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DEMOCRATIC REP. OF CONGO

Table 1	2021
Population, million	92.4
GDP, current US$ billion	59.5
GDP per capita, current US$	644.2
International poverty rate ($1.9)[a]	77.2
Lower middle-income poverty rate ($3.2)[a]	91.4
Upper middle-income poverty rate ($5.5)[a]	97.9
Gini index[a]	42.1
School enrollment, primary (% gross)[b]	118.5
Life expectancy at birth, years[b]	60.7
Total GHG Emissions (mtCO2e)	683.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2011 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2019).

Economic activity rebounded in 2021, with higher prices and production of copper and cobalt lifting GDP growth to an estimated 5.7 percent and supporting a narrower current account deficit. Reserves increased, easing pressures on the currency and inflation. Fiscal consolidation was achieved despite higher social and infrastructure spending. Continued uncertainty around the pandemic and local and international conflicts represent important risks to growth and poverty reduction.

Key conditions and challenges

The Democratic Republic of the Congo (DRC) has suffered from decades of conflict, poor governance, and volatile economic growth, which has led to persistently high levels of poverty. The economy is highly dependent on mineral extraction: copper and cobalt constitute over 80 percent of exports, with China absorbing 40 percent of exports. With its huge agriculture potential untapped, DRC is a net food importer, which increases vulnerabilities to external and climatic shocks. Structural constraints have led to an underdeveloped private sector and fostered a large informal economy. Improving the business environment and closing gaps in infrastructure and human capital are needed to achieve economic diversification and reduce commodity dependence.

DRC is led by a fragile coalition and political risks are high, a legacy of DRC's protracted periods of political unrest. Reaching political consensus and increasing the presence and credibility of the state, including through improved governance, will be key to maintain stability and advance structural reforms that will attract investments and create jobs. The need for the state to deliver more and better services to citizens means that expenditure-led adjustments to revenue shortfalls or external conditions could jeopardize not only long-term growth prospects and pro-poor spending but also political stability. Therefore, improving domestic revenue mobilization to widen fiscal space is crucial.

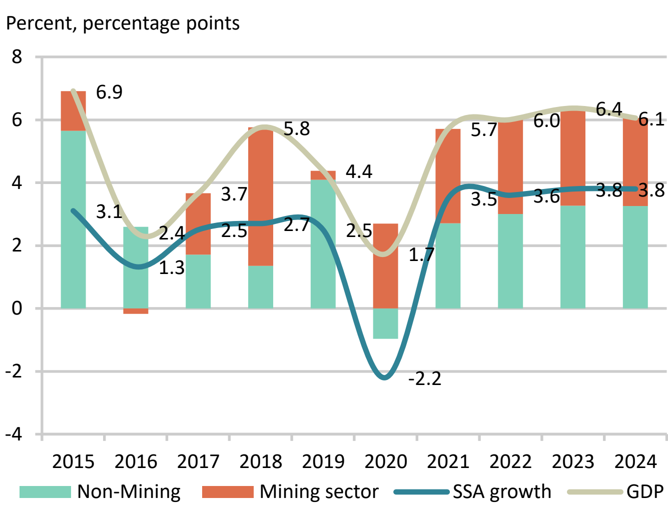
Poverty remains widespread, including in urban areas. Significant geographical disparities exist between provinces, with extreme poverty concentrated in central and northwestern provinces. DRC is second only to Nigeria in Sub-Saharan Africa in the number of extreme poor. Despite some improvements in recent years, social and human development indicators remain weak: in 2020, infant mortality was 63.8 per 1000 live births, higher than the Sub-Saharan average of 50.3, while the HCI of 0.37 is among the lowest of Sub-Saharan African countries.

Recent developments

Economic activity in DRC recovered strongly in 2021 with real GDP growth estimated at 5.7 percent. The mining sector was a key driver of growth- copper and cobalt production rose by 12.0 and 7.6 percent, respectively, as domestic production capacity increased with the launch in mid-2021 of the Kamoa-Kakula mining project. The easing of COVID restrictions, and higher revenues from the mining sector, which also benefited from rising prices, supported growth of non-mining sectors by 3.9 percent (2020: -1.3 percent).

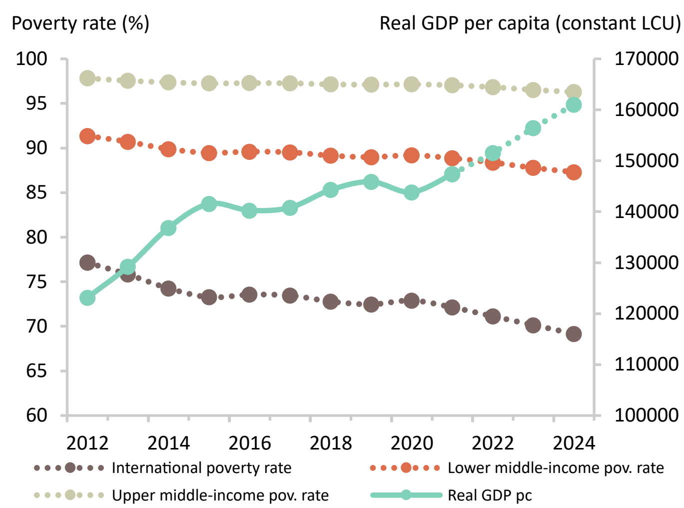
The CAD narrowed to about 1.0 percent of GDP in 2021 (2020: 2.2) due to improved terms of trade and higher mining exports volumes. Despite a small decline in foreign

FIGURE 1 Democratic Republic of Congo / Real GDP growth and sectoral contributions to real GDP growth



Sources: Democratic Republic of Congo Statistical Authorities, World Bank.

