Policy brief

Democratic Republic of Congo (DRC): macroeconomic and trade profile

Opportunities and challenges towards implementation of AfCFTA

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Key messages

- The Democratic Republic of Congo's (DRC) gross domestic product (GDP) has grown annually at 5.9% on average from 2015 to 2019, backed by favourable international prices for the country's commodity exports. In 2020 amid Covid-19, GDP growth slowed down to 1.7%. The International Monetary Fund (IMF) forecasts a gradual growth of the DRC economy between 4.9% and 6.6% from 2021 to 2023.
- Trade has played an important role in the DRC economy, amounting to 43% of GDP on average per year from 2011 to 2020. Exports are almost entirely comprised of mineral ores, which mainly went to South Africa, China and Tanzania. There is room to support exporting of wood products, processed minerals and cocoa beans, in view of increasing world demand of and/or efficiency of DRC on these products.
- Foreign direct investment (FDI) stock in DRC increased from $1.3 billion in 2003 to $25.6 billion in 2019, driven by investment in the mining sector and mobile telephone industries. In 2020, DRC attracted greenfield investment in renewable energy and agro-processing industry.
- DRC has been a net exporter to Africa. The importance of intra-African total goods trade (exports + imports) declined to 38% as of 2019 from around 53% during 2015 to 2018. DRC exported mainly chemicals and metals to Africa, while it imported mainly minerals, chemicals, machinery parts and electrical equipment.
- DRC is yet to ratify the African Continental Free Trade Area (AfCFTA) agreement and is currently working on finalising an AfCFTA national strategy. A tripartite trade arrangement with membership of the Economic Community of Central African States (ECCAS), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) could facilitate the adoption of AfCFTA by simplifying border controls, and reducing tariffs and non-tariff barriers.

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About this publication

This paper aims to inform relevant stakeholders, including the private sector and non-AfCFTA experts, on DRC's current economic situation and implementation of AfCFTA. The paper is structured as follows. Section 1 discusses the recent socioeconomic development in DRC, followed by the country's trade landscape and business environment (Section 2). Section 3 presents DRC's intra-African trade performance and status of AfCFTA implementation. The final section summarises the paper's analysis through a SWOT (strengths, weaknesses, opportunities and threats) presentation.

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Disclaimer: The content of this publication has been produced rapidly to provide early ideas and analysis on a given theme. It has been cross-read and edited but the usual rigorous processes have not necessarily been applied.

About the author

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1 Recent socioeconomic developments

The DRC is the largest country by land area in sub-Saharan Africa and enjoys a strategic location sharing a common border with nine countries.[1] The country is endowed with natural resources including: minerals such as cobalt, copper, tin and tungsten; hydropower potential; arable land; a large young population; and immense biodiversity (World Bank, 2021a).

However, the country faces several challenges. It has the third largest population of poor people globally, with about 60 million people living on less than $1.9 a day as of 2018 (World Bank, 2021a) (Table 1). The economy is dependent on mineral exports, making it vulnerable to volatility in international commodity prices. For example, the economy grew by an average rate of 12% per annum during the commodity prices boom in the period 2001–2015 but slowed down by 2.1% following the downturn in mineral prices in 2016–2017. DRC's economy is also vulnerable to epidemics, as observed during the growth slowdown in 2019[2] (from 5.8% to 4.4%) amid the Ebola virus outbreak. Growth rebounded in 2018 to 5.8% but contracted again to 4.4% in 2019 (World Bank, 2021b; AfDB, 2021; ITA, 2021). Nonetheless, the DRC's economy grew more than those of sub-Saharan African counterparts (5.6% versus 1.4%) on average in the last five years (2015–2019). On a sectoral level, the highest contribution (in terms of value added) to GDP came from the services sector (33.8%), followed by the manufacturing sector (18.7%), in the same period (World Bank, 2021).

As a result of the Covid-19 pandemic in 2020, social distancing measures and government-mandated lockdowns halted the manufacturing sector, led to the closure of several companies and weakened demand in transport services, manufacturing and retail sectors in DRC (World Bank, 2021b; AfDB, 2021; ITA, 2021). Surprisingly, unlike the GDP contractions observed in most countries during the pandemic, DRC's economy slowed but still registered 1.7% growth during the pandemic in 2020. This was buoyed by growth in the mining sector (by 9.7%) due to favourable international commodity prices. It may be noted that the mining sector remained open and functional during the lockdown, such that its output exceeded the original forecast (IMF, 2021a).

