

DEMOCRATIC REPUBLIC OF CONGO ON THE RISE

A SNAPSHOT OF AFRICA'S GROWTH

BY PAUL TRUSTFULL



IMF Chairman Christine Lagarde with Democratic Republic of Congo Minister of Finance Matata Ponyo Mapon

As the world recovers from the global financial crisis, numerous African economies are showing signs of becoming powerful economic engines, with growth rates in the high single digits. One of the standouts is the Democratic Republic of Congo.

Africa's Financial System Offers Potential

According to Matata Ponyo Mapon, minister of finance for the Democratic Republic of Congo (DRC), the structural integrity of Africa's financial system will impress the world with its amazing potential.

"While Africa was affected by the global crisis, it was able to withstand it. Africa succeeded in avoiding an even

deeper recession in 2009, thanks to prudent macroeconomic policies and financial support from its partners. In 2010, it began a recovery," he explains.

"Civil society is making its voice heard more effectively, and in many countries, nongovernmental stakeholders are demanding accountability on the part of leaders as to the way national resources are being used," says Mr. Mapon. "Countries are asserting ownership over development efforts, with

more emphasis on results, on building capacities and national systems, on the choice of policies, on reforms, and on aid coordination and effectiveness. In other words, Africa is not just coping, it is moving forward."

The DRC Leads the Way

At the forefront of this growth is the DRC, a large central African nation close in size to Western Europe. Despite previous political issues, current President Joseph Kabila has led the country in economic reforms and progress that continue to bring it prosperity.

In a recently released study entitled "The Post-Conflict Environmental Assessment of the DRC," the United Nations says that the DRC "has the capacity to become the driving force of Africa's economic development if its vast forests, water resources and trillions of dollars' worth of mineral reserves are used sensibly."

Minister of Finance Mapon captivated the audience at the annual meeting of the International Monetary Fund (IMF) in Washington, D.C., with data on the DRC's present and future growth.

The DRC has a robust growth rate, with estimates by the IMF projected to be in the range of 6.8% in 2011, down slightly from a growth rate of 7.2% in 2010.

Minister Mapon and the Congolese delegation attributed the growth to both stability in politics and macroeconomic policy. According to Mr. Mapon, "We are in a stable position, and this is due mainly to the good behavior of public finances as well as the good behavior of

the monetary policy. With the support of the IMF, with whom we have concluded an economic program over three years, we are able to contain our fiscal balance within limits that are acceptable and consistent with macroeconomic stability.”

The DRC’s Stability Attracts Business Investments

The DRC’s notable stability and calm stands in stark contrast to the uncertainty that troubles many other African nations—and for this reason, it is attracting plenty of business. A recent press release from Heineken, the world-renowned Dutch brewery, reported a plan to invest 400 million euros in the DRC over the next five years through its Bralima subsidiary.

When asked about the risks and rewards of investing in Africa, Hans van Mameren, managing director of Heineken’s local subsidiary, mentioned three key factors: a stable GDP, stable politics and a stable population. “The economic outlook in the Congo is positive,” he says, “despite uncertainty hanging over the elections. Economic growth appears robust, and any boost to infrastructure would see new markets open rapidly.”



Finance Minister Mapon with World Bank Group President Robert Zoellick

Regional Integration Essential for Growth

Despite the positive outlook expressed by both economists and businesses operating in the DRC, Minister Mapon spoke at length to the IMF about the global and regional challenges affecting the economy. In particular, a lack of regional integration between surrounding economies has plagued sub-Saharan

Africa for some time and is a constant source of political and economic debate. Cooperation among neighboring nations is at the top of every leader’s agenda.

At a meeting with other African ministers, Minister Mapon posed a potential solution, suggesting that “we take a regional approach so that we can mobilize our development partners for projects that have an impact not only on each country, but also within the subregion. For example, in the energy sector, we suggested that the Inga project in the DRC be considered as a project for regional integration, particularly when it comes to central Africa. We did the same thing for southern Africa, also eastern Africa, but also in western Africa, with projects, for example, in Guinea, Cameroon and Kenya.”

Rising commodity and food prices present another significant issue affecting poverty-stricken African economies. Minister Mapon shared several possible solutions at the meeting to develop a framework for addressing the issue: “One of the solutions would be to increase financing for the purpose of improving both the supply of agricultural products in Africa and the roads over which these agricultural products are transported to industrial end users.”



The famous Inga Falls, part of a group of rapids on the Congo River



Finance Minister Mapon (left), being interviewed by Paul Trustfull, editor of *Emerging Markets*



Democratic Republic of Congo President Joseph Kabila

Positive Leadership Fuels the DRC's Economy

Business executives from around the world are seeing the effects of positive leadership, especially in times when there is great doubt at large in the global market.

"A great deal of credit should go to the efforts of the president and the current governor of the Katanga province," says Minister Mapon. "The governor comes from a business background and understands what issues are of importance to the business community. This is especially important in today's economic environment with the impact it has had on commodity prices."

With the second round of democratic elections in the history of the DRC approaching, all eyes are on the political leadership in the hopes of a more united future. Under the stewardship of President Joseph Kabila and Minister Mapon, the DRC has achieved new heights in

economic growth, fiscal stability and the inflow of private capital. As international businesses move into the DRC and capital flow becomes stable, the possibilities for growth and development within the country are considerable.

OM Group Sees Potential

Businesses are looking forward to the elections and continued progress in the business environment. The Cleveland, Ohio-based OM Group (OMG), the world's largest refiner and producer of cobalt specialty products, has been active in the DRC since 1997 through partnerships with Gécamines and Forrest Group. According to Steve Dunmead, vice president and general manager of OMG, "The business climate in the DRC has improved significantly over the past ten years since President Kabila came to office. He has done a good job, but there is still much to do."

As the first Western investor to work within the DRC after the civil war ended, OMG has created impressive value for the region. In addition to providing more than \$300 million in cash flow to the DRC in taxes, raw materials and electricity, the joint venture between OMG and Gécamines has created over 400 well-paying and safe jobs for locals.

Very recently, OMG participated in a billion-dollar venture that led it to acquire Vacuumschmelze (VAC), a leading global manufacturer of advanced magnetic materials and related products.

"The acquisition of VAC was a critical move for OMG in moving further downstream toward end-use applications associated with engineered materials, including cobalt," explains Dunmead. "They have a global footprint, they extend our metallurgical and applications know-how, and they give us additional exposure to high-growth markets like the electrification of automobiles, solar power and wind power."

The future of the DRC holds great potential for global investors beyond mining and extraction. As the DRC develops and grows more prosperous, its position as a leader in Africa will serve as a gateway for Western businesses. ■

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Minister of Finance for the Democratic Republic of Congo