction Factor ³ (Percent)
NPV of debt-to-exports target (in percent)	150				
Assistance (decision point document)	6,311	2,468	3,683	161	80.21
Assistance (revised)	7,252	2,633	4,303	315	82.40
Memorandum items:					
Revised NPV of debt at end-2002 ⁴	8,801	3,196	5,222	383	
Three-year average of exports ⁵	1,033				
Revised NPV of debt-to-exports ratio (percent) ⁶	852				

Sources: Congolese authorities; and World Bank and Fund staff estimates and projections.

¹ Assumes proportional burden-sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches" (EBS/97/127; 7/7/97, and IDA/SEC M97-306;7/7/97), that is, after full application of traditional debt relief mechanisms.

² Using six-month backward-looking discount rates at end-December 2002 and end-December 2002 exchange rates.

³ Each creditor's NPV reduction in percent of its exposure at the decision point (after hypothetical Naples stock at the end of the base year).

⁴ Includes traditional debt relief; a hypothetical stock-of-debt on Naples terms with comparable treatment from non Paris Club creditors.

⁵ Goods and service exports, as defined in IMF, Balance of Payments Manual, 5th edition, 1993.

⁶ After a hypothetical stock-of-debt operation on Naples terms at end December-2002.

Table 6 : DRC: Comparison of Discount Rate and Exchange Rate Assumptions

Currency	Discount Rates ^{1 2} (in percent per annum)		Exchange Rates ³ (Currency per U.S. dollar)	
	At decision point end-December 2002	At completion point end-December 2009	At decision point end-December 2002	At completion point end-December 2009
	Austrian Schillings	5.547	4.305	13.121	9.552
Belgian Franc	5.547	4.305	38.467	28.002
Canadian Dollar	5.877	3.785	1.580	1.047
CFA Franc	5.547	4.305	625.495	902.660
Swiss Franc	3.415	2.847	1.387	1.031
Chinese Yuan	4.818	3.911	8.277	6.828
Deutsche Mark	5.547	4.305	1.865	1.358
Danish Kroner	5.775	4.565	7.082	5.190
European Currency Unit	5.547	4.305	0.954	0.694
Spanish Peseta	5.547	4.305	158.659	115.498
Finnish Markkaa	5.547	4.305	5.670	4.127
French Franc	5.547	4.305	6.255	4.553
Great Britain Sterling	5.838	4.225	0.620	0.617
Irish Punt	5.547	4.305	0.751	0.547
Italian Lira	5.547	4.305	1,846.353	1,344.072
Japanese Yen	1.753	1.972	119.900	92.060
Kuwaiti Dinar	4.818	3.911	0.300	0.287
Luxembourg Franc	5.672	4.305	38.467	28.002
Namibian Dollar	5.120	3.911	11.800	7.380
Netherlands Guilders	5.672	4.305	2.101	1.530
Norwegian Kroner	7.763	4.445	6.966	5.780
Portuguese Escudo	5.547	4.305	191.172	139.166
Saudi Arabia Ryal	4.818	3.911	3.745	3.750
Special Drawing Rights	4.818	3.911	0.736	0.638
Swedish Kroner	6.113	4.440	8.825	7.117
United Arab Emirates Dhiraams	4.818	3.911	3.673	3.673
United States Dollar	5.120	4.085	1.000	1.000
Memorandum item:				
Paris Club cutoff date		June 30, 1983		

Sources: European Central Bank; IMF, *International Financial Statistics*; OECD; and staff estimates.

¹The discount rates used are the average commercial interest reference rates (CIRRs) for the respective currencies over the six-month period ending in December 2009 for the completion point and in December 2002 for the decision point.

² For all Euro area currencies, the Euro CIRR is used. For all currencies for which the CIRRs are not available, the SDR discount rate is used as a proxy.

³ End-of-period exchange rates.

Table 7 : DRC: Status of Creditor Participation Under the Enhanced HIPC Initiative

	Debt Relief in PV Terms (US\$ mil.)	Percentage of Total Assistance	Satisfactory Reply to Participate in Initiative	Modalities to Deliver Debt Relief
IDA	854.0	11.8	yes	Debt relief delivered through the clearance of arrears and debt service reduction during the interim period amounts to US\$442.7 million in decision point PV terms or 52 percent of total HIPC relief estimated at the decision point. IDA is assumed to provide the remaining amount of relief through a 90 percent reduction of DRC's debt service to IDA through November 2027.
AfDB Group	1009.7	13.9	yes	Debt relief amounting to US\$571.6 million or 57 percent of AfDB Group's total debt relief has been delivered through the restructuring of arrears at decision point and debt service reduction during the interim period. The remainder of the AfDB Group's HIPC relief is assumed to be delivered through a 80 percent reduction of DRC's debt service from completion point until July 2022.
IMF	471.5	6.5	yes	Debt relief amounting to SDR 106.3 million in decision point PV terms has been given in the form of SDR 49.1 million in interim assistance on debt service and SDR 57.2 million embedded in the grant element associated with disbursement of the PRGF loan following arrears clearance at decision point. At completion point, the IMF will provide the remaining HIPC assistance, amounting to SDR 231.2 million in PV terms.
European Investment Bank	20.8	0.3	yes	A conditional debt forgiveness agreement is in place providing for the recovery of the DRC's debt through partial relief by the EIB via the latter's HIPC contribution and the payment of the balance without interest by the DRC over a period of five years. Debt relief in the form of an interest moratorium was also provided during the interim period.
European Union	140.4	1.9	yes	Interim assistance amounting to US\$25.1 million in decision point PV terms has been provided through 100 percent debt service reduction on selected loans during the interim period. Arrears clearance of \$110.8 million in PV terms was also provided at decision point on grant terms. The remainder of HIPC assistance will be delivered through a 100 percent cancellation of future debt service on selected loans at completion point until the HIPC assistance target is met.
IFAD	16.3	0.2	yes	Assistance of US\$1.2 million has been delivered in decision point PV terms during the interim period in the form of a donor funded grant paying 100 percent of debt service on current maturities during 2003 as well as arrears restructuring arrangements. Remaining assistance will be delivered at the completion point through a 100 percent reduction of debt service payments on eligible debt until the target in PV terms is reached. IFAD is also expected to deliver debt relief through a concessional treatment of DRC arrears.
IFC	24.7	0.3	yes	During the interim period IFC settled its arrears with the DRC at terms that met its targeted HIPC relief.
BADEA	17.9	0.2	yes	BADEA agreed in January 2003 on an arrangement to reschedule outstanding arrears, which was amended in March 2007. BADEA provided relief of US\$2 million in decision point PV terms as a result of this rescheduling. The OPEC Fund has agreed to provide debt relief at the completion point.
OPEC Fund	0.6	0.0	yes	
BDEGL	43.1	0.6	no	BDEGL has not committed to providing HIPC relief; however, negotiations are ongoing with the Congolese authorities.
BEAC	34.5	0.5	no	Relief of US\$2.8 million in decision point PV terms was delivered through arrears restructuring in January 2001 and January 2004.
Total multilateral	2633.5	36.3		
Paris Club creditors	4073.6	56.2	yes	Paris Club creditors will provide relief based on Cologne terms. Switzerland has cancelled 100% of its claims in 2003.
Non-Paris Club creditors ^{2/}	229.0	3.2		
Burundi	1.1	0.0	no	Negotiations ongoing, no agreement has been signed.
China	27.0	0.4	yes	Cancelled post cut off ODA claims in 2007.
Egypt	7.2	0.1	yes	Cancelled 100% of claims in 2008.
Israel	14.4	0.2	yes	Rescheduled its debt in 2007.
Kuwait	34.7	0.5	no	Interest in arrears were cancelled in 2004.
Namibia	0.5	0.0	no	Negotiations ongoing, no agreement has been signed.
Romania	1.3	0.0	yes	Rescheduled its debt in 2005.
Rwanda	0.2	0.0	no	Negotiations ongoing, no agreement has been signed.
Saudi Arabia	16.1	0.2	no	Negotiations ongoing, no agreement has been signed.
Serbia and Montenegro	26.3	0.4	no	Claims were sold to FG Hemisphere.
Taiwan, Province of China	30.5	0.4	no	Negotiations ongoing, no agreement has been signed.
United Arab Emirates	69.8	1.0	no	Negotiations ongoing, no agreement has been signed.
Total bilateral	4302.6	59.3		
Total commercial	315.5	4.4		
of which: London Club	18.2	0.3	no	Please refer to Box 2
of which: non-London Club ^{3/}	297.2	4.1	some	Several commercial creditors have provided relief in the interim period.
Total	7251.5	100.0		

Sources: Congolese authorities; and IMF and World Bank staff estimates.

¹ Under the HIPC Initiative guidelines, a creditor receives credit against the required provision of debt relief for contributions to an arrears clearance operation in a HIPC country.

² Non-Paris Club creditors holding 0.7% of the PV of external debt after traditional debt relief have provided HIPC relief.

³ Non-London Club creditors holding approximately 3.9% of the PV of external debt after traditional debt relief have provided HIPC relief.

Table 8 : DRC: Nominal and Present Value of External Debt Outstanding at End-December 2009

	Legal Situation ²				Net Present Value of Debt ³		
	Nominal Debt	Percent of total	NPV of debt	Percent of total	After enhanced HIPC relief	After additional bilateral relief	After additional bilateral relief (in percent of total debt)
Total	13,704.9	100.0	11,925.5	100.0	2,749.6	2,695.7	100.0
Multilateral institutions	4,986.0	36.4	3,564.7	29.9	1,856.8	1,856.8	68.9
IDA	2,496.8	18.2	1,536.8	12.9	966.2	966.2	35.8
AfDB Group	1,415.0	10.3	1,086.7	9.1	524.7	524.7	19.5
IMF	799.8	5.8	699.0	5.9	254.1	254.1	9.4
European Investment Bank	34.3	0.3	34.3	0.3	16.2	16.2	0.6
European Union	93.0	0.7	73.5	0.6	66.0	66.0	2.4
IFAD	32.8	0.2	24.3	0.2	20.7	20.7	0.8
IFC	5.5	0.0	5.2	0.0	0.0	0.0	0.0
BADEA	16.3	0.1	13.8	0.1	0.0	0.0	0.0
OPEC Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BDEGL	80.2	0.6	80.2	0.7	8.9	8.9	0.3
BEAC	12.3	0.1	10.9	0.1	0.0	0.0	0.0
Official bilateral and commercial	8,718.9	63.6	8,360.8	70.1	892.8	839.0	26.6
Paris Club ⁴	7,475.2	54.5	7,141.4	59.9	121.3	76.4	2.8
Post-cutoff date	1,021.3	7.5	994.0	8.3	...	...	...
Pre-cutoff date	6,453.9	47.1	6,147.5	51.5	...	...	...
ODA	1,484.8	10.8	1,218.9	10.2	...	...	...
Non-ODA	4,969.1	36.3	4,928.5	41.3	...	...	...
<i>by country:</i>							
Austria	133.5	1.0	90.5	0.8	...	...	...
Belgium	773.8	5.6	742.0	6.2	...	...	...
Brazil	1.4	0.0	1.4	0.0	...	...	...
Canada	54.4	0.4	57.6	0.5	...	...	...
France	1,535.8	11.2	1,515.0	12.7	...	...	...
Germany	713.8	5.2	737.1	6.2	...	...	...
Italy	754.5	5.5	674.6	5.7	...	...	...
Japan	968.8	7.1	796.1	6.7	...	...	...
Netherlands	402.3	2.9	428.8	3.6	...	...	...
Norway	22.4	0.2	17.5	0.1	...	...	...
Spain	13.0	0.1	13.0	0.1	...	...	...
Sweden	142.1	1.0	111.0	0.9	...	...	...
Switzerland	0.0	0.0	0.0	0.0	...	...	...
United Kingdom	136.7	1.0	108.0	0.9	...	...	...
United States	1,813.4	13.2	1,842.1	15.4	...	...	...
EU administered by IDA	9.5	0.1	6.9	0.1	...	...	...
Other official bilateral	1,029.3	7.5	1,011.7	8.5	648.9	640.0	23.7
Post-cutoff date	691.0	5.0	673.4	5.6	611.0	602.1	22.3
Pre-cutoff date	338.3	2.5	338.3	2.8	37.8	37.8	1.4
ODA	27.1	0.2	27.1	0.2	5.6	5.6	0.2
Non-ODA	311.1	2.3	311.1	2.6	32.2	32.2	1.2
<i>by country:</i>							
Angola ⁵	20.0	0.1	18.3	0.2	18.3	18.3	0.7
Burundi	4.6	0.0	4.6	0.0	0.4	0.4	0.0
China ⁵	539.0	3.9	531.5	4.5	540.3	531.5	19.7
Egypt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India ⁵	32.3	0.2	25.6	0.2	25.6	25.6	0.9
Israel	2.5	0.0	2.5	0.0	2.7	2.7	0.1
Kuwait ⁵	93.8	0.7	92.1	0.8	17.0	17.0	0.6
Namibia	2.9	0.0	2.9	0.0	0.2	0.2	0.0
Romania	0.3	0.0	0.3	0.0	0.4	0.3	0.0
Rwanda	1.4	0.0	1.4	0.0	0.1	0.1	0.0
Saudi Arabia	27.1	0.2	27.1	0.2	5.6	5.6	0.0
Serbia and Montenegro	64.5	0.5	64.5	0.5	8.0	8.0	0.3
Taiwan, Province of China	31.5	0.2	31.5	0.3	9.3	9.3	0.3
United Arab Emirates	209.3	1.5	209.3	1.8	20.8	20.8	0.8
Commercial⁶	214.4	1.6	207.7	1.7	122.6	122.6	4.5
of which: London Club ⁷	80.8	0.6	80.8	0.7	5.6	5.6	0.2

Sources: Congolese authorities and World Bank and Fund staff estimates.