The government responded to the pandemic with a $2 billion package equivalent to 4% of GDP[3] (IMF, 2021b), a large part of which was dedicated to a new programme

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[1] Bordering neighbours include South Sudan and the Central African Republic in the north, Tanzania, Burundi, Uganda and Rwanda in the east, Republic of Congo in the west and Angola and Zambia in the south.
[2] Primarily due to an Ebola virus outbreak (EVD epidemic) that began in 2018 and worsened during 2019.
[3] IMF (2021b) database includes estimates of fiscal resources allocated or planned in response to the Covid-19 pandemic since January 2020, covering implementation in 2020, 2021 and beyond.

providing free education during the pandemic. Due to an increase in social spending coupled with reduced tax revenues, fiscal deficit widened slightly to 2.1% of GDP in 2020 amid the pandemic. The monetary financing of budget deficit contributed to inflationary pressure (AfDB, 2021; IMF, 2021a) (Table 2).

The near-term economic forecast remains dependent on the containment of the pandemic and political stability. The IMF forecasts a positive growth rate of 4.9% in 2021 to 6.6% in 2023, supported by an expected boom in the mining sector, and resumption of public and private investment projects (IMF, 2021a).

Table 1 DRC country facts and social indicators

Capital: Kinshasa			
Geographical size: 2.34 million km^2 surface area in Central Africa			
Languages: French, Lingala, Kiswahili, Kikongo, Tshiluba			
Religions: Christianity, Islam			
Currency; exchange rate: Congolese franc 1,972 = US$1 (2020)			
	2000	**2010**	**2020/latest**
Population (million)	47.1	64.5	89.6
Dependency ratio (%)[1]	89.2	89.1	86.3
Life expectancy (years)	50	56.9	60.7[2]
Mean years of schooling	7.0	9.2	9.7[2]
GNI per capita (constant 2017 PPP$)	740	830	1,100
Poverty rate (% population living on less than $1.9 a day, 2011 PPP)	94.3[3]	77.2[4]	73.1[5]
Unemployment rate (%)	2.9	4.0	4.6
Gender inequality index[5]	–	0.661	0.617[2]
Human development index[6]	0.349	0.435	0.480[2]

Notes: 1 dependency ratio of the young (0–14 years old) to the working-age (15–64 years old) population; 2 as of 2019; 3 as of 2004; 4 as of 2012; 5 World Bank forecast; 6 higher score = higher gender inequality; 7 higher score = better human development; GNI = gross national income; PPP = purchasing power parity.
Sources: IMF (2021a); UNDP (2020); UNDESA-PD (2019); World Bank (2021a; 2021b; 2021c).

Table 2 Selected macroeconomic and financial sector performance and forecast

	2019	2020	2021f[4]	2022f	2023f
Real GDP (% growth)	4.4	1.7	4.9	5.6	6.6
Consumer prices (period average, % growth)	4.7	11.4	9.4	6.4	6.6
Government revenue and grants, FY[1] (% of GDP)	10.1	8.7	10.2	11.4	12.2
Government expenditure, FY (% of GDP)	12.9	11.9	12.9	13.4	14.2
Overall fiscal balance, FY (% of GDP)	–2.0	–2.1	–1.7	–1.2	–1.1
Public debt including guarantees (% of GDP)	14.0	14.4	14.6	15.5	16.0
Credit to non-government sector (% growth)	34.7	44.6	24.1	17.3	17.1
Current account balance (% of GDP)	–3.2	–2.2	–2.1	–1.8	–1.5
Gross international reserves (months of prospective imports)	3.0	1.9	3.4	4.6	5.3

Note: ‘f ‘indicates forecast. 1. Corresponds to fiscal year
Sources: IMF (2021a).

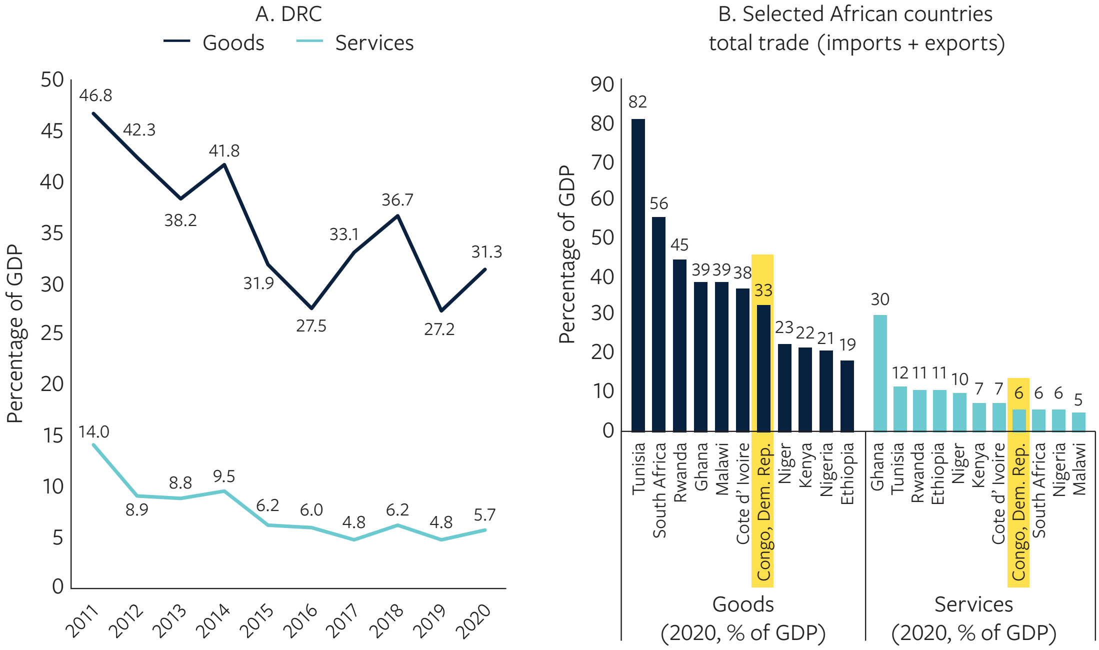
2 Trade landscape and business environment

