SUMMARY

1. Since its last Trade Policy Review (TPR) in 2010, the Democratic Republic of the Congo (DRC) has introduced a number of structural and economic stabilization reforms, with or without the help of technical and financial partners, enabling it to achieve sustained economic growth during the review period at an average annual rate of 7% - well above its 3% population growth rate – and to move up 12 places on the Human Development Index. Thanks to a generally restrictive monetary policy, inflation was brought down from 7.1% in 2010 to 1.03% in 2014, its lowest level in 50 years. On the budgetary front, increased government revenue helped to reduce the public deficit and in some years even to achieve a surplus (based on payments). In spite of external shocks, in particular the fall in its raw material export prices, proper management of the country's capital account and financial transactions enabled it to achieve balance-of-payments surpluses and to build up reserves.

2. In spite of the country's numerous strong points, such as its vast territory, favourable climate and fertile soil, abundant forest, lake, petroleum and mining resources and its 7% average economic growth rate since 2010, the DRC remains a least developed country, with a per capita GDP of US$480 in 2014. Its economy is heavily dependent on the mining sector, which accounts, on average, for a quarter (approximately 24%) of GDP and about 85% of export revenue. Agriculture is underdeveloped relative to the country's potential (18% of GDP on average and only 3% of export revenue). The manufacturing sector is in its infancy (around 10% of GDP) because of supply-side constraints such as the poor state of transport infrastructure, the non-availability of inputs such as electricity, and a financial system that mainly focuses on import/export activity. Services, representing around 40% of GDP, have displayed burgeoning growth since 2000, particularly in the mobile telephony segment. Telecommunications services have become the second source of revenue for the Government. The banking system, which remains relatively small compared to the size of the country and its population, contributes but little to financing the country's development. Most banking operations consist of deposit taking and short-term financing, and this does little to promote development, of small and medium enterprises in particular.

3. The Congolese economy is not very diversified; the DRC imports and exports a small range of products. Its principal imports include foodstuffs, chemical products, transport equipment and electrical and non-electrical machinery, and come mainly from the European Union, South Africa, Zambia and China. Its exports are still confined to primary (mining) products, chiefly cobalt, copper, diamonds, gold and petroleum. Its main markets are China, Zambia, the EU and the Middle East. Apart from Zambia and South Africa, official trade with other African countries is still negligible despite regional and bilateral preferential agreements that the DRC has signed but not yet fully implemented. The DRC remains a net importer of services. Travel (tourism) has dominated services exports, illustrating the country's considerable advantages as a tourist destination, whereas transportation has been the main import item because of the remoteness of key markets. The ratio of trade in goods and services to GDP of approximately 70% (not counting the extensive informal cross-border trade) is an indication of the importance of trade for the DRC's economy.

4. The DRC still faces enormous development challenges, such as its heavy dependence on the mining sector, the need to upgrade its infrastructure, its governance problems (including its public finance management system), and the weakness of its human development indicators. The greatest challenges remain the consolidation of economic growth at about 8% per year, and the need to make that growth inclusive through better distribution of wealth.

5. The DRC's trade policy is based on supranational regulations resulting from multilateral, regional, and bilateral trade agreements; but owing to the delay in implementing those agreements, the national policy component remains considerable. The ultimate aim of its trade policy is to ensure that trade contributes to poverty reduction by further liberalizing the trade regime; diversifying exports; stepping up the privatization programme and sectoral reforms (in agriculture, mining, industry and services); and through trade facilitation.

6. The DRC has been an original Member of the WTO since 1 January 1997. It is also a member of: the African Union, the African Economic Community, the Community of the Great Lakes Countries (CPGL), and three of the eight Regional Economic Communities (RECs) recognized by the African Union, namely the Economic Community of Central African States (ECCAS), the

Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC). The DRC is engaged in the so-called "tripartite" negotiations aimed at harmonizing the rules of the East African Community (EAC), COMESA and the SADC. It has also concluded bilateral framework trade facilitation agreements with several countries. Over and above the costs involved, participation in numerous agreements could lead to a lack of coherence in the conduct in DRC's trade policy.

7. There has been no significant change in the regulatory framework for investment since the DRC's last TPR. The 2002 Investment Code remains the legal basis for investment in the country. This Code aims to facilitate and encourage domestic and foreign investment in spheres of activity which are key to the country's development, namely infrastructure improvement, economic utilization of natural resources, and the establishment of a sound industrial base. It provides for a single regime (the general regime), alongside special provisions for the SMEs. The Code applies to all enterprises that intend to develop an economic activity in the DRC, with the exception of activities relating to mining, hydrocarbons, banking, insurance and reinsurance, and defence and arms, as well as certain commercial activities. Investment in those sectors is governed by specific regulatory frameworks and special laws. Equal treatment of domestic and foreign investors is guaranteed, subject to reciprocity.

8. The tax system has undergone major changes since the last TPR, as a result of the introduction of value added tax (VAT) to replace the previous turnover tax (ICA). New Customs and Excise codes were also enacted and have been in force since 2012. Although fiscal reforms have been introduced, including the elimination of certain levies, the current tax system remains complex and involves a multitude of levies, including customs duties; VAT; excise duty; personal income tax (IRPP); corporation tax; registration and stamp duties on real estate transactions; local taxes; and other levies on specific products, transport, telecommunications, and so forth. In practice, multiple exemptions alleviate the overall tax burden to some degree, which explains why the 2015 tax burden was only 15.4% (of GDP), despite a corporate tax rate which alone is already at 45%.