¹ Information based on latest end December 2009 data available at completion point before signing bilateral agreements referring to the February 2010 Paris Club agreement.

² Includes Naples flows, as well as Cologne flow and cancellations in the interim period from Paris Club creditors. The debt stock as of December 2009 is (based on data available at completion point) before signing bilateral agreements referring to February 2010 Paris Club agreement.

³ Assumes full delivery of HIPC assistance as of end-December 2009.

⁴ Paris Club creditors deliver their share of assistance as a group. Actual delivery modalities are defined on a case-by-case basis.

⁵ In the interim period DRC has contracted US\$ 33.5 million from India (of which 32.5 has been disbursed), US\$ 530.5 million from China, US\$ 20.0 million from Angola and US\$ 6.4 million from Kuwait.

⁶ HIPC comparable cancellations and reschedulings have been provided by some commercial creditors in the interim period.

⁷ Claims of the London Club based on estimates provided by the authorities. These claims do not include Banque Belgoise. (Please see Box 2)

Table 9 : DRC: Present Value of External Debt ¹
(In millions of U.S. dollars, unless otherwise indicated)

	Actual	Projections									Average	
	2009	2010	2011	2012	2013	2014	2019	2024	2029	2030	2009-19	2020-30
I. After traditional debt-relief mechanisms²												
1. PV of total debt (2+4)	10,263	11,698	12,713	13,516	13,997	13,512	9,797	9,224	8,683	8,717	12,370	9,056
2. PV of outstanding debt	10,263	10,010	9,720	9,458	9,134	8,430	6,488	4,134	2,202	2,045	8,479	3,752
Official bilateral and commercial	6,646	6,572	6,485	6,378	6,163	5,591	4,474	2,740	1,195	1,114	5,672	2,405
Paris Club	5,371	5,312	5,241	5,155	5,050	4,956	4,168	2,497	1,054	1,003	4,885	2,187
Other official bilateral	817	802	786	765	720	307	175	135	86	72	477	123
Commercial	458	458	458	457	393	329	131	108	55	39	311	94
Multilateral	3,617	3,437	3,235	3,080	2,970	2,838	2,013	1,394	1,007	931	2,806	1,348
IDA	1,578	1,578	1,578	1,568	1,545	1,515	1,354	1,116	774	706	1,497	1,037
AfDB Group	1,087	1,059	1,024	979	926	863	483	127	94	88	830	161
IMF	699	557	403	309	282	249	0	0	0	0	269	0
European Investment Bank	34	34	34	34	34	34	34	34	34	34	34	34
European Union	73	69	64	60	55	50	25	6	0	0	50	6
IFAD	40	40	40	40	41	40	36	30	24	23	39	29
IFC	0	0	0	0	0	0	0	0	0	0	0	0
BADEA	13	12	11	9	7	6	0	0	0	0	6	0
OPEC Fund	0	0	0	0	0	0	0	0	0	0	0	0
BDEGL	80	80	80	80	80	80	80	80	80	80	80	80
BEAC	13	6	0	0	0	0	0	0	0	0	2	0
II. After enhanced HIPC assistance³												
1. PV of total debt (2+4)	12,025	4,305	5,582	6,609	7,355	7,129	4,847	6,355	7,463	7,572	6,885	6,524
2. PV of outstanding debt	12,025	2,617	2,589	2,551	2,492	2,047	1,538	1,264	983	900	2,993	1,220
Official bilateral and commercial	8,625	802	770	739	698	283	159	127	101	94	1,171	122
Paris Club	7,368	53	51	50	46	37	7	5	2	2	698	4
Other official bilateral	1,049	639	626	606	579	182	96	67	45	40	390	63
Commercial	207	111	94	83	73	64	56	55	53	53	83	55
Multilateral	3,400	1,814	1,819	1,812	1,794	1,764	1,378	1,138	882	806	1,822	1,098
IDA	1,546	986	1,006	1,020	1,026	1,025	1,026	987	774	706	1,066	929
AfDB Group	1,049	517	503	485	463	437	307	127	94	88	475	146
IMF	676	202	207	214	221	228	0	0	0	0	200	0
European Investment Bank	0	13	10	7	4	0	0	0	0	0	3	0
European Union	73	67	64	60	55	50	25	6	0	0	50	6
IFAD	31	21	21	22	22	23	20	17	13	13	23	16
IFC	0	0	0	0	0	0	0	0	0	0	0	0
BADEA	13	0	0	0	0	0	0	0	0	0	1	0
OPEC Fund	0	0	0	0	0	0	0	0	0	0	0	0
BDEGL	0	9	7	5	4	2	0	0	0	0	2	0
BEAC	13	0	0	0	0	0	0	0	0	0	1	0
3. PV of total debt after full delivery ⁴	2,750	4,304	5,583	6,609	7,355	7,129	4,847	6,355	7,463	7,572	6,042	6,524
Multilateral	1,857	1,814	1,819	1,812	1,794	1,764	1,378	1,138	882	806	1,681	1,098
Bilateral	770	691	677	656	625	219	103	72	48	41	393	67
Commercial	123	111	94	83	73	64	56	55	53	53	76	55
As assumed in the decision point	2,225	2,374	2,524	2,669	2,856	3,054	4,086	2,152	...	...	3,101	2,159
III. After bilateral debt relief beyond HIPC assistance⁵												
1. PV of total debt (2+4)	12,025	4,258	5,537	6,564	7,314	7,096	4,840	6,350	7,462	7,571	6,860	6,520
2. PV of outstanding debt	12,025	2,570	2,544	2,506	2,451	2,014	1,531	1,260	981	899	2,968	1,216
Official bilateral and commercial	8,625	755	725	694	658	250	153	122	99	93	1,146	118
Paris Club	7,368	6	6	6	5	4	1	1	0	0	673	1
Other official bilateral	1,049	639	626	606	579	182	96	67	45	40	390	63
Commercial	207	111	94	83	73	64	56	55	53	53	83	55
Multilateral	3,400	1,814	1,819	1,812	1,794	1,764	1,378	1,138	882	806	1,822	1,098
IDA	1,546	986	1,006	1,020	1,026	1,025	1,026	987	774	706	1,066	929
AfDB Group	1,049	517	503	485	463	437	307	127	94	88	475	146
IMF	676	202	207	214	221	228	0	0	0	0	200	0
European Investment Bank	0	13	10	7	4	0	0	0	0	0	3	0
European Union	73	67	64	60	55	50	25	6	0	0	50	6
IFAD	31	21	21	22	22	23	20	17	13	13	23	16
IFC	0	0	0	0	0	0	0	0	0	0	0	0
BADEA	13	0	0	0	0	0	0	0	0	0	1	0
OPEC Fund	0	0	0	0	0	0	0	0	0	0	0	0
BDEGL	0	9	7	5	4	2	0	0	0	0	2	0
BEAC	13	0	0	0	0	0	0	0	0	0	1	0
3. PV of total debt after full delivery ⁴	2,705	4,258	5,537	6,564	7,314	7,096	4,840	6,350	7,462	7,571	6,012	6,520
Multilateral	1,857	1,814	1,819	1,812	1,794	1,764	1,378	1,138	882	806	1,681	1,098
Bilateral	725	644	632	612	584	186	96	67	46	40	363	63
Commercial	123	111	94	83	73	64	56	55	53	53	76	55
IV. After MDRI assistance and bilateral debt relief beyond HIPC assistance												
1. PV of total debt (2+4)	12,025	3,684	4,955	5,976	6,723	6,501	4,226	5,737	6,984	7,144	6,318	5,945
2. PV of outstanding debt	12,025	1,995	1,962	1,918	1,859	1,419	917	647	504	473	2,426	641
Official bilateral and commercial ⁶	8,625	755	725	694	658	250	153	122	99	93	1,146	118
Multilateral	3,400	1,240	1,237	1,224	1,202	1,169	764	525	405	380	1,280	523
IDA	1,546	500	513	522	525	522	510	485	359	336	609	437
AfDB Group	1,049	428	413	394	372	344	209	37	32	32	390	64
IMF	676	202	207	214	221	228	0	0	0	0	200	0
European Investment Bank	0	13	10	7	4	0	0	0	0	0	3	0
European Union	73	67	64	60	55	50	25	6	0	0	50	6
IFAD	31	21	21	22	22	23	20	17	13	13	23	16
IFC	0	0	0	0	0	0	0	0	0	0	0	0
BADEA	13	0	0	0	0	0	0	0	0	0	1	0
OPEC Fund	0	0	0	0	0	0	0	0	0	0	0	0
BDEGL	0	9	7	5	4	2	0	0	0	0	2	0
BEAC	13	0	0	0	0	0	0	0	0	0	1	0
3. PV of total debt after full delivery ⁴	2,147	3,683	4,955	5,976	6,723	6,501	4,226	5,737	6,984	7,144	5,420	5,945
Multilateral	1,299	1,240	1,237	1,224	1,202	1,169	764	525	405	380	1,089	538
Bilateral and commercial ⁵	848	755	725	694	658	250	153	122	99	93	439	121
Memorandum item:												
4. PV of new borrowing	...	1,689	2,993	4,058	4,863	5,082	3,309	5,090	6,481	6,672	4,281	5,304

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

¹ Refers to public and publicly guaranteed external debt only and is discounted on the basis of the average commercial interest reference rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available (December 2009).

² Assumes a stock-of-debt operation on Naples terms (67 percent PV reduction) as of end December-2009, and at least comparable action by other official bilateral and commercial creditors.

³ PV of debt assuming relief is conditionally delivered in July-2010.

⁴ PV of total debt assuming relief is fully delivered as of end December-2009.

⁵ Includes additional debt relief provided on a voluntary basis by the Paris Club beyond the requirements of the enhanced HIPC framework as specified on Table 12.

⁶ This corresponds to the situation after additional bilateral relief for Paris Club Creditors.

Table 10: DRC: External Debt Service after Full Implementation of Debt-Relief Mechanisms
(In millions of U.S. dollars, unless otherwise indicated)