2.1 Trade landscape

Trade has played an important role in the Congolese economy and has comprised a share of 43% of GDP on average per year in the last decade. In recent years, DRC has been a net exporter of goods and a net importer of services, especially with its top 10 trading partners. In 2019, total trade in goods and services amounted to \$24.6 billion (or 32% of GDP) but fell slightly by 4.0% to \$23.62 billion and contributed 37% to the GDP in 2020 amid the pandemic.

The importance of trade as a percentage of GDP for both goods and services has been declining in recent years. For instance, trade in goods was 46.8% of GDP in 2011 (Figure 1) and reduced in 2019 to 27.2%. Similarly, trade in services comprised a share of 14% of GDP in 2011 and fell to 4.8% in 2019. Compared to selected African countries, trade in goods remains relatively more important than trade in services (Figure 1). In 2020 and in absolute terms (current US dollars), growth was recorded in goods exports (by 5.5%), services exports (1.4%) and services imports (19.1%) while goods imports dropped by 23.5%.

Figure 1 DRC and selected African countries' total trade (exports + imports) in goods and services (as % of GDP)

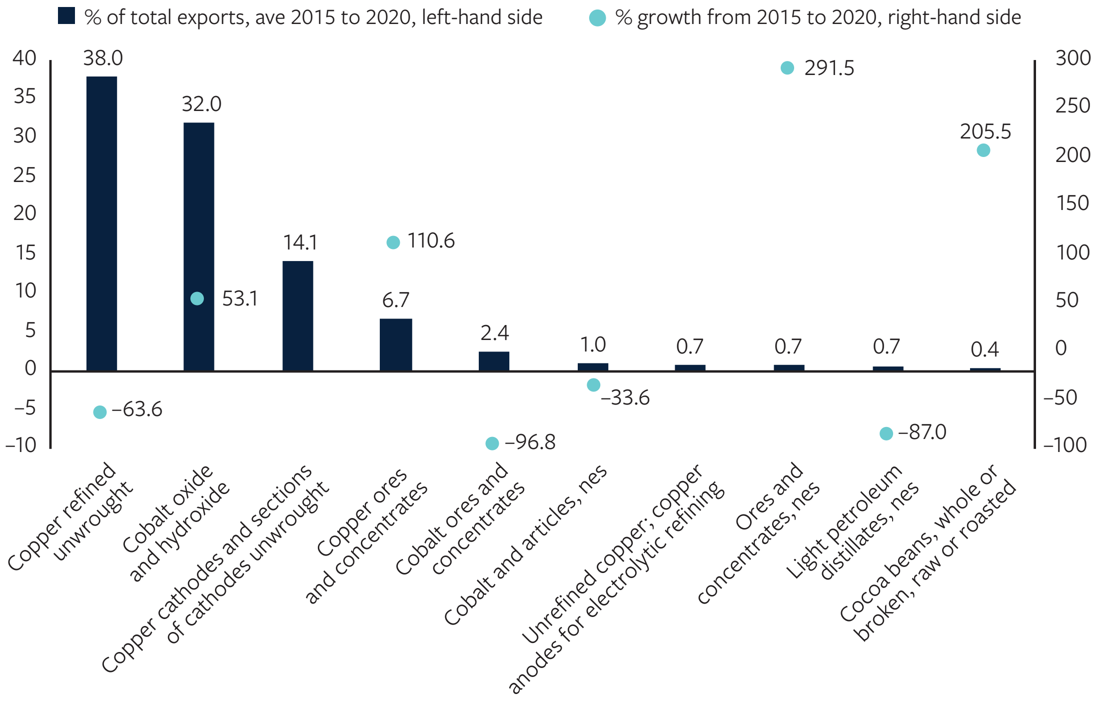


Source: author's computations based on World Bank (WDI) data.