FIGURE 2 Democratic Republic of Congo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

direct investment, the narrower current account and the IMF's SDR allocation boosted international reserves, which reached 6.4 weeks of imports in 2021 (2020: 2.1 weeks). With a slower depreciation rate of the CDF and a deceleration in inflation (to 9.1 in 2021), the Central Bank progressively cut its policy rate from 18.5 percent in January 2021 to 8.5 percent in mid-June 2021 and to 7.5 percent in early 2022.

Fiscal accounts were balanced in 2021 (2020: -1.2 percent) owing to higher revenues despite pressure on social and public infrastructure spending that lifted public expenditure up to 13.1 percent of GDP in 2021 (2020:10.1). Domestic revenue collection increased to 11.2 percent of GDP (2020: 8.7) with higher income and value-added tax collections and a better performance in non-tax revenue (of which mining revenue accounts for 30 percent).

The latest World Bank projections put poverty at 72.1 percent in 2021, a 0.8 percentage points decrease compared to 2020.[1] Despite adverse effects of the COVID-19 pandemic, explaining a slight poverty increase in 2020 with job losses and reduced food consumption for 10 and 20 percent of households, respectively, according to COVID-19 High Frequency Phone surveys in Kinshasa, favorable economic prospects made it possible to reverse the trend by 2021.

1/ The projections, estimated using macroeconomic forecasts, are preliminary and as more data come from the ground, poverty projections will be updated.

Outlook

GDP growth is estimated to accelerate to 6.4 percent by 2023 driven by the services sector (mostly trade and telecommunication). The mining sector is expected to expand further in 2022 and pick up pace by 2024 as Kamoa-Kakula - aiming to become the second largest copper mine in the world- enters its second phase of production in late-2022.

The fiscal deficit could widen to about 2.7 percent by 2022 as the government is likely to provide some cushion to higher oil and food prices. The CAD is projected to narrow further in 2022 with a slight surplus estimated at 0.1 percent as higher commodity prices improve terms of trade (higher oil prices might accelerate further the demand for cobalt, a key component in rechargeable batteries).

Despite the lasting adverse effect of the pandemic, high population growth, and the Russian invasion, extreme poverty is projected to decrease by 2.8 percentage points by 2024 given favorable economic prospects.

DRC's economy remains vulnerable to commodity price movements and growth performance of its major trading partners which might be disturbed by geopolitical conflicts and a resurgence of the pandemic. The economic consequences of the Russian invasion and associated sanctions, through rising global food costs and higher oil prices, could exert strong pressure on inflation and on households' consumption, raising the burden on expenditures by up to 15 percent and subsequently reducing private consumption growth.

With the agriculture sector employing over 60 percent of the working age population, vulnerability to climate change related risks (floods, droughts) is substantial. Finally, continued political uncertainty ahead of planned 2023 presidential elections, might delay reform efforts, worsen fiscal imbalances and generate arrears. DRC's immediate challenge is to maintain political and macroeconomic stability while stepping up ongoing reforms to ensure sustainable growth.

TABLE 2 Democratic Republic of Congo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	4.4	1.7	5.7	6.0	6.4	6.1
Private Consumption	17.3	-8.0	1.6	1.5	2.0	2.2
Government Consumption	6.6	4.1	20.9	11.7	2.6	7.2
Gross Fixed Capital Investment	6.3	31.3	33.6	13.1	17.2	11.3
Exports, Goods and Services	1.4	8.0	14.9	12.5	8.0	8.0
Imports, Goods and Services	25.2	12.0	30.7	11.4	12.4	8.7
Real GDP growth, at constant factor prices	4.6	2.3	5.6	5.9	6.2	6.0
Agriculture	3.1	2.5	2.4	2.5	2.6	2.7
Industry	4.1	4.2	6.6	7.2	7.5	7.0
Services	5.7	0.1	5.6	5.7	6.1	6.0
Inflation (Consumer Price Index)	4.7	11.2	9.1	9.5	7.0	6.0
Current Account Balance (% of GDP)	-3.4	-2.2	-1.0	0.1	-0.5	-0.8
Fiscal Balance (% of GDP)	-2.0	-1.2	0.0	-2.7	-1.6	-1.1
Debt (% of GDP)	19.5	22.4	21.7	21.2	19.8	16.0
Primary Balance (% of GDP)	-1.8	-1.0	0.2	-2.2	-1.1	-1.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	72.5	72.9	72.1	71.1	70.1	69.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	89.0	89.2	88.9	88.4	87.8	87.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	97.1	97.2	97.1	96.8	96.5	96.3
GHG emissions growth (mtCO2e)	0.1	0.0	0.2	0.2	0.1	0.1
Energy related GHG emissions (% of total)	2.2	2.2	2.3	2.3	2.4	2.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on 2012-E123. Actual data: 2012. Nowcast: 2013-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2012) with pass-through = 0.7 based on GDP per capita in constant LCU.