	2010	2011	2012	2013	2014	2019	2024	2029	2030	Annual Average	
										2010-2019	2020-2030
After traditional debt-relief mechanisms ¹											
Total debt service including new borrowing	610.9	637.9	605.1	662.9	667.6	758.1	854.2	547.9	581.1	696.3	765.4
Total debt service on outstanding debt	607.9	633.6	595.3	647.6	647.9	623.2	684.7	222.6	223.9	646.7	548.1
Multilateral	307	322	267	216	235	232	129	114	111	260.7	149.1
IDA	61.7	61.8	72.3	84.2	90.7	87.7	112.8	101.2	98.6	81.6	101.9
AfDB Group	59.3	66.7	74.8	82.3	90.4	99.4	10.9	10.4	10.3	86.0	42.5
IMF	168.9	176.4	109.7	39.3	43.3	36.5	0.0	0.0	0.0	81.5	0.0
European Investment Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
European Union	7.9	7.3	7.3	7.3	7.3	6.0	3.0	0.5	0.0	7.1	2.7
IFAD	1.0	1.1	1.1	1.1	1.4	2.1	2.1	2.0	1.7	1.6	2.0
IFC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BADEA	1.2	2.3	2.1	2.1	2.1	0.0	0.0	0.0	0.0	1.6	0.0
OPEC Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BDEGL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BEAC	6.6	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0
Official bilateral	301.2	311.5	328.1	366.1	347.5	389.5	549.5	94.3	97.0	352.9	390.6
Paris Club	270.6	280.9	292.1	307.4	292.5	374.8	538.4	78.8	80.4	314.4	376.7
Other official bilateral	30.6	30.6	36.0	58.6	55.0	14.7	11.1	15.5	16.6	38.5	13.9
Commercial	0.0	0.0	0.0	65.2	65.2	2.1	6.5	14.2	16.3	33.1	8.4
After enhanced HIPC assistance											
Total debt service including new borrowing	221.5	109.5	126.9	151.7	168.9	263.8	251.4	446.4	475.1	205.8	321.6
Total debt service on outstanding debt	218.4	105.1	117.1	136.4	149.3	128.9	81.9	121.0	117.9	156.2	104.3
Multilateral	110.0	61.6	73.2	84.8	95.3	117.3	75.7	113.4	110.2	110.8	96.2
IDA	18.5	18.5	25.4	33.9	40.7	39.5	60.5	101.2	98.6	33.7	66.5
AfDB Group	22.6	29.3	33.0	36.3	39.7	34.0	10.9	10.4	10.3	34.7	25.6
IMF	61.9	2.8	1.6	1.5	1.4	36.5	0.0	0.0	0.0	32.4	0.0
European Investment Bank	3.7	3.7	3.7	3.7	3.7	0.0	0.0	0.0	0.0	1.8	0.0
European Union	2.2	5.1	7.3	7.3	7.3	6.0	3.0	0.5	0.0	6.3	2.7
IFAD	0.7	0.3	0.3	0.3	0.6	1.4	1.4	1.3	1.3	0.9	1.4
IFC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BADEA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BDEGL	0.5	1.9	1.9	1.9	1.9	0.0	0.0	0.0	0.0	1.0	0.0
BEAC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Official bilateral	93.5	23.8	30.9	40.8	43.9	11.3	5.8	6.9	7.1	37.6	7.6
Paris Club	74.7	2.4	2.8	7.1	10.4	0.9	0.8	0.7	0.5	13.2	0.7
Other official bilateral	18.8	21.4	28.2	33.7	33.5	10.4	5.0	6.2	6.5	24.4	6.9
Commercial	15.0	19.7	12.9	10.8	10.1	0.3	0.4	0.7	0.7	7.8	0.5
After bilateral debt relief beyond HIPC ²											
Total debt service including new borrowing	220.7	107.1	124.3	145.4	159.8	262.9	250.7	445.7	474.7	200.6	320.9
Total debt service on outstanding debt	217.6	102.7	114.5	130.1	140.2	128.1	81.2	120.4	117.5	151.1	103.6
Multilateral	110.0	61.6	73.2	84.8	95.3	117.3	75.7	113.4	110.2	110.8	96.2
Official bilateral	92.7	21.4	28.3	34.5	34.7	10.4	5.1	6.3	6.6	32.4	7.0
Paris Club	73.8	0.0	0.2	0.8	1.3	0.0	0.1	0.1	0.1	8.0	0.1
Other official bilateral	18.8	21.4	28.2	33.7	33.5	10.4	5.0	6.2	6.5	24.4	6.9
Commercial	15.0	19.7	12.9	10.8	10.1	0.3	0.4	0.7	0.7	7.8	0.5
After MDRI assistance and bilateral debt relief beyond HIPC assistance											
Total debt service including new borrowing	216.2	92.3	107.4	126.5	140.0	243.8	219.9	373.4	404.9	183.5	280.9
Total debt service on outstanding debt	213.1	87.9	97.6	111.2	120.4	108.9	50.4	48.1	47.7	133.9	63.6
Multilateral	105	47	56	66	75	98	45	41	40	93.7	56.1
IDA	14.4	6.3	11.2	17.4	23.1	22.4	38.6	37.3	37.0	18.6	33.5
AfDB Group	22.1	26.7	30.4	33.8	37.5	31.9	2.0	2.0	2.0	32.6	18.6
IMF	61.9	2.8	1.6	1.5	1.4	36.5	0.0	0.0	0.0	32.4	0.0
European Investment Bank	3.7	3.7	3.7	3.7	3.7	0.0	0.0	0.0	0.0	1.8	0.0
European Union	2.2	5.1	7.3	7.3	7.3	6.0	3.0	0.5	0.0	6.3	2.7
IFAD	0.7	0.3	0.3	0.3	0.6	1.4	1.4	1.3	1.3	0.9	1.4
IFC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BADEA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPEC Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BDEGL	0.5	1.9	1.9	1.9	1.9	0.0	0.0	0.0	0.0	1.0	0.0
BEAC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Official bilateral ²	92.7	21.4	28.3	34.5	34.7	10.4	5.1	6.3	6.6	32.4	7.0
Commercial	15.0	19.7	12.9	10.8	10.1	0.3	0.4	0.7	0.7	7.8	0.5
Memorandum items:											
Debt service of new borrowing	3.1	4.4	9.8	15.3	19.7	134.9	169.5	325.4	357.2	49.6	217.3
Nominal debt relief											
Under the enhanced HIPC initiative	389.5	528.4	478.2	511.2	498.6	494.3	602.8	101.6	106.0	490.5	443.8
Under the MDRI	4.5	14.8	16.8	18.9	19.8	19.1	30.8	72.3	69.8	17.2	40.0

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

¹ Assumes a stock-of-debt operation on Naples terms (67 percent PV reduction) as of end December-2009, and at least comparable action by other official bilateral creditors.

² Includes additional debt relief provided on a voluntary basis by the Paris Club beyond the requirements of the enhanced HIPC framework.

Table 11: DRC: Key External Debt Indicators
2009-2030¹

(in percent, unless otherwise indicated)

	Actual		Estimate								Annual Averages	
	2009	2010	2011	2012	2013	2014	2019	2024	2029	2030	2010 - 2019	2020 - 2030
After traditional debt relief												
PV of debt-to-GDP ratio	93.7	95.9	96.4	94.8	90.1	80.2	39.7	26.3	17.6	16.5	74.5	24.9
PV of debt-to-exports ratio 2 5	165.0	182.5	186.6	167.5	157.7	142.3	75.2	54.1	39.7	37.9	136.6	51.7
PV of debt-to-exports ratio (existing debt only) 2 5	165.0	156.2	142.7	117.2	102.9	88.8	49.8	24.2	10.1	8.9	92.4	22.5
PV of debt-to-revenues ratio 5	548.8	488.5	484.5	459.2	418.3	355.2	172.6	112.7	74.6	69.7	347.2	107.0
Debt service-to-export ratio ⁵	...	8.6	7.7	6.9	7.0	6.6	5.5	4.8	2.4	2.4	6.8	4.2
Debt service-to-revenue ratio ³	...	25.5	24.3	20.6	19.8	17.5	13.4	10.4	4.7	4.6	18.6	9.1
After enhanced HIPC assistance												
PV of debt-to-GDP ratio	109.7	35.3	42.3	46.4	47.3	42.3	19.6	18.1	15.1	14.3	37.0	17.3
PV of debt-to-exports ratio 2 5	193.3	67.2	81.9	81.9	82.8	75.1	37.2	37.2	34.1	32.9	67.7	36.2
PV of debt-to-exports ratio (existing debt only) 2 5	193.3	40.8	38.0	31.6	28.1	21.6	11.8	7.4	4.5	3.9	23.5	7.1
PV of debt-to-revenues ratio 5	642.9	179.8	212.8	224.6	219.8	187.4	85.4	77.7	64.1	60.6	171.3	74.2
Debt service-to-export ratio ⁵	...	3.1	1.3	1.4	1.6	1.7	1.9	1.4	1.9	2.0	2.0	1.7
Debt service-to-revenue ratio ³	...	9.2	4.2	4.3	4.5	4.4	4.6	3.1	3.8	3.8	5.3	3.6
After additional beyond HIPC bilateral assistance												
PV of debt-to-GDP ratio	109.7	34.9	42.0	46.1	47.1	42.1	19.6	18.1	15.1	14.3	36.8	17.3
PV of debt-to-exports ratio 2 5	193.3	66.4	81.3	81.4	82.4	74.7	37.1	37.2	34.1	32.9	67.3	36.2
PV of debt-to-exports ratio (existing debt only) 2 5	193.3	40.1	37.3	31.1	27.6	21.2	11.7	7.4	4.5	3.9	23.2	7.0
PV of debt-to-revenues ratio 5	642.9	177.8	211.0	223.0	218.6	186.5	85.3	77.6	64.1	60.6	170.4	74.1
Debt service-to-export ratio ⁵	...	3.1	1.3	1.4	1.5	1.6	1.9	1.4	1.9	2.0	1.9	1.7
Debt service-to-revenue ratio ³	...	9.2	4.1	4.2	4.3	4.2	4.6	3.1	3.8	3.8	5.2	3.6
After MDRI ⁵												
PV of debt-to-GDP ratio	109.7	30.2	37.6	41.9	43.3	38.6	17.1	16.3	14.1	13.5	33.4	15.7
PV of debt-to-exports ratio 2 5	193.3	57.5	72.7	74.1	75.7	68.5	32.4	33.6	31.9	31.1	60.9	32.9
PV of debt-to-exports ratio (existing debt only) 2 5	193.3	31.1	28.8	23.8	20.9	14.9	7.0	3.8	2.3	2.1	16.8	3.7
PV of debt-to-revenues ratio 5	642.9	153.8	188.8	203.1	200.9	170.9	74.5	70.1	60.0	57.2	154.2	67.3
Debt service-to-export ratio ⁵	...	3.0	1.1	1.2	1.3	1.4	1.8	1.2	1.6	1.7	1.7	1.5
Debt service-to-revenue ratio ³	...	9.0	3.5	3.6	3.8	3.7	4.3	2.7	3.2	3.2	4.7	3.1
Memorandum items:												
	(in millions of U.S. dollars)											
PV of debt after traditional debt relief	10,263	11,698	12,713	13,516	13,997	13,512	9,797	9,224	8,683	8,717	12,581	9,056
Debt service after traditional debt relief	...	611	638	605	663	668	758	854	548	581	696	765
PV of debt after HIPC assistance	12,025	4,305	5,582	6,609	7,355	7,129	4,847	6,355	7,463	7,572	6,371	6,524
Debt service after HIPC assistance	...	221	110	127	152	169	264	251	446	475	206	322
PV of debt after additional bilateral relief	12,025	4,258	5,537	6,564	7,314	7,096	4,840	6,350	7,462	7,571	6,343	6,520
Debt service after additional bilateral relief	...	221	107	124	145	160	263	251	446	475	201	321
PV of debt after MDRI and additional bilateral relief ⁴	12,025	3,684	4,955	5,976	6,723	6,501	4,226	5,737	6,984	7,144	5,747	5,945
Debt service after MDRI and additional bilateral relief ⁴	...	216	92	107	126	140	244	220	373	405	183	281
GDP	10,958	12,200	13,193	14,249	15,539	16,841	24,687	35,093	49,441	52,959	17,922	38,450
Exports of goods and services ⁵	5,021	7,097	8,322	8,782	9,528	10,170	13,763	17,937	22,977	24,121	10,550	19,053
Exports of goods and services (3-year mvg. avg.) ^{2 5}	6,221	6,409	6,814	8,067	8,878	9,494	13,037	17,060	21,897	22,993	9,771	18,123
Government revenue ³	1,870	2,395	2,624	2,943	3,347	3,804	5,675	8,183	11,645	12,500	3,956	8,993

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

¹ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.

² Based on a three-year average of exports on the previous year (e.g., export average over 2005-07 for PV of debt-to-exports ratio in 2007).

³ Revenues are defined as central government revenues, excluding grants.

⁴ Assumes delivery of MDRI relief.

⁵ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

Table 12: DRC: Sensitivity Analysis
2010-30¹

(In percent, unless otherwise indicated)

	Projections									Average	
	2010	2011	2012	2013	2014	2019	2024	2029	2030	2010 - 2019	2019 - 2030
A. Baseline Scenario											
PV of debt-to-exports ratio 2	57.5	72.7	74.1	75.7	68.5	32.4	33.6	31.9	31.1	60.9	32.9
Debt service-to-export ratio	3.4	1.4	1.3	1.4	1.5	1.9	1.3	1.7	1.8	1.9	1.5
Debt service-to-revenue ratio	9.0	3.5	3.6	3.8	3.7	4.3	2.7	3.2	3.2	4.7	3.1
Memorandum items (in millions of U.S. dollars)											
PV of debt	3,683	4,955	5,976	6,723	6,501	4,226	5,737	6,984	7,144	5,747	5,945
of which: new debt	1,689	2,993	4,058	4,863	5,082	3,309	5,090	6,481	6,672	4,281	5,304
Debt service	216	92	107	126	140	244	220	373	405	183	281
of which: new debt	3	4	10	15	20	135	169	325	357	50	217
Exports of goods and services, three year average	6,409	6,814	8,067	8,878	9,494	13,037	17,060	21,897	22,993	9,771	18,123
Exports of goods and services ³	7,097	8,322	8,782	9,528	10,170	13,763	17,937	22,977	24,121	10,550	19,053
Government revenue	2,395	2,624	2,943	3,347	3,804	5,675	8,183	11,645	12,500	3,956	8,993
B. Sensitivity Analysis											
B-1. Export Shock ⁴											
PV of debt-to-exports ratio 2	57.5	77.4	84.2	92.1	84.7	40.1	41.6	39.5	38.4	71.8	40.7
Debt service-to-export ratio	3.4	1.4	1.5	1.7	1.8	2.3	1.6	2.1	2.2	2.2	1.9
Debt service-to-revenue ratio	9.0	3.5	3.6	3.8	3.7	4.3	2.7	3.2	3.2	4.7	3.1
Memorandum items (in millions of U.S. dollars)											
PV of debt	3,683	4,955	5,976	6,723	6,501	4,226	5,737	6,984	7,144	5,747	5,945
of which: new debt	1,689	2,993	4,058	4,863	5,082	3,309	5,090	6,481	6,672	4,281	5,304
Debt service	216	92	107	126	140	244	220	373	405	183	281
of which: new debt	3	4	10	15	20	135	169	325	357	50	217
Exports of goods and services, three year average	6,409	6,406	7,099	7,300	7,675	10,539	13,791	17,702	18,588	8,181	14,651
Exports of goods and services ³	7,097	7,099	7,100	7,703	8,222	11,126	14,500	18,575	19,500	8,702	15,403
Government revenue	2,395	2,624	2,943	3,347	3,804	5,675	8,183	11,645	12,500	3,956	8,993
B-2. Less concessional financing shock ⁵											
PV of debt-to-exports ratio 2	59.2	78.0	80.5	83.1	76.8	43.4	45.3	42.4	41.2	68.9	44.1
Debt service-to-export ratio	3.1	1.2	1.4	1.6	1.7	2.4	2.0	2.4	2.4	2.1	2.2
Debt service-to-revenue ratio	9.2	3.8	4.2	4.6	4.6	5.8	4.3	4.7	4.6	5.6	4.7
Memorandum items (in millions of U.S. dollars)											
PV of debt	3,795	5,317	6,495	7,377	7,290	5,663	7,722	9,275	9,470	6,582	7,961
of which: new debt	1,800	3,355	4,576	5,518	5,871	4,746	7,075	8,772	8,997	5,116	7,319
Debt service	220	99	124	153	176	327	352	543	580	224	419
of which: new debt	7	11	26	42	55	218	302	495	532	90	355
Exports of goods and services, three year average	6,409	6,814	8,067	8,878	9,494	13,037	17,060	21,897	22,993	9,771	18,123
Exports of goods and services ³	7,097	8,322	8,782	9,528	10,170	13,763	17,937	22,977	24,121	10,550	19,053
Government revenue	2,395	2,624	2,943	3,347	3,804	5,675	8,183	11,645	12,500	3,956	8,993

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

¹ All debt indicators refer to public and publicly guaranteed debt after full delivery of debt relief (including debt relief beyond the HIPC Initiative and MDRI relief).