By product, DRC's main goods exports have been concentrated in mineral ores such as cobalt and copper ores and their products, together comprising about 95% of total exports from 2015 to 2019 in addition to light petroleum distillates and cocoa beans (Figure 2). DRC is the largest exporter of cobalt in the world. Strong growth in exports from 2015 to 2019 was observed in ores and concentrates (291.5%), and in cocoa beans (205.5%)[4] although they comprise a share of less than 1% in the Congolese export basket, and other miscellaneous ores (Figure 2). From 2015 to 2020, the majority of Congolese exports went to regional partners South Africa, Tanzania and Zambia, and extra-regional partners China and the United Arab Emirates (UAE) (Figure 3). Notably, exports to China grew by 502.2% from 2015 to 2020, or by an average annual rate of 43.2% since 2015.

On the imports side, DRC imported stamped or bond paper (17% of total imports), chemicals (6.8%), medicaments (3%), wheat (1.6%), and parts and components of heavy machinery (1.2%). In absolute terms (current US dollars), DRC's imports of most of these products declined between 2015 and 2019. About 75% of all imports in the period originated in the United States (US) (19%), China (18%), South Africa (14%), India (5%), EU members, the United Kingdom (UK) and UAE. Notably, imports of pharmaceuticals by DRC in 2020 decreased by 67% (from peak value of $510 million in 2019 amid the Ebola virus outbreak), compared to a surge in imports by other countries[5] to meet increased domestic demand during the Covid-19 pandemic (ITC, 2020).

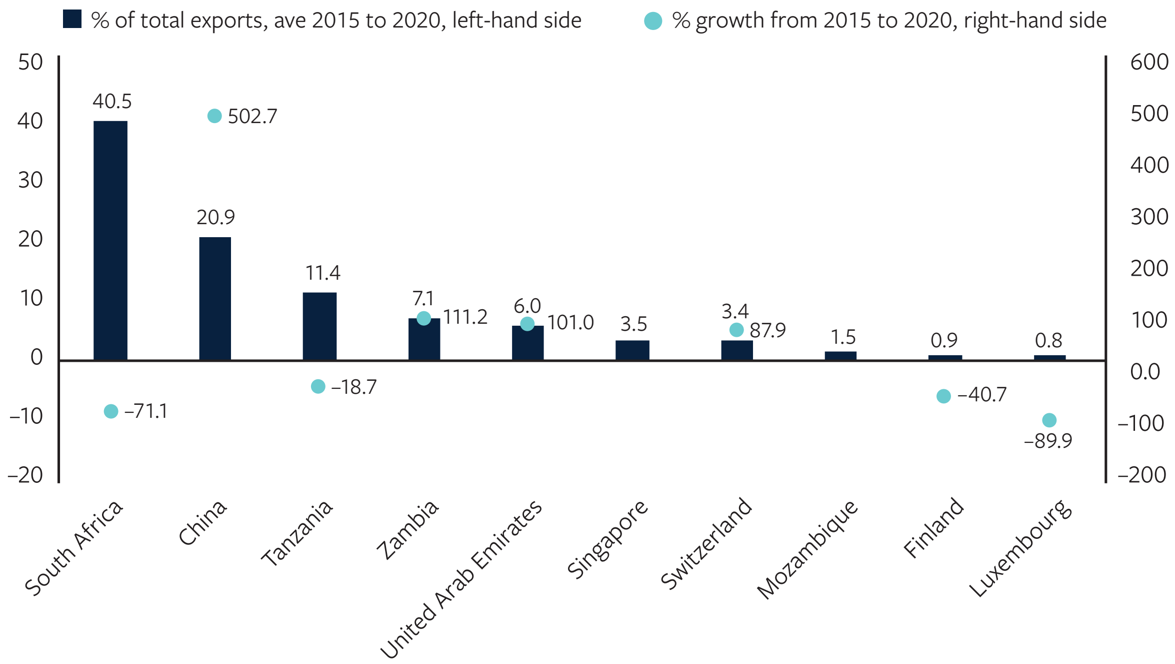
Figure 2 DRC's major export products (% of total exports, average 2015–2019)



Source: author's computations based on World Integrated Trade Solution (WITS) data (6-digit product category).

[4] Excluding iron, manganese, copper, nickel, cobalt, aluminium, lead, zinc, tin, chromium, tungsten, uranium, thorium, molybdenum, titanium, niobium, tantalum, vanadium, zirconium and precious-metal ores and concentrates.
[5] For example, imports of pharmaceuticals grew by 139% for Niger, 95% for Nigeria, 29% for Tanzania and 24% for Kenya (ITC, 2021).

Figure 3 DRC's top 10 export destinations



Source: author's computations based on WITS database.

We investigate the efficiency (in terms of revealed comparative advantage or RCA) and world demand (from all countries) of DRC's top 25 exported products (accounting for 99% of DRC's total exports) in the period 2015–2020. Products that can be supported through export promotion or intervention to increase competitiveness and match the rise in world demand, as well as products with declining world demand, are shown in Table 3.