9. The DRC has simplified its procedures and documentation in relation to trade. However, it has yet to notify the WTO of these measures in the categories provided for under the Trade Facilitation Agreement, which it has not yet ratified. It has adopted the 2012 version of the Harmonized Commodity Description and Coding System (HS). Its tariff is *ad valorem* for all its 5,842 lines and comprises four rates: zero, 5%, 10% and 20%. The modal rate of the tariff is 10%, and the simple average rate is 11.2%. On the other hand, 29.4% of tariff-lines (those with a rate of 20%) represent international peaks.

10. The DRC's tariff structure has remained relatively the same since the country's first TPR. Agricultural and non-agricultural products (WTO definition) enjoy about the same average levels of nominal tariff protection, 11.1% and 11.2% respectively. In ISIC terms, manufacturing is the most protected sector with an average rate of 11.4%, followed by the agriculture, hunting and forestry sector (10%), and finally the mining and quarrying sector (7.1%). A breakdown of the rates by HS chapter reveals a general increase in the protection levels to close to 20% for coffee and tea, beverages and tobacco, wood and paper, and textiles and clothing.

11. Overall, the tariff shows a slight positive escalation from raw materials (9%) to semi-finished products (9.6%) and a decidedly positive one towards finished products (12.7%). A more detailed breakdown (ISIC two-digit) shows that this overall structure is the result, *inter alia,* of the positive tariff escalation in the industries producing food products, beverages and tobacco; textiles and clothing; paper, articles of paper, printing and publishing; and chemical products. In these industries the positive escalation implies a relatively high level of actual protection, which is unlikely to boost the competitiveness of the products concerned and, consequently, their export.

12. At the same time, the raw materials used in certain industries (for instance non-metallic mineral products) enjoy considerable protection, well above the average rate of 12.3% for the manufacturing sector as a whole, which means that the cost of inputs and semi-processed products remain high. This kind of tariff structure does little to encourage diversification of economic activity through the processing of local raw materials prior to their export; hence the many tariff and tax reductions granted under different mechanisms. As a result of these reductions, the tariff escalation becomes positive, and hence exacerbates the effective protection

of the activities concerned. Moreover, the management of a regime of this kind has its cost, and its transparency remains limited.

13. The DRC has bound all its tariff lines at ceiling rates, the simple average of which is 96%, or 97.5% for agricultural products and 95.7% for non-agricultural products. While binding its tariff lines at ceiling rates leaves the DRC a broad margin to increase its applied rates, it does not guarantee the predictability of its tariff regime, which might deter a prospective partner, whether a trading partner or one seeking a stable environment in which to invest.

14. Other duties and taxes are bound at zero, but imports are subject to a large number of taxes that are unrequited or whose the proportions far exceed the utility of the services in question (rendered). In keeping with the principle of national treatment, the main internal taxes are levied on imports and domestic products alike. Moreover, despite the creation of single windows for imports and exports, several other institutions are still operating outside that framework, thereby prolonging the time required for administrative formalities and increasing their cost. Preshipment inspection is mandatory for most imports of US$2,500 or more, and the corresponding fees (0.75% of the c.i.f. value, with a minimum charge of US$100) are borne by the importer. The DRC has never made use of contingency measures, for which it has no legislation.

15. The DRC is still finding it difficult to implement its 2003 legislation based on the WTO Customs Valuation Agreement and utilizes reference values provided by the BIVAC. Setting up the national system of standardization, technical regulations and accreditation is proving problematic, and this raises questions about the validity and relevance of the various control procedures being conducted, including at the border, by a myriad of institutions with overlapping activities; all imports and exports as well as products placed on the domestic market are subject to systematic checks. Imported vegetables and vegetable products must be accompanied by a phytosanitary certificate and imported animals and animal products by a sanitary certificate, both issued in the country of origin.

16. Export duties are levied on green coffee; minerals and mineral concentrates; mineral oils; electric power; logs; edged timber; fresh water; and scrap metal. In principle, these duties are applied to certain products in order to encourage the local processing of natural resources. Nevertheless, a large quantity of mineral ores and logs are being exported with no prior processing. The DRC does not have any export promotion or assistance mechanism.

17. The new Government Procurement Code aims to encourage transparency and the use of tendering, with national and regional preferences. The DRC is pursuing its efforts to reform State-owned enterprises: approximately 20 companies are still in the State's portfolio, and the rest have either been rehabilitated, restructured or privatized. The country does not have any competition regime; the prices of certain goods and services, deemed to be "strategic", are regulated. Also, because the DRC is finding it difficult to enforce any intellectual property legislation, it has trouble controlling IPR infringements.

18. The DRC has also launched other reforms to facilitate doing business, including reducing the cost of obtaining a construction permit and the cost of registering a new building; abolishing or reducing the various costs associated with registering a new business; and abolishing a long list of "nuisance taxes". However, although some of these measures have been debated and adopted by the Council of Ministers, they have not yet been transposed into laws, which has not helped the DRC's *Doing Business* ranking. The country's current ranking reflects, among other things, the slow pace of applying certain measures, a degree of inconsistency in implementing others, and the need to improve follow-up, assessment and interministerial coordination.

19. The DRC has made commitments under the General Agreement on Trade and Services (GATS) in a number of services branches, namely construction and related engineering services, communication services, business services, education services, tourism and travel-related services, and recreational, cultural and sporting services. Some of these branches are being opened up almost completely, and others only partially. The extension of the DRC's multilateral commitments to all services categories that have already been liberalized should shore up the credibility of the reforms introduced, improve the predictability and transparency of the systems concerned and help attract the much needed capital for the DRC to realize its immense potential.

20. By continuing to implement its reforms effectively, and in particular to simplify and rationalize its tax system and the different controls, procedures and institutions involved at all levels, it should be possible for the DRC's economy to become more competitive and for new enterprises and jobs to be created.