² Based on a three-year average of exports on the previous year (e.g., export average over 2005-07 for PV of debt-to-exports ratio in 2007).

³ Exports of goods and services as defined in *IMF, Balance of Payments Manual*, 5th edition, 1993.

⁴ Zero export growth in 2011-12 than baseline scenario.

⁵ Less concessional financing terms than baseline scenario. Grant element of new borrowing declines to below 24 percent at 2030.

Table 13: DRC: Delivery of IMF Assistance under the Enhanced HIPC Initiative and the MDRI
2003-2015¹

(In millions of SDRs, unless otherwise indicated)

	2003	2004	2005	2006	2007	2008	2009	2010		2011	2012	2013	2014	2015
	Aug-Dec							Jan-Jun	Jul-Dec					
I. Pre-MDRI Debt relief (under the HIPC Initiative only) 2/														
Projected debt service due on IMF obligations 3/	1.2	2.5	2.7	2.8	44.7	89.1	99.8	52.7	52.7	110.7	69.3	24.6	27.1	42.3
Principal	-	-	-	-	42.0	86.7	97.3	52.7	52.7	110.7	68.7	24.0	26.7	41.9
Interest 4/	1.2	2.5	2.7	2.8	2.7	2.4	2.5	0.1	-	-	0.6	0.5	0.5	0.4
HIPC assistance—deposits into member's Umbrella Account														
Interim assistance	1.1	1.1	1.1	-	-	-	45.7							
Completion point disbursement								281.6						
Completion point assistance 5/								231.2						
Completion point interest 6/								50.4						
IMF assistance—drawdown schedule from member's Umbrella Account	0.6	1.1	1.14	0.59	0.01	0.0	14.6	15.5	52.7	110.7	68.7	24.0	26.7	24.4
IMF assistance without interest	0.6	1.1	1.13	0.56	-	-	14.6	15.5	52.4	104.8	63.0	18.6	8.0	-
Estimated interest earnings 6/	-	0.005	0.01	0.03	0.01	0.0	0.0	0.0	0.3	5.9	5.7	5.4	18.7	24.4
Debt service due on current IMF obligations after IMF assistance	0.6	1.4	1.52	2.173	44.74	89.1	85.2	37.2	-	-	0.6	0.5	0.5	17.8
Delivery schedule of IMF assistance (in percent of the total assistance; on a flow basis)	0.2	0.4	0.4	0.2	-	-	5.2	5.5	18.7	37.4	22.5	6.6	2.8	-
Share of debt service due on IMF obligations covered by HIPC assistance (in percent)	48.0	45.0	42.9	21.3	0.0	0.0	14.6	29.5	100.0	100.0	99.1	97.9	98.3	57.8
Proportion (in percent) of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in Umbrella Account	50.4	50.7	50.7	20.3	-	-	34.8	29.5	99.5	94.7	91.7	77.4	29.9	-
II. Post-MDRI Debt relief (under both MDRI and HIPC Initiatives)								297.2						
Projected pre MDRI cutoff date debt at completion point 7/								248.1						
Delivery of debt relief (on stock basis) 8/:								248.1						
from the MDRI-I Trust								-						
from the HIPC Umbrella Account								248.1						
Delivery of remaining HIPC assistance for post MDRI cutoff date debt (on stock basis):								49.1						
III. Debt service due to the IMF after HIPC and MDRI debt relief														
Principal	0.6	1.4	1.5	2.2	44.7	89.1	85.2	37.2	-	-	0.4	0.4	0.4	27.9
Interest	-	-	-	-	42.0	86.7	82.7	37.1	-	-	-	-	-	27.5
	0.6	1.4	1.5	2.2	2.7	2.4	2.5	0.1	-	-	0.4	0.4	0.4	0.4

Source: Fund staff estimates and projections.

1/ Total IMF assistance under the enhanced HIPC Initiative amounts to SDR 337.5 million (US\$471.5 million) in NPV terms, slightly lower than the amount calculated at the decision point (SDR 337.8 million or US\$472.0 million) owing to debt revisions. Of this amount, SDR 57.2 million (equivalent to about US\$79.9 million) has been delivered through the concessional element associated with the disbursement of an ECF (formerly PRGF) loan following DRC's arrears clearance to the IMF in June 2002, which is counted toward the IMF's contribution to HIPC assistance. The amount of the concessional element is significantly lower than the SDR 109.6 million (US\$153.1 million) assumed at the time of the decision point, mainly reflecting lower than projected interest rates and shortening of the repayment period due to the MDRI stock delivery of debt relief at completion point. To ensure that DRC receives the full share of assistance from the Fund under the HIPC Initiative, Fund staff proposes that the amount of the grant assistance approved at the decision point (SDR 228.3 million) be increased by SDR 52 million to SDR 280.3 million in view of the lower than assumed concessional element associated with the ECF loan and taking into account the revisions of debt.

2/ Estimated delivery of HIPC assistance in the absence of MDRI decision.

3/ Data are actual through April 2010. Forthcoming obligations after April 2010 are based on schedules in effect as of end-April 2010. Interest obligations exclude net SDR charges and assessments.

4/ Effective January 7, 2010 interest charges on concessional loans are waived through 12/31/11. The Fund will review interest rates for all concessional facilities in late 2011 and every two years thereafter. After 2011, projected interest charges are based on 0.25 percent per annum for the ECF credit outstanding.

5/ A final disbursement of SDR 231.2 million will be deposited into Democratic Republic of Congo's Umbrella Account at the completion point in June 2010.

6/ Includes estimated interest earnings on: (a) amounts held in the Democratic Republic of Congo Umbrella Account; and (b) up to the completion point, amounts committed but not yet disbursed.

The projected interest earnings are estimated based on assumed interest rates which are gradually rising to 4.5 percent in 2015; actual interest earnings may be higher or lower.

7/ Associated with disbursements made prior to December 31, 2004.

8/ Due to an extended interim period and revision of the HIPC assistance, the estimated balance in member's Umbrella Account is sufficient to cover the remaining MDRI-eligible debt. As a result, there will be no resources needed from the MDRI-I Trust. The remaining HIPC resources after covering the MDRI-eligible debt will be used to cover part of debt contracted between end-2004 and completion point.

Table 14: DRC: Delivery of IDA Assistance under the Enhanced HIPC Initiative and the MDRI
2010-2044¹

(In millions of U.S. dollars, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Cumulative 2012-23	2010-44
I. Relief under the Enhanced HIPC Initiative																							
Debt service before HIPC assistance ¹	61.7	61.8	72.3	84.2	90.7	90.1	89.6	89.0	88.5	87.7	87.0	86.1	95.4	106.8	112.8	110.9	109.2	107.3	105.1	101.2	98.6	1,067.5	2,813.6
of which principal	43.1	43.4	54.3	66.7	73.7	73.7	73.7	73.7	73.7	73.5	73.3	72.9	82.7	94.9	101.6	100.4	99.5	98.3	96.9	93.7	91.8		
of which interest	18.6	18.3	18.0	17.5	17.0	16.5	15.9	15.4	14.8	14.3	13.7	13.2	12.6	12.0	11.2	10.5	9.7	9.0	8.2	7.5	6.8	180.9	316.9
Debt service after HIPC assistance ¹	18.5	18.5	25.4	33.9	40.7	40.4	40.2	40.0	39.7	39.5	39.2	39.0	45.6	53.8	60.5	59.9	59.4	69.4	105.1	101.2	98.6	477.5	1,946.2
of which principal	8.6	8.6	15.6	24.2	31.2	31.2	31.2	31.2	31.2	31.2	31.2	31.1	38.0	46.5	53.5	53.4	53.3	62.8	96.9	93.7	91.8	373.7	1,737.7
of which interest	10.0	9.9	9.8	9.7	9.5	9.3	9.0	8.8	8.6	8.3	8.1	7.9	7.6	7.3	6.9	6.5	6.1	6.7	8.2	7.5	6.8	103.8	208.5
Savings on debt service to IDA ²	43.2	43.2	46.9	50.3	50.0	49.7	49.4	49.1	48.7	48.2	47.8	47.1	49.8	53.0	52.4	50.9	49.8	37.9	0.0	0.0	0.0	590.0	867.4
of which principal	34.5	34.8	38.7	42.5	42.5	42.5	42.5	42.5	42.5	42.3	42.1	41.8	44.8	48.3	48.1	47.0	46.2	35.6	0.0	0.0	0.0	512.9	759.1
of which interest	8.7	8.4	8.2	7.9	7.5	7.2	6.9	6.6	6.3	5.9	5.6	5.3	5.0	4.7	4.3	3.9	3.6	2.3	0.0	0.0	0.0	77.1	108.3
II. Relief under the MDRI 3/																							
Projected stock of IDA credits outstanding at implementation date ⁴	2,467.5																						
Remaining IDA credits after MDRI	844.8																						
Debt stock reduction on eligible credits ³⁵	1,622.7																						
Due to HIPC relief ⁵	735.7																						
Due to MDRI	887.0																						
Debt service due after HIPC relief and MDRI	14.4	6.3	11.2	17.4	23.1	23.0	22.8	22.7	22.6	22.4	22.3	22.2	26.9	33.0	38.6	38.3	38.1	37.8	37.5	37.3	37.0	308.2	981.6
Memorandum item:																							
Debt service to IDA covered by HIPC assistance (in percent)	70.0	70.0	64.8	59.8	55.1	55.1	55.1	55.1	55.1	55.0	54.9	54.7	52.2	49.6	46.4	45.9	45.6	35.3	-	-	-	55.3	30.8
Debt service to IDA covered by HIPC assistance and MDRI (in percent)	76.6	89.7	84.5	79.3	74.6	74.5	74.5	74.5	74.5	74.4	74.3	74.2	71.8	69.1	65.8	65.5	65.2	64.8	64.3	63.2	62.4	71.1	65.1
IDA debt service relief under the MDRI (in SDR) ⁷	2.7	8.0	9.3	10.8	11.5	11.5	11.4	11.3	11.3	11.2	11.1	11.0	12.3	13.7	14.4	14.2	14.0	20.7	44.3	41.9	40.4	136.4	632.7

Source: IDA staff estimates

1/ Principal and interest due to IDA correspond to prorated projections on disbursed and outstanding debt as of end-December 2009, converted to U.S. dollar

2/ Enhanced HIPC assistance from January 2010 to November 2027

3/ Stock of debt and debt service denominated in SDRs are converted into U.S. dollar by applying the end-2009 exchange rate

4/ Stock of debt outstanding on September 30, 2010.

5/ Debt disbursed as of December, 31 2003 and still outstanding at the end-September 2010.

6/ IDA provided Enhanced HIPC debt relief through cancelling arrears to IDA and IBRD loans in arrears as of the decision point date.

7/ For SDR denominated credits, debt relief under the MDRI is estimated as debt service on SDR denominated credits minus USD-based HIPC debt relief on these credits. HIPC debt relief is converted into SDR equivalent amounts, from July 2009 onwards, by applying the IDA15 foreign exchange reference rate of 1.524480 U.S. dollars per SDR. For USD denominated credits, debt relief under the MDRI is estimated as debt service on USD denominated credits minus USD-based HIPC debt relief on these credits. The resulting MDRI debt relief amounts are converted into SDR equivalent amounts by applying the IDA15 foreign exchange reference rate.