Table 3 Export products for promotion and targeted intervention

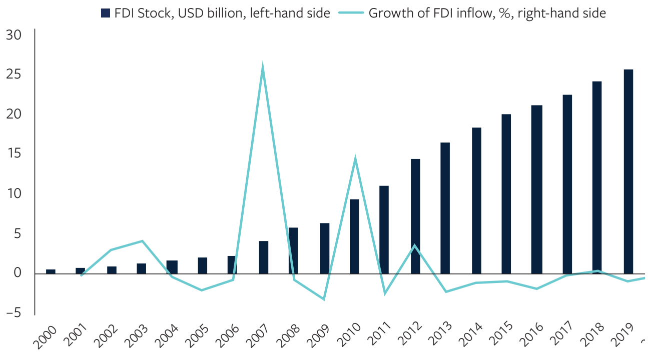
	Increasing RCA (e.g., for export promotion, facilitation)	**Declining RCA (e.g., intervention to increase competitiveness)**
Increasing world demand	• Tropical wood in rough, not treated • Copper ore and concentrates • Copper mattes, cement copper • Copper waste and scrap • Plants used in perfumery, pharmaceuticals or insecticides • Petroleum oils and oils from bituminous minerals (not crude; not light oils and preparations	• Tropical woods in rough, wood sawn/ chipped lengthwise • Tanks and other armoured fighting vehicles • Zinc dust • Niobium, tantalum and vanadium ores • Cobalt and articles thereof • Copper, refined and unwrought • Cobalt oxides and hydroxides
Declining world demand	• Cocoa beans whole or broken, raw or roasted • Wood in rough, not included elsewhere • Gold, in unwrought form	• Coffee, whether or not roasted or decaffeinated • Ores and concentrates, not included elsewhere • Cobalt ores and concentrates

Source: author's compilation based on WITS database.

2.2 Foreign direct investment

Foreign direct investment (FDI) in DRC between 2000 and 2020 peaked in the years 2003, 2007, 2010 and 2012. FDI stock increased from $1.3 billion in 2003, to $14.4 in 2012 and to $25.6 billion in 2019, driven by investment in the mining sector and mobile telephone industries (WTO, 2016) (Figure 4). FDI in mining activity was concentrated in cobalt, and in lithium, nickel and copper that are mostly used in production of smartphones and electric vehicle batteries (UNCTAD, 2020). In 2019, DRC also received significant Chinese greenfield investment exceeding $1.5 billion, linked to domestic manufacturing projects (UNCTAD, 2020).

Figure 4 FDI stock ($ billion) and flow (% growth)



Despite the political and economic challenges posed by the Covid-19 pandemic in 2020, FDI inflow grew at 10.7% when compared to the previous year, to $1.65 billion, owing to new greenfield investments in the telecommunication sector from multinational enterprises headquartered in China, Egypt, UAE and the US (UNCTAD, 2021; FDI intelligence, 2021). Some of the greenfield investments also came in the form of solar energy projects that aim to reduce the country's dependence on non-renewable sources of energy[6] (UNCTAD, 2021; FDI Intelligence, 2021). Another large greenfield investment project was attracted by the mining sector.[7] To meet sustainability goals, the said mining project will be powered by renewable hydroelectricity form the Congo River, backed by the state-owned power company La Société Nationale d'Electricité, under a public–private partnership agreement.[8]

New investment opportunities continue to be concentrated in the DRC's electricity sector that aims to achieve 59% electrification of the country by 2030. With the liberalisation of the sector in 2014 and commercialisation of the state-owned electricity company, the sector can attract FDI to improve capacity and distribution of electricity, as well as developing alternative sources of energy (ANAPI, 2019). Similarly, the agro-processing industry has great potential to attract FDI in order to improve food security in the country, focused on production of food and perennial crops, as well as fishery, poultry and meat products (ibid.). To this end, 22 new agro-industrial parks have also been developed by the government. Finally, there is also scope for FDI in the infrastructure, mining and hydrocarbons sectors (ANAPI, 2019).