**Table 15: DRC: Paris Club Creditors' Delivery of Debt Relief Under Bilateral Initiatives
Beyond the HIPC Initiative ¹**

Countries covered		ODA (in percent)		Non-ODA (in percent)		Provision of relief	
		Pre-cutoff date debt	Post-cutoff date debt	Pre-cutoff date debt	Post-cutoff date debt	Decision point (In percent)	Completion point
(1)		(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100	-	-
Austria	HIPCs	100	-	100	-	Case-by-case, flow	Stock
Belgium	HIPCs	100	100	100	-	100 flow	Stock
Canada	HIPCs ²	- ^{3/}	- ^{3/}	100	100	100 flow	Stock
Denmark	HIPCs	100	100 ^{4/}	100	100 ^{4/}	100 flow	Stock
France	HIPCs	100	100	100	-	100 flow ^{5/}	Stock
Finland	HIPCs	100	- ^{6/}	100	- ^{6/}	-	-
Germany	HIPCs	100	100	100	100	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 ^{7/}	100	100 ^{7/}	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands, the	HIPCs	100 ^{8/}	100	100	-	90-100 flow ^{8/}	Stock ^{8/}
Norway	HIPCs	9/	9/	10/	10/	-	-
Russia	HIPCS	- ^{11/}	- ^{11/}	100	100	-	Stock
Spain	HIPCs	100	Case-by-case	100	Case-by-case	-	Stock
Sweden	HIPCs	-	- ^{12/}	100	-	-	Stock
Switzerland	HIPCs	- ^{13/}	- ^{13/}	90-100 ^{14/}	-	90-100 flow	Stock
United Kingdom	HIPCs	100	100	100	100 ^{15/}	100 flow ^{15/}	Stock
United States	HIPCs	100	100	100	100 ^{16/}	100 flow	Stock

Source: Paris Club Secretariat.

¹ Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table indicates that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

² Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 13 out of 17 HIPCs with debt service due to Canada. Eligible countries are Benin, Bolivia, Cameroon, Dem. Rep. Of Congo, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Rwanda, Senegal, Tanzania, and Zambia. 100% cancellation will be granted at completion point. As of July 2004, Canada has provided completion point stock of debt cancellation for Benin, Bolivia, Guyana, Senegal and Tanzania.

³ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.

⁴ Denmark provides 100 percent cancellation of ODA loans and non-ODA credits contracted and disbursed before September 27, 1999.

⁵ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims on the government as they fall due starting at the decision point. Once countries have reached their completion point, debt relief on ODA claims on the government will go to a special account and will be used for specific development projects.

⁶ Finland: no post-COD claims

⁷ Italy: cancellation of 100 percent of all debts (pre- and post-cutoff date, ODA and non-ODA) incurred before June 20, 1999 (the Cologne Summit). At decision point, cancellation of the related amounts falling due in the interim period. At completion point, cancellation of the stock of remaining debt.

⁸ The Netherlands: 100 percent ODA (pre- and post-cutoff date debt will be cancelled at decision point); for non-ODA: in some particular cases (Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Zambia), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPCs will receive 100 per cent cancellation of the remaining stock of the pre-cutoff date debt.

⁹ Norway has cancelled all ODA claims.

¹⁰ Due to the current World Bank/IMF methodology for recalculating debt reduction needs at HIPC completion point, Norway has postponed the decisions on whether or not to grant 100% debt reduction until after the completion point.

¹¹ Russia has no ODA claims

¹² Sweden has no ODA claims.

¹³ Switzerland has cancelled all ODA claims.

¹⁴ In some particular cases (Central African Republic, Liberia, Republic of Congo, Sierra Leone, Togo), Switzerland will write off 100 percent of the remaining debt stock at completion point; all other HIPCs will receive debt relief according to Paris Club terms.

¹⁵ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at the decision point of any debt service paid before the decision point.

¹⁶ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to June 20, 1999 (the Cologne Summit).

Table 16: DRC: HIPC Initiative: Status of Country Cases Considered Under the Initiative

Country	Decision Point	Completion Point	Target NPV of Debt-to-		Assistance Levels 1/					Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
			Exports (in percent)	Gov. revenue	(In millions of U.S. dollars, present value)						
					Total	commercial	Total	IMF	World Bank		
Completion point reached under enhanced framework (28)											
Afghanistan	Jul. 07	Jan. 10	150		582	446	136	-	76	51	1,280
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
<i>original framework</i>	Sep. 97	Sep. 98	225		448	157	291	29	54	14	760
<i>enhanced framework</i>	Feb. 00	Jun. 01	150		854	268	585	55	140	30	1,300
Burkina Faso					553	83	469	57	231		930
<i>original framework</i>	Sep. 97	Jul. 00	205		229	32	196	22	91	27	400
<i>enhanced framework</i>	Jul. 00	Apr. 02	150		195	35	161	22	79	30	300
<i>topping-up</i>	...	Apr. 02	150		129	16	112	14	61	24	230
Burundi	Aug. 05	Jan. 09	150		833	127	706	28	425	92	1,366
Cameroon	Oct. 00	Apr. 06	150		1,267	879	322	37	176	27	4,917
Central African Rep.	Sept. 07	Jun. 09	150		578	186	362	27	207	68	804
Congo Rep. of	Mar. 06	Jan. 10		250	1,575	1,462	113	8	47	31	1,738
Ethiopia					1,982	637	1,315	60	832		3,275
<i>enhanced framework</i>	Nov. 01	Apr. 04	150		1,275	482	763	34	463	47	1,941
<i>topping-up</i>		Apr. 04	150		707	155	552	26	369	31	1,334
Gambia, The	Dec. 00	Dec. 07	150		67	17	49	2	22	27	112
Ghana	Feb. 02	Jul. 04	144	250	2,186	1,084	1,102	112	781	56	3,500
Guyana					591	223	367	75	68		1,354
<i>original framework</i>	Dec. 97	May 99	107	280	256	91	165	35	27	24	634
<i>enhanced framework</i>	Nov. 00	Dec. 03	150	250	335	132	202	40	41	40	719
Haiti	Nov. 06	Jun. 09	150		140	20	120	3	53	15	213
Honduras	Jul. 00	Mar. 05	110	250	556	215	340	30	98	18	1,000
Madagascar	Dec. 00	Oct. 04	150		836	474	362	19	252	40	1,900
Malawi					1,057	171	886	45	622		1,628
<i>enhanced framework</i>	Dec. 00	Aug. 06	150		646	164	482	30	333	44	1,025
<i>topping-up</i>	...	Aug. 06	150		411	7	404	15	289	35	603
Mali					539	169	370	59	185		895
<i>original framework</i>	Sep. 98	Sep. 00	200		121	37	84	14	43	9	220
<i>enhanced framework</i>	Sep. 00	Mar. 03	150		417	132	285	45	143	29	675
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50	1,100
Mozambique					2,023	1,270	753	143	443		4,300
<i>original framework</i>	Apr. 98	Jun. 99	200		1,717	1,076	641	125	381	63	3,700
<i>enhanced framework</i>	Apr. 00	Sep. 01	150		306	194	112	18	62	27	600
Nicaragua	Dec. 00	Jan. 04	150		3,308	2,175	1,134	82	191	73	4,500
Niger					663	235	428	42	240		1,190
<i>enhanced framework</i>	Dec. 00	Apr. 04	150		521	211	309	28	170	53	944
<i>topping-up</i>	...	Apr. 04	150		143	23	119	14	70	25	246
Rwanda					696	65	631	63	383		1,316
<i>enhanced framework</i>	Dec. 00	Apr. 05	150		452	56	397	44	228	71	839
<i>topping-up</i>	...	Apr. 05	150		243	9	235	20	154	53	477
São Tomé and Príncipe					124	31	93	1	47	128	263
<i>enhanced framework</i>	Dec. 00	Mar. 07	150		99	29	70	-	24	83	215
<i>topping-up</i>	...	Mar. 07	150		25	2	23	1	23	45	49
Senegal	Jun. 00	Apr. 04	133	250	488	212	276	45	124	19	850
Sierra Leone	Mar. 02	Dec. 06	150		675	335	340	125	123	81	994
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54	3,000
Uganda					1,003	183	820	160	517		1,950
<i>original framework</i>	Apr. 97	Apr. 98	202		347	73	274	69	160	20	650
<i>enhanced framework</i>	Feb. 00	May 00	150		656	110	546	91	357	37	1,300
Zambia	Dec. 00	Apr. 05	150		2,499	1,168	1,331	602	493	63	3,900
Decision point reached under enhanced framework (7)											
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Cote d'Ivoire	Mar. 09	Floating		250	3,005	2,311	694	38	402	24	3,129
Congo, Democratic Rep. of	Jul. 03	Floating	150		6,311	3,837	2,474	472	831	80	10,389
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Liberia	Mar. 08	Floating	150		2,846	1,420	1,426	732	375	91	4,008
Togo	Nov. 08	Floating		250	270	120	150	0.3	98	19	360
Total assistance provided/committed					42,597	21,786	20,682	3,406	3/	9,728	70,529

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Equivalent to SDR 2181.98 million at an SDR/USD exchange rate of 0.640563, as of January 27, 2010.

Appendix 1: DRC: Debt Management

1. **DGDP is a department within the Ministry of Finance responsible for the analysis and management of the public debt portfolio.** At the time of its creation in 1976, DGDP was an autonomous public agency; however, recent evolutions in the legal framework as of 2009 have integrated DGDP into the Ministry of Finance.

Legal Framework:

2. **While allowing for the centralization of responsibility for the public debt portfolio at DGDP, the integration of DGDP into the Ministry of Finance has also required DGDP to integrate itself into new procedural arrangements that can lead to lengthy delays in information sharing and decision making.** It has also necessitated a concerted effort to sensitize government agencies, public enterprises, provincial governments and the general public as to DGDP's role. Informational road shows explaining the legal mandate as well as the Action Plan have been undertaken regularly since November 2009 with the help of external funding, and the government is currently preparing a progress report on these activities.

Staff Capacity:

3. **Six staff members were trained in the use of DMFAS at the time of its installation, but there has not been a comprehensive training since that time and debt managers are still unfamiliar with some of the system's more advanced functions.** Human error remains a common issue in data entry and retrieval, as instructions are often transposed by hand and back-office personnel are generally unfamiliar with financial conventions. With additional training for personnel, such operational risks could be minimized. DGDP has elaborated a manual of procedures that would govern the process of entering and retrieving information; however, they are still awaiting approval of this document and are not closely following it currently. Difficulties in staff capacity can also be traced to the departure of key trained personnel.

Debt Strategy and Policy Coordination:

4. **DGDP currently does not have an approved debt management strategy; though in principle it follows commonly accepted practice such as the maximization of concessional debt with at least a 35 percent grant element.** The elaboration of a comprehensive debt management strategy is included in the matrix of reforms and will require the approval of the Minister of Finance. DGDP needs to elaborate an action plan to improve upon coordination with monetary and fiscal authorities. At present, the ability of DGDP to supply the Ministry of Budget with reliable and timely debt projections is limited by its ability to receive this data from other agencies and synthesize it in the appropriate timeframe.

Debt Records and Reporting:

5. **Frictions in the expenditure chain are such that payment information is slow in reaching the Central Bank and can result in late payments and charges even if the order of payment is given over a month in advance of the payment date.** Since DGDP is only notified that a payment has been made after the fact, this means that payment records are updated with some delay. In an effort to ensure accuracy, DGDP does not officially record payments until creditors confirm they have been received, which leads to additional delays in data recording as some creditors do not respond in a timely manner. This is a contributing factor to continuing inconsistencies in the debt database. While Ministries of Finance and Budget, as well as the Central Bank and Treasury meet once a month to reconcile payment data, a new web-based version of DMFAS would connect DGDP electronically to these agencies and shorten the time necessary for payments to be effected. DGDP has laid the groundwork for the upgrade with the assistance of UNCTAD and is awaiting sufficient donor financing.

6. **The problem of accurate recording is even more severe in the case of disbursements, and is the principal reason why a majority of the disbursement data needed to be updated during the debt reconciliation mission.** Disbursements are made directly to the end user and do not pass through DGDP in any form. While the recipient entities are expected to report disbursements to DGDP they often do not. There currently is an effort underway to centralize this data through a platform at the Ministry of Planning; however, it is not fully functional.

7. **Three annual debt statistical bulletins were published at end 2008, 2009, and March 2010.** The last, which includes debt data assessed at December 31, 2009, is consistent with international standards and with IDA and IMF current practice, in terms of scope and information content. They are available on the government's website.

Appendix 2: DRC: Debt Sustainability Analysis Using The Low-Income Country Framework

As in the case of the most recent LIC DSA conducted in December 2009, the DRC would continue to face a high risk of debt distress after receiving debt relief from all creditors under the Enhanced Heavily Indebted Poor Country (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI). The present value (PV) of external debt-to-GDP indicator breaches the policy-dependent threshold in the baseline scenario and the external debt outlook is vulnerable to adverse shocks. However, the breach is relatively small and short-lived and is mainly due to the inclusion of debt related to a public guarantee on external borrowing to finance public infrastructure projects under the Sino-Congolese Cooperation Agreement (SCCA). Without the guarantee, all external debt indicators would remain well below their respective thresholds and the risks to debt sustainability therefore appear to be manageable.

Background

1. **This debt sustainability analysis (LIC DSA) for DRC assesses its public and external debt dynamics using the forward-looking debt sustainability framework (DSF) for low-income countries.** The LIC DSA uses the reconciled debt database prepared for the completion point HIPC DSA, and incorporates the impact of HIPC, additional bilateral assistance beyond HIPC, and MDRI relief in the baseline scenario. The LIC DSA and the HIPC DSA share the same macroeconomic assumptions in the baseline and alternative scenarios but differ in four key areas: (i) the discount rate for the LIC DSA is fixed at 4 percent, compared to the currency-specific 6-month averages of commercial interest reference rates for the HIPC DSA; (ii) the LIC DSA uses exchange rate projections from the *World Economic Outlook* instead of actual exchange rates at end-2009 used for the HIPC DSA; (iii) exports used for the debt burden indicators in the LIC DSA are the latest projections rather than three-year backward-looking averages and (iv) the baseline in the LIC DSA assumes that IDA assistance is delivered in the form of concessional loans rather than mainly grants as in the HIPC DSA.

2. In the LIC DSA framework the present value (PV) of the DRC's public and publicly guaranteed (PPG) external debt is US\$2.4 billion (23.8 percent of GDP) at end 2009, assuming full delivery of HIPC and MDRI assistance. Around three-fifths of this debt would be owed to multilateral creditors, with the balance owed to official bilateral and commercial creditors almost equally (18 and 20 percent respectively). The bulk of external debt owed to commercial creditors is a public guarantee on loans for public infrastructure projects provided under the terms of the SCCA.³⁶

3. **The DRC has made good-faith efforts to normalize relations with all external creditors.** The DRC has not accumulated arrears with multilateral creditors since the commencement of the current ECF arrangement in July 2009.³⁷ In February 2010, Paris Club agreed to reschedule DRC's debt under exceptional terms, which reduced debt service

³⁶ Details of this agreement are outlined in EBS/09/191 Supp. 1 (Box 3) and IDA/SecM2010-0285 (Box 2).

³⁷ See discussion on non-accumulation of external arrears in accompanying IMF Staff Report.

(including arrears) due by some 97 percent over the period July 2009 to June 2012 (the period covered by the current ECF arrangement). DRC authorities then requested comparable terms from its other creditors. They have maintained contact with their creditors to keep them informed about ongoing developments with the Paris Club and the HIPC completion point process more generally, and have engaged in negotiations to make interim debt service payments taking into account their limited fiscal capacity.

External Debt Sustainability Analysis

4. **The baseline scenario in this DSA assumes a strong recovery in economic activity over the medium term, supported by large investments in mining and public infrastructure projects.** In particular, it assumes that the security situation stabilizes and that the government adopts prudent macroeconomic policies and makes significant progress on key structural reforms, including strengthening tax collection, improving budget preparation and execution, and reforming the civil service. The near-term outlook is dominated by a rebound in world commodity prices (copper in particular) and external demand associated with the global economic recovery, followed by a strong recovery over the medium term fueled by a US\$3.2 billion investment in a mining project along with US\$3 billion in investments in public infrastructure projects envisaged under the SCCA. Real GDP growth is projected to increase from 2.8 percent in 2009 to an average rate of 6.8 percent in 2010-15 and then gradually decline to 4.4 percent in the long run.

5. **Government revenues (excluding grants) are projected to rebound from 17 percent of GDP in 2009 to 20 percent in 2010, and then increase gradually to just under 24 percent over the long term.** Meanwhile grants drop sharply from 11.7 percent of GDP in 2009 to 6.6 percent in 2010 and then decline gradually to under 4 percent in the long run.

6. **The current account deficit widens dramatically from 10 percent of GDP in 2009 to over 20 percent in 2010-11, mainly due to a large increase in imported factors used in the mining and public infrastructure projects.** The deficit narrows thereafter as mining exports expand and investment-related imports diminish over time, gradually declining below 4 percent of GDP by the end of the 20-year projection horizon. Much of the widening in the current account deficit in 2010-11 is covered by net foreign direct investment (FDI), which increases from 5.7 percent of GDP in 2000 to 8.6 percent in 2011 and then quickly falls back to 5.6 percent in 2013. The surge in FDI inflows reflects foreign investment in a series of mining projects planned over the next few years (notably those financed under the SCCA).

7. **External financing in the short term is dominated by loans disbursed to fund public infrastructure projects under the SCCA, which account for over one half of gross borrowing needs over the period 2010–14.** The average grant element of new borrowing rises steadily from 20 percent in 2010-11³⁸ to just over 48 percent in 2015-16 and

³⁸ The average grant element on new borrowing is well below the 35 percent grant element required to qualify as concessional under the current ECF arrangement. This is because the concessionality calculation used to assess the average grant element under the terms of an IMF program uses a much higher discount rate than that used in the LIC DSA. For example, the public infrastructure financed under the terms of the SCCA have a grant

(continued)

then declines gradually to under 45 percent in the long run. This profile reflects three factors: (i) public infrastructure loans disbursed under the SCCA in 2010-14 have a much lower grant element (2 percent) than other sources of external financing; (ii) IMF purchases under the current ECF arrangement have a lower grant element than funds provided by other multilateral creditors; and (iii) the country makes a gradual transition away depending exclusively on external financing from multilateral creditors to financing from official bilateral creditors as the economy develops over time.

8. **The baseline scenario assumes that the HIPC completion point is reached in June 2010.** Under the assumption that all creditors provide debt relief under the HIPC/MDRI Initiatives, the PV of PPG external debt at end-2009 would be US\$2.4 billion, an amount equal to 24.1 percent of GDP, 52.6 percent of exports and 141.1 percent of government revenue (excluding grants). Each of the three external debt indicators are well below the policy-dependent threshold levels of 30 percent, 100 percent and 200 percent, respectively.³⁹ By contrast, in the most recent LIC DSA,⁴⁰ the PV of PPG external debt at end-2009 was US\$11.5 billion in the baseline scenario, which assumed that creditors would provide interim HIPC relief but did not assume that the completion point would be reached. In that scenario, all three external debt indicators were well above the thresholds in 2009 (104 percent of GDP, 256 percent of exports and 572 percent of government revenue), and for most of the 20-year projection period, indicating that the DRC was in debt distress.

9. **Under the baseline scenario, one external debt burden indicator breaches the policy-dependent threshold** (Figure 1). The PV of external debt burden is projected to increase sharply over the medium term, with the PV of external debt reaching US\$6.7 billion in 2016, almost three times the level in 2009. The external debt-to-GDP indicator breaches the 30 percent threshold over a six-year period (2011–16), averaging 36 percent in 2012–15.

10. **The significant increase in the external debt indicators over the medium term is mainly due to a public guarantee on external borrowing to finance public infrastructure projects under the SCCA.** Under an alternative (counterfactual) scenario where the DRC government did not provide the public guarantee, all external debt indicators would be well below their respective thresholds (Figure 2). The public infrastructure loans are repaid from operating profits on a mining project also financed under the SCCA.⁴¹ The inclusion of the public guarantee in the baseline scenario therefore substantially overstates the risk of debt distress.

element of 38 percent based on the appropriate discount factor of 6.4 percent for the U.S. dollar, compared to a grant element of only 2 percent based on a discount factor of 4 percent used in the LIC DSA.

³⁹ With an average CPIA rating of 2.80 in 2006–08, the DRC is classified having a weak policy framework.

⁴⁰ Done in November 2009 (EBS/09/191 Supp. 1), and IDA/SecM2010-0285.

⁴¹ Calculations based on a model of income generated by the mining project developed by the DRC authorities predict that the net operating profits from the mining project would fully repay the public infrastructure loans by 2018, 16 years before the public guarantee would be invoked. Moreover, net operating income would have to decline by 65 percent of the amount projected in the baseline scenario in order for the public guarantee to be invoked.

11. **The baseline projections are subject to significant downside risks.** Given the DRC's high dependence on mining exports, the external account and overall economic outlook remains highly vulnerable to adverse terms-of-trade shocks. Moreover, poor governance, unresolved security issues, weak implementation capacity and lower than envisaged donor support could also worsen the external debt outlook significantly.

12. **The external debt outlook is vulnerable to large adverse shocks.** All three debt burden indicators exceed the thresholds under the most extreme stress tests. The debt profile is most vulnerable to two shocks in particular: (1) less concessional terms of external financing; and (2) a sharp drop in exports in 2010-11 (Figure 1). With regard to the latter, the external debt-to-exports indicator breaches the threshold by a wide margin and remains above the threshold throughout most of the 20-year projection period. This is because of the large magnitude of the export shock. Under this stress test, exports decline by some 38 percent in 2011-12, compared to a 19 percent increase in the baseline scenario. Under a less extreme stress test where export growth is zero in 2011-12, the external debt-to-export indicator would not breach the threshold. Under the historical scenario, the external debt burden indicators decline rapidly. This reflects the fact that the country did not have access to external financing during the conflict period, which acted to restrict the noninterest current account deficit.

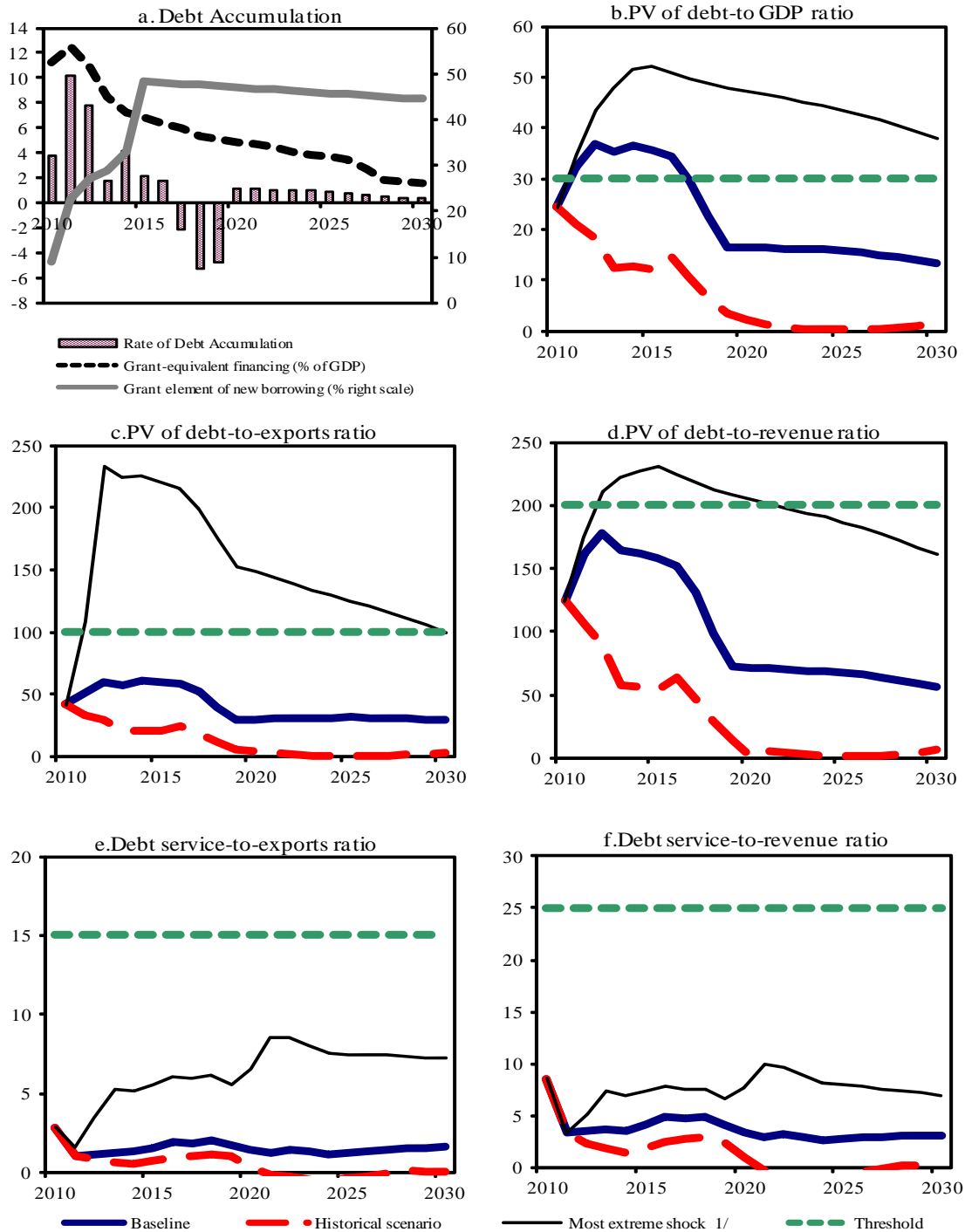
Public Debt Sustainability Analysis

13. **The DRC's domestic debt is relatively low and as a result, the above sustainability analysis for external debt broadly applies to total public debt, albeit with slightly higher debt burden indicators** (Figure 3). Although information on domestic debt is poor, the authorities recently provided updated estimates on claims of about US\$1.2 billion at end-2009 (11 percent of GDP). These claims are mainly from suppliers, public enterprises and public sector employees dating back to the period of conflict in the 1990s. The authorities are in the process of developing a strategy to deal with these claims.

Conclusion

14. **The LIC DSA indicates that the DRC faces a high risk of debt distress after receiving debt relief from all creditors under the Enhanced HIPC/MDRI Initiatives.** The external debt-to-GDP indicator breaches the policy-dependent threshold in the baseline scenario. The breach is relatively small and short-lived and is mainly due to a public guarantee on public infrastructure loans under the SCCA, but the projections are subject to significant downside risks which tip the balance toward a high risk rating.