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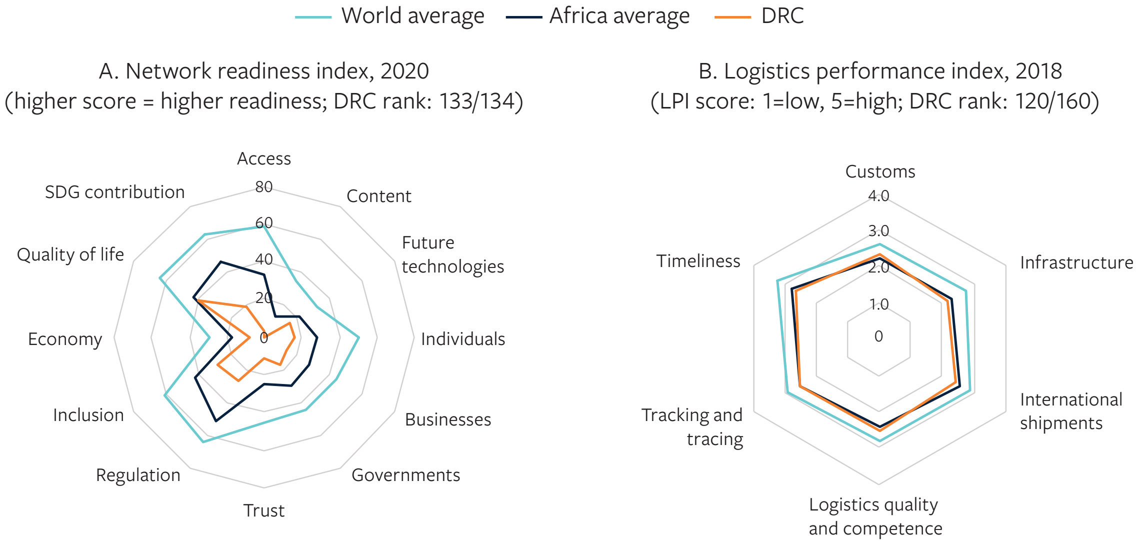
[6] One of the projects came from the company Sun Plus, based in the US and titled 'Kinshasa Solar City', with a cumulative capacity of 1,000 MWp (Afrik21, 2020a); and the other from DPA Africa Asset based in Mauritius that will provide solar energy to the country based on rental contracts for solar photovoltaic panels and electricity storage systems (Afrik21, 2020b).
[7] FDI came from the Canadian Ivanhoe Mining Company valued at approximately $360 million (UNCTAD, 2021), to explore underground copper mines at Kamoa–Kakula.
[8] More information at: https://ivanhoemines.com/news/2021/kamoa-copper-extends-existing-financing-agreement-with-drcs-state-owned-power-company-to-facilitate-the-upgrade-of-turbine-5-at/

2.3 Business environment

DRC ranks poorly at 34th out of 35 African countries and 133rd out of 134 countries, covered by the Network Readiness Index 2020 (Figure 5A). Despite the poor overall ranking, DRC performed better than some African counterparts in terms of future technology, readiness of individuals, inclusion in governance and quality of life. DRC also performed better compared to 29 countries (including other AU members) in the World Bank's 2019 country policy and institutional assessment, especially on building human resources, business regulatory environment, debt policy, efficiency of revenue mobilisation, and quality of public administration ratings.

Figure 5 Trade logistics and digital readiness



Note: aggregate scores (world and AU) are based on simple average.
Sources: Figure 5.A data based on networkreadiness.org; Figure 5.B data based on World Bank database.

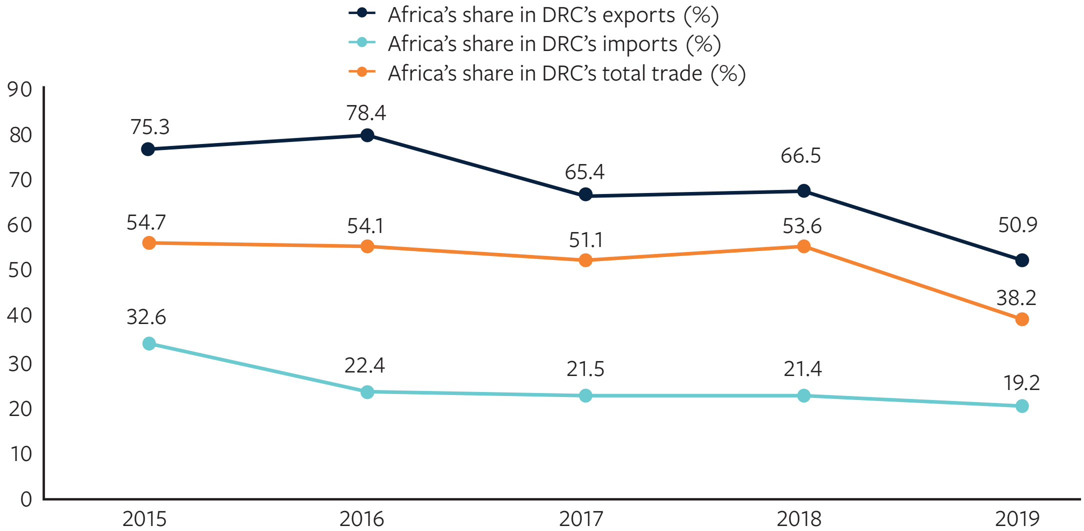
However, DRC faces several challenges that continue to restrict flow of trade. As of 2018, DRC ranked 120th out of 160 countries in terms of trade logistics (Figure 5B). Although DRC performed relatively better in terms of logistics quality and competence (100th) and customs (108th), there seem to be more difficulties around timeliness (133rd), infrastructure (132nd) and shipments (127th). More specifically, the poor state of the transport system translates into low connectivity between the centre and the periphery of the country; weak supporting infrastructure, coupled with instances of corruption and governance mismanagement, discourage trade and investment in the country (ITA, 2021; WTO, 2016).

3 Intra-African trade performance and AfCFTA

3.1 **Background: DRC's goods trade with Africa**

DRC's trade (exports and imports) with other African countries dropped from 54.7% of its total trade (or $9.2 billion) in 2015 to 38.2% (or $8.5 billion) in 2019 (Figure 6). The value of DRC's goods exports to Africa exceeds its imports, resulting in a positive trade balance with the rest of Africa since 2015, valued at $5 billion in 2019. According to the latest reliable data from 2019, the value of DRC's exports to Africa dropped by 16% and imports fell by 2%. In terms of percentage share of total trade, DRC's intra-African trade remained between 51% and 55% from 2015 to 2018, but declined to 38% as of 2019 (Figure 6).

Figure 6 DRC's intra-African trade in goods



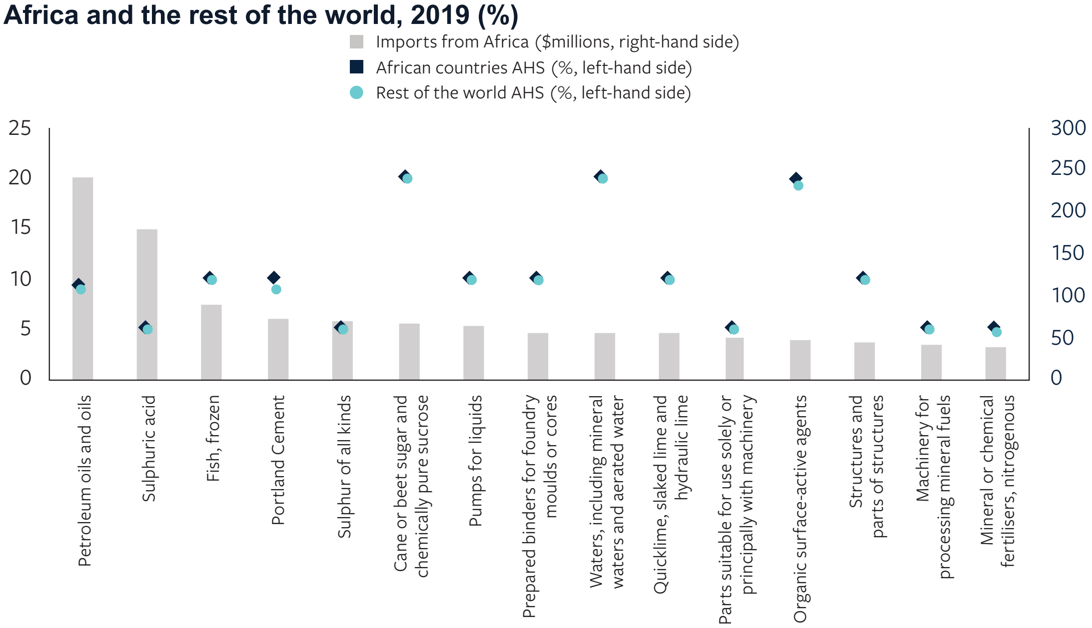
Note: intra-African trade covers 45 African countries with complete goods exports and imports data from 2015 to 2019.
Source: author's computations based on World Integrated Trade Solution (WITS) database.

At the product level, DRC exports mainly chemicals and metals to the rest of Africa, while it mainly imports minerals, chemicals, machinery parts and electrical equipment. Its main export destinations and import sources are Tanzania, Zambia, South Africa and Mozambique. With Tanzania, in 2019, the main exports were concentrated in metal products (95.9%) and chemicals (3.7%); with South Africa, the main exports were also in chemicals (57.8%) and metals (40.3%); with Zambia, main exports were in minerals (57.7%), metals (34.3%) and chemicals (7.8%). Similarly, most imports from the four top sources in the region were also concentrated in minerals, metals, machinery and electrical equipment, chemicals and food products.

The trade-weighted most-favoured nation (MFN) tariff rates imposed by DRC on imports from African countries ranged from a low of 5% for Libya to as high 20% for Algeria.[9] DRC is part of three regional economic communities (RECs) in Africa: ECCAS, COMESA and SADC. However, it is yet to offer any preferential tariffs to any of these RECs, although it aims to harmonise the rules across the three agreements and might offer preferential access to COMESA members (WTO, 2016). AHS is defined by the WITS database as the lowest existing preferential tariff rates or applied MFN tariffs. Figure 7 shows the top 15 imports by DRC from Africa, which account for more than half of its imports from the continent. It also shows that the AHS imposed by DRC (in this case, AHS will be the applied MFN tariffs) on imports from AU countries are broadly like AHS imposed on imports from the rest of the world. Since the country does not offer any preferential treatment to any country, this outcome was expected.