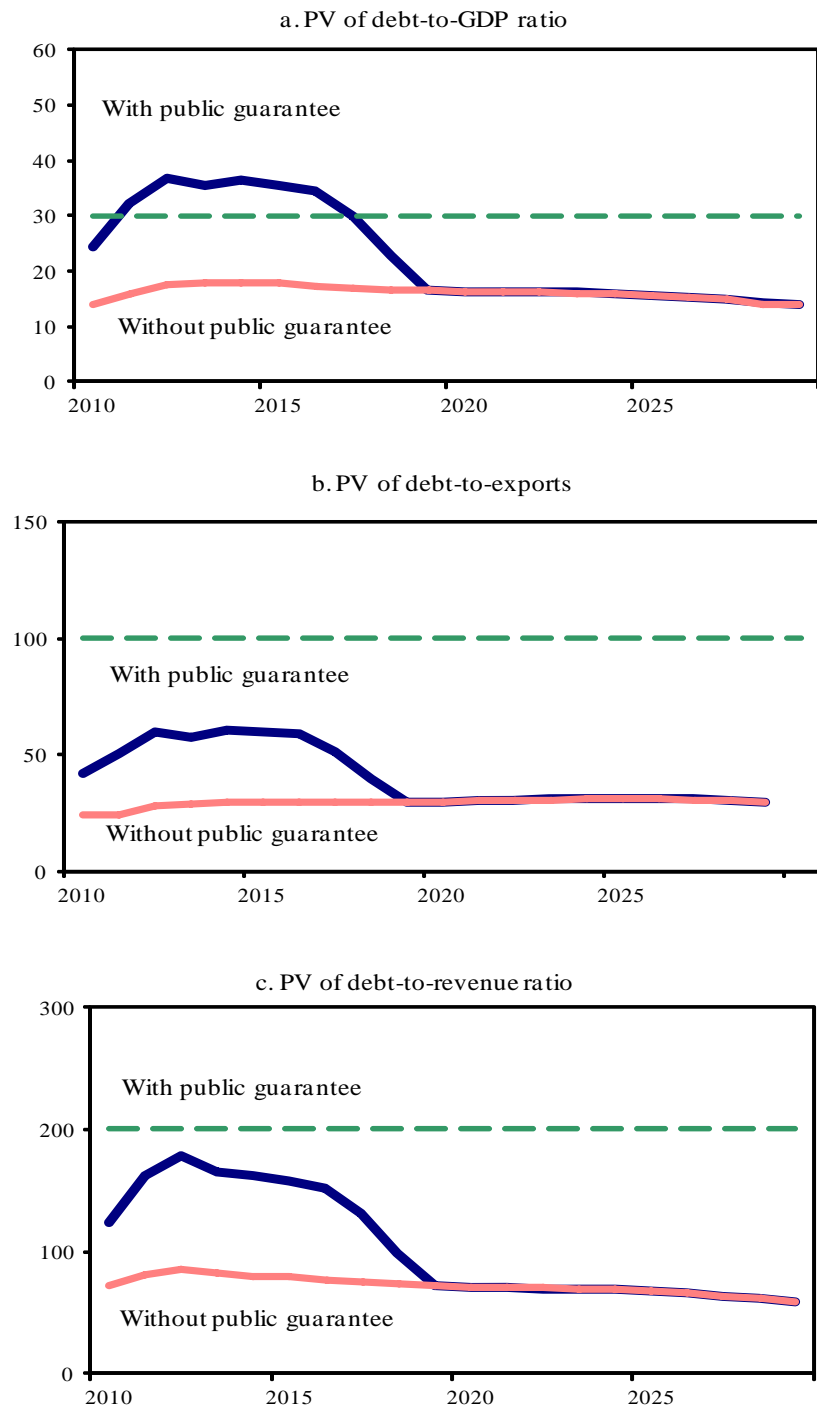
Figure 1. DRC: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.

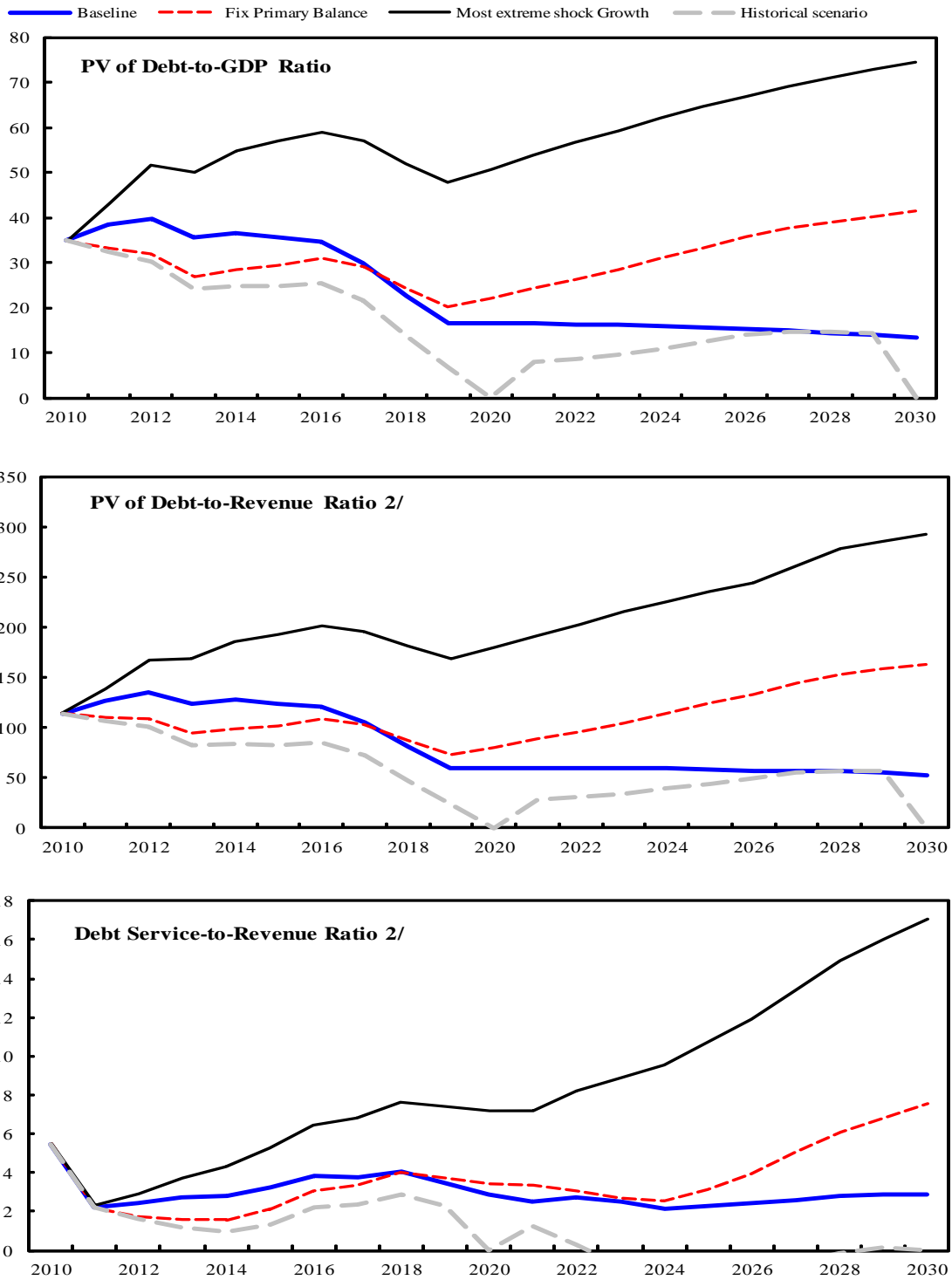
1/ The most extreme stress test is the test that yields the highest ratio in 2020. In figure b. it corresponds to a Terms shock; in c. to a Exports shock; in d. to a Terms shock; in e. to a Exports shock and in figure f. to a Terms shock

Figure 2. Indicators of Public and Publicly Guaranteed External Debt with and without Public Guarantee on Public Infrastructure Projects, 2010-2030



Sources: Country authorities; and staff estimates and projections.

Figure 3.DRC: Indicators of Public Debt Under Alternative Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2020.

2/ Revenues are defined inclusive of grants.

Table 1: External Debt Sustainability Framework, Baseline Scenario, 2007-2030 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average	Standard Deviation	Projections											
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-2015 Average		2020	2030	2016-2030 Average	
External debt (nominal) 1/	125.7	132.5	21.1			25.5	35.0	41.1	43.6	45.2	44.7					26.5	20.6
o/w public and publicly guaranteed (PPG)	125.7	132.5	21.1			25.5	35.0	41.1	43.6	45.2	44.7					26.5	20.6
Change in external debt	-22.9	6.8	-111.3			4.4	9.5	6.1	2.5	1.6	-0.5					-0.2	-1.0
Identified net debt-creating flows	-20.2	-16.0	12.6			13.4	11.3	8.4	5.4	0.2	-1.0					1.3	-1.4
Non-interest current account deficit	-2.5	12.7	7.1	4.7	4.6	20.4	21.3	17.8	13.2	7.3	6.3					7.2	3.8
Deficit in balance of goods and services	3.4	15.1	15.9			19.7	20.0	15.8	15.5	9.5	8.4					9.0	4.0
Exports	65.2	61.3	45.8			58.2	63.1	61.6	61.3	60.4	59.5					54.8	45.5
Imports	68.6	76.4	61.7			77.9	83.0	77.4	76.8	69.9	67.8					63.9	49.5
Net current transfers (negative = inflow)	-8.6	-10.6	-12.8	-7.4	2.8	-7.3	-6.6	-6.3	-6.1	-6.0	-5.9					-5.4	-4.3
o/w official	-7.4	-8.8	-11.7			-6.6	-5.9	-5.5	-5.4	-5.3	-5.2					-4.7	-3.6
Other current account flows (negative = net inflow)	2.7	8.2	3.9			8.0	8.0	8.2	3.9	3.8	3.8					3.6	4.2
Net FDI (negative = inflow)	-3.7	-14.8	-5.7	-5.0	4.0	-6.6	-8.6	-7.4	-5.6	-5.4	-5.3					-5.0	-4.6
Endogenous debt dynamics 2/	-13.9	-13.9	11.3			-0.4	-1.5	-2.0	-2.3	-1.8	-2.0					-0.9	-0.7
Contribution from nominal interest rate	3.9	3.1	3.6			0.6	0.2	0.2	0.8	0.9	0.9					0.2	0.2
Contribution from real GDP growth	-8.2	-6.7	-4.0			-1.0	-1.6	-2.2	-3.0	-2.7	-2.9					-1.2	-0.9
Contribution from price and exchange rate changes	-9.7	-10.3	11.7			...	...	...	...	...	...					...	...
Residual (3-4) 3/	-2.7	22.8	-124.0			-9.0	-1.8	-2.3	-2.9	1.4	0.5					-1.5	0.4
o/w exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0					0.0	0.0
PV of external debt 4/	...	...	24.1			24.4	32.2	36.8	35.4	36.6	35.6					16.4	13.3
In percent of exports	...	...	52.6			42.0	51.0	59.7	57.8	60.6	59.9					29.9	29.1
PV of PPG external debt	...	...	24.1			24.4	32.2	36.8	35.4	36.6	35.6					16.4	13.3
In percent of exports	...	...	52.6			42.0	51.0	59.7	57.8	60.6	59.9					29.9	29.1
In percent of government revenues	...	...	141.1			124.3	161.7	178.1	164.6	161.9	157.8					71.2	56.2
Debt service-to-exports ratio (in percent)	12.9	12.0	18.5			2.9	1.0	1.2	2.4	6.8	11.3					1.4	1.6
PPG debt service-to-exports ratio (in percent)	12.9	12.0	18.5			2.9	1.0	1.2	1.3	1.3	1.6					1.4	1.6
PPG debt service-to-revenue ratio (in percent)	57.2	39.9	49.7			8.5	3.3	3.5	3.6	3.5	4.1					3.4	3.1
Total gross financing need (Millions of U.S. dollars)	215.5	609.4	1075.6			1884.7	1766.2	1582.5	1411.2	1021.2	1399.6					812.4	6.8
Non-interest current account deficit that stabilizes debt ratio	20.4	5.8	118.4			16.0	11.8	11.7	10.7	5.7	6.8					7.4	4.9
Key macroeconomic assumptions																	
Real GDP growth (in percent)	6.3	6.2	2.8	3.5	4.6	5.4	7.0	6.8	8.1	6.7	7.0	6.8	4.7	4.4	4.7	4.7	4.7
GDP deflator in US dollar terms (change in percent)	7.0	8.9	-8.1	6.4	8.7	5.6	1.1	1.2	0.9	1.6	1.6	2.0	2.6	2.6	2.6	2.6	2.6
Effective interest rate (percent) 5/	3.0	2.9	2.6	1.7	1.3	3.4	0.8	0.6	2.1	2.3	2.2	1.9	0.9	0.9	0.9	0.9	0.9
Growth of exports of G&S (US dollar terms, in percent)	138.3	8.7	-29.4	22.9	44.5	41.4	17.3	5.5	8.5	6.7	7.0	14.4	5.7	5.0	5.5	5.7	5.5
Growth of imports of G&S (US dollar terms, in percent)	83.7	28.8	-23.6	27.2	27.3	40.4	15.3	0.7	8.1	-1.4	5.4	11.4	15.2	4.4	5.2	14.4	5.2
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	8.8	22.8	27.2	28.9	33.0	48.4	28.2	47.1	44.5	46.3	47.1	44.5
Government revenues (excluding grants, in percent of GDP)	14.7	18.5	17.1	...	...	19.6	19.9	20.7	21.5	22.6	22.6	...	23.1	23.6	23.2	23.1	23.6
Aid flows (in Millions of US dollars) 7/	429.4	359.5	874.4	...	...	1394.3	1891.0	1804.7	1587.9	1494.8	1540.7	...	1600.1	1113.2	...	1600.1	1113.2
o/w Grants	225.6	267.5	764.6	...	...	1294.3	1303.6	1206.2	1049.6	951.9	974.8	...	1008.8	617.0	...	1008.8	617.0
o/w Concessional loans	203.8	92.0	109.8	...	...	100.0	587.4	598.5	538.4	542.9	565.9	...	591.3	496.2	...	591.3	496.2
Grant-equivalent financing (in percent of GDP) 8/	...	...	...	...	...	11.3	12.5	10.9	8.5	7.3	6.8	...	4.9	1.6	...	4.9	1.6
Grant-equivalent financing (in percent of external financing) 8/	...	...	...	...	...	61.4	58.8	63.0	66.5	69.0	81.0	...	80.4	75.2	...	80.4	75.2
Memorandum items:																	
Nominal GDP (Millions of US dollars)	10028	11595	10958	...	...	12200	13193	14249	15539	16841	18297	...	26530	52959	...	26530	52959
Nominal dollar GDP growth	13.7	15.6	-5.5	...	...	11.3	8.1	8.0	9.1	8.4	8.6	8.9	7.5	7.1	...	7.5	7.1
PV of PPG external debt (in Millions of US dollars)	...	...	2388.4	...	...	2806.4	4050.7	5070.9	5327.4	5971.6	6333.2	...	4271.5	6893.4	...	4271.5	6893.4
(Pvt-Pvt-1)/GDpt-1 (in percent)	...	...	...	...	...	3.8	10.2	7.7	1.8	4.1	2.1	5.0	1.1	0.3	...	1.1	0.3
Gross remittances (Millions of US dollars)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
PV of PPG external debt (in percent of GDP + remittances)	...	...	24.1	...	...	24.4	32.2	36.8	35.4	36.6	35.6	...	16.4	13.3	...	16.4	13.3
PV of PPG external debt (in percent of exports + remittances)	...	...	52.6	...	...	42.0	51.0	59.7	57.8	60.6	59.9	...	29.9	29.1	...	29.9	29.1
Debt service of PPG external debt (in percent of exports + remittances)	...	...	18.5	...	...	2.9	1.0	1.2	1.3	1.3	1.6	...	1.4	1.6	...	1.4	1.6

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g)] / (1+g+\rho+g)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 2. DRC: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030
(In percent)

	Projections							
	2010	2011	2012	2013	2014	2015	2020	2030
PV of debt-to-GDP ratio								
Baseline	24	32	37	35	37	36	16	13
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	24	21	18	12	13	12	2	2
A2. New public sector loans on less favorable terms in 2010-2030 2	24	35	43	48	51	52	47	38
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	24	33	42	40	41	40	19	15
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	24	45	71	68	68	65	41	23
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	24	32	38	37	38	37	17	14
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	24	37	48	46	46	45	24	16
B5. Combination of B1-B4 using one-half standard deviation shocks	24	39	50	48	49	47	25	17
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	24	44	51	49	50	49	23	18
PV of debt-to-exports ratio								
Baseline	42	51	60	58	61	60	30	29
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	42	33	30	20	21	20	4	3
A2. New public sector loans on less favorable terms in 2010-2030 2	42	55	71	78	85	88	86	83
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	42	49	58	56	59	58	29	28
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	42	108	233	224	226	221	149	100
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	42	49	58	56	59	58	29	28
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	42	59	77	74	77	75	44	35
B5. Combination of B1-B4 using one-half standard deviation shocks	42	62	73	71	73	72	41	34
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	42	49	58	56	59	58	29	28
PV of debt-to-revenue ratio								
Baseline	124	162	178	165	162	158	71	56
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	124	106	89	58	57	53	0	6
A2. New public sector loans on less favorable terms in 2010-2030 2	124	175	211	222	228	231	205	161
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	124	167	201	186	183	179	81	64
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	124	228	346	317	300	289	176	96
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	124	160	185	170	168	164	74	59
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	124	188	230	212	205	199	105	68
B5. Combination of B1-B4 using one-half standard deviation shocks	124	197	241	222	215	209	108	72
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	124	220	245	226	223	218	99	78
Debt service-to-exports ratio								
Baseline	3	1	1	1	1	2	1	2
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	3	1	1	1	0	1	0	0
A2. New public sector loans on less favorable terms in 2010-2030 2	3	1	2	6	6	7	5	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	3	1	1	1	1	2	1	2
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	3	2	3	5	5	6	7	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	3	1	1	1	1	2	1	2
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	3	1	1	2	2	2	2	2
B5. Combination of B1-B4 using one-half standard deviation shocks	3	1	1	2	2	2	2	2
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	3	1	1	1	1	2	1	2
Debt service-to-revenue ratio								
Baseline	8	3	3	4	4	4	3	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	8	3	2	2	1	2	1	0
A2. New public sector loans on less favorable terms in 2010-2030 2	8	3	7	17	17	17	12	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	8	4	4	4	4	5	4	4
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	8	3	5	7	7	7	8	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	8	3	4	4	4	4	4	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	8	3	4	5	5	5	5	4
B5. Combination of B1-B4 using one-half standard deviation shocks	8	3	5	5	5	5	5	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	8	5	5	5	5	6	5	4
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	30	30	30	30	30	30	30	30

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 3. DRC: Public Sector Debt Sustainability Framework, Baseline Scenario, 2007-2030
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate						Projections			
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-15 Average	2020	2030	2016-30 Average
Public sector debt 1/	125.9	145.0	34.3			36.0	41.1	43.9	43.6	45.2	44.7		26.5	20.6	
o/w foreign-currency denominated	125.7	132.5	21.1			25.5	35.0	41.1	43.6	45.2	44.7		26.5	20.6	
Change in public sector debt	-23.3	19.1	-110.7			1.6	5.2	2.8	-0.3	1.6	-0.5		-0.2	-1.0	
Identified debt-creating flows	-31.5	0.8	-1.0			-3.7	4.6	2.4	0.8	0.0	-1.7		-0.5	-0.5	
Primary deficit	-1.7	-1.0	-0.2	1.6	2.9	3.3	8.5	6.1	4.4	3.3	1.7	4.5	1.2	0.7	0.7
Revenue and grants	17.0	20.8	24.0			30.4	30.1	29.4	28.5	28.5	28.7		27.5	25.3	
of which: grants	2.2	2.3	7.0			10.6	9.9	8.5	6.8	5.7	5.3		3.8	1.2	
Primary (noninterest) expenditure	15.2	19.8	23.9			33.7	38.6	35.5	33.0	31.8	30.4		28.7	26.0	
Automatic debt dynamics	-26.6	4.5	4.1			-5.4	-3.8	-3.7	-3.6	-3.2	-3.5		-1.6	-1.3	
Contribution from interest rate/growth differential	-14.1	-13.9	7.9			-4.6	-3.5	-3.3	-3.6	-3.2	-3.4		-1.6	-1.3	
of which: contribution from average real interest rate	-5.3	-6.6	11.9			-2.9	-1.2	-0.7	-0.3	-0.4	-0.4		-0.4	-0.3	
of which: contribution from real GDP growth	-8.8	-7.3	-4.0			-1.8	-2.3	-2.6	-3.3	-2.7	-3.0		-1.2	-0.9	
Contribution from real exchange rate depreciation	-12.6	18.4	-3.8			-0.8	-0.3	-0.4	0.0	-0.1	-0.1		...	...
Other identified debt-creating flows	-3.1	-2.7	-4.9			-1.5	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-3.1	-2.7	-4.9			-1.5	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	8.2	18.3	-109.7			5.3	0.5	0.4	-1.2	1.6	1.2		0.3	-0.5	
Other Sustainability Indicators															
PV of public sector debt	0.2	12.5	37.3			34.9	38.3	39.6	35.4	36.6	35.6		16.4	13.3	
o/w foreign-currency denominated	0.0	0.0	24.1			24.4	32.2	36.8	35.4	36.6	35.6		16.4	13.3	
o/w external	...	...	24.1			24.4	32.2	36.8	35.4	36.6	35.6		16.4	13.3	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	6.7	6.4	8.3			5.0	9.1	6.8	5.2	4.1	2.7		1.9	1.5	
PV of public sector debt-to-revenue and grants ratio (in percent)	1.4	60.4	155.0			114.5	127.1	134.7	124.2	128.3	124.2		59.7	52.5	
PV of public sector debt-to-revenue ratio (in percent)	1.6	68.0	218.3			175.7	189.1	189.0	162.7	160.1	152.5		69.2	55.1	
o/w external 3/	...	...	141.1			123.0	158.8	175.5	162.7	160.1	152.5		69.2	55.1	
Debt service-to-revenue and grants ratio (in percent) 4/	49.6	35.5	35.3			5.5	2.2	2.4	2.7	2.8	3.2		2.8	2.9	
Debt service-to-revenue ratio (in percent) 4/	57.2	39.9	49.7			8.4	3.3	3.4	3.6	3.5	4.0		3.3	3.0	
Primary deficit that stabilizes the debt-to-GDP ratio	21.6	-20.1	110.5			1.7	3.3	3.3	4.8	1.7	2.3		1.3	1.8	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	6.3	6.2	2.8	3.5	4.6	5.4	7.0	6.8	8.1	6.7	7.0	6.8	4.7	4.4	4.7
Average nominal interest rate on forex debt (in percent)	3.0	2.9	2.6	1.7	1.3	3.4	0.8	0.6	0.6	0.5	0.5	1.1	0.9	0.9	0.8
Average real interest rate on domestic debt (in percent)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Real exchange rate depreciation (in percent, + indicates depreciation)	-9.3	16.5	-2.6	-4.1	19.9	-4.0	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	17.9	18.9	33.3	105.7	184.1	24.3	12.6	9.7	8.0	8.5	7.9	11.8	6.7	6.7	6.9
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.1	0.4	0.2	0.2	0.2	0.5	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	...	...	8.8	22.8	27.2	28.9	33.0	48.4	28.2	47.1	44.5	...

Sources: Country authorities; and staff estimates and projections.

1/ Central government gross debt.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 4. DRC: Sensitivity Analysis for Key Indicators of Public Debt 2010-2030

	Projections							
	2010	2011	2012	2013	2014	2015	2020	2030
PV of Debt-to-GDP Ratio								
Baseline	35	38	40	35	37	36	16	13
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	35	32	30	24	25	25	0	0
A2. Primary balance is unchanged from 2010	35	33	32	27	28	29	22	41
A3. Permanently lower GDP growth 1/	35	39	41	38	40	40	30	62
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	35	43	51	50	55	57	51	75
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	35	34	34	30	32	31	12	10
B3. Combination of B1-B2 using one half standard deviation shocks	35	35	35	33	37	39	30	48
B4. One-time 30 percent real depreciation in 2011	35	49	49	42	43	42	22	19
B5. 10 percent of GDP increase in other debt-creating flows in 2011	35	48	49	45	45	44	24	19
PV of Debt-to-Revenue Ratio 2/								
Baseline	115	127	135	124	128	124	60	53
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	115	107	101	83	84	83	0	0
A2. Primary balance is unchanged from 2010	115	110	108	94	100	102	80	164
A3. Permanently lower GDP growth 1/	115	129	138	131	139	140	107	242
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	115	139	167	169	186	193	180	293
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	115	114	116	106	111	108	45	41
B3. Combination of B1-B2 using one half standard deviation shocks	115	113	114	112	127	132	108	189
B4. One-time 30 percent real depreciation in 2011	115	161	165	148	151	146	78	74
B5. 10 percent of GDP increase in other debt-creating flows in 2011	115	160	167	156	159	154	85	74
Debt Service-to-Revenue Ratio 2/								
Baseline	5	2	2	3	3	3	3	3
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	5	2	2	1	1	1	0	0
A2. Primary balance is unchanged from 2010	5	2	2	2	2	2	3	8
A3. Permanently lower GDP growth 1/	5	2	2	3	3	4	4	12
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	5	2	3	4	4	5	7	17
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	5	2	2	2	2	3	2	2
B3. Combination of B1-B2 using one half standard deviation shocks	5	2	2	2	2	3	4	10
B4. One-time 30 percent real depreciation in 2011	5	3	4	4	4	5	5	6
B5. 10 percent of GDP increase in other debt-creating flows in 2011	5	2	4	4	4	4	4	5

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.