However, as part of AfCFTA, tariffs will need to be progressively liberalised in stages, apart from ‘sensitive’ and ‘exclusion list’ products. Tariffs will be liberalised (to zero) for 90% of tariff lines over a period of ten years for least developed countries (LDCs), and five years for non-LDCs (AfCFTA Secretariat, 2021). Sensitive products shall not exceed 7% of total tariff lines, while the exclusion list shall not exceed 3% of total tariff lines with an intra-Africa import value limit of not more than 10% (ibid.). Hence, DRC will need to harmonise and internalise tariff schedules as well as standards across its three RECs and AfCFTA.

Figure 7 Effectively applied tariff rates (AHS)* on DRC’s top imported products from Africa and the rest of the world, 2019 (%)



Source: World Integrated Trade Solution database.

Non-tariff measures (NTMs), including sanitary and phytosanitary, technical barriers to trade, pre-shipment inspection, and price and quality control, – ranging from 60 NTMs to 768 NTMs imposed by Niger and Mauritius, respectively[10] – also affect DRC’s imports from other African countries. This implies that non-tariff measures that continue to exist are preventing trade from reaching its maximum capacity. It would thus be vital to address these NTMs under the AfCFTA to boost potential

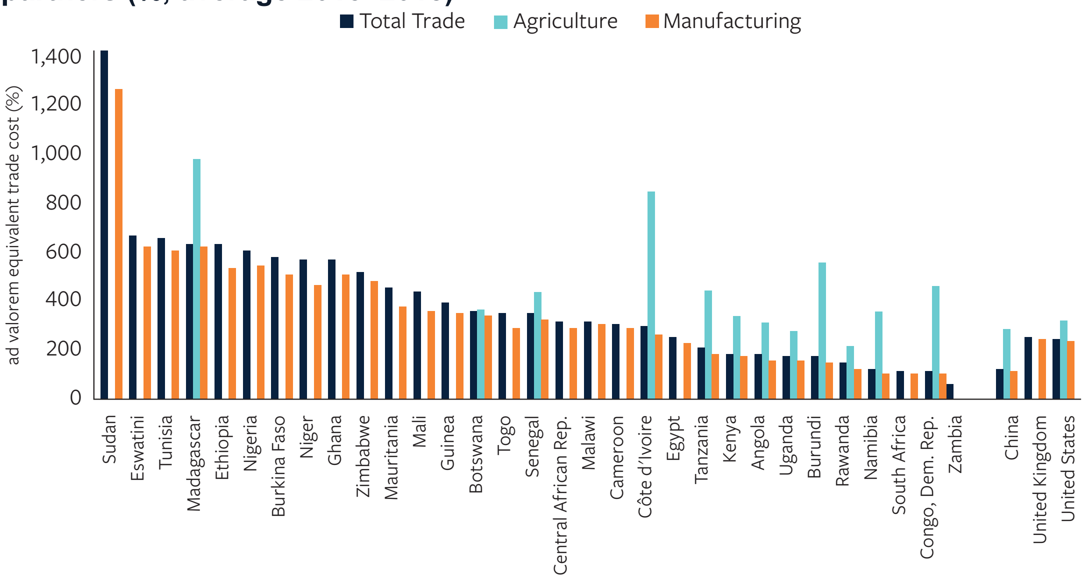
[9] Based on World Integrated Trade Solution database.

[10] Author’s computations based on TRAINS database, accessed September 2021.

trade with these regional partners (Bouët et al., 2021; IMF, 2020). However, the number of NTMs does not indicate the magnitude of restrictiveness on trade. Figure 8 instead shows ad valorem equivalent[11] trade costs that incorporate not only international transport costs and tariffs but also other components, including costs associated with differences in languages, currencies and cumbersome import or export procedures.[12] It also shows the ad valorem equivalent[13] trading costs between DRC and respective trading partners, on average from 2015–2018.

Based on this measure, trade between DRC and Sudan involves additional costs amounting to about 1425% of the value of the goods, compared to when these two countries trade goods within their borders. In other words, trading with Sudan is about 14 times more expensive than trading within its borders (and vice versa).[14] The data also suggests that, with the exception of 11 AU countries including Zambia, Tanzania and South Africa, DRC's bilateral trading costs are higher with most AU partners than with those outside the region (e.g., China, UK, US), presenting both a challenge and an opportunity to increase trade facilitation within the continent, a role likely to be played by AfCFTA.

Figure 8 Bilateral ad valorem trade costs between DRC and respective partners (%, average 2015–2018)



Source: World Bank database.

3.2 **Status of DRC's AfCFTA implementation**

DRC signed the AfCFTA in March 2019 but is yet to ratify the agreement or send its offer to the African Union (AU). DRC is, however, working on finalising the national strategy that will have key inputs from various stakeholders from the public sector, private sector, the media, parliament, professional bodies, civil society groups, as well as women and youth organisations (UNECA, 2021).

[11] Or as a proportion (%) of the estimated value of the goods.
[12] This is an average for all traded goods, some of which may not be traded (or very little) in practice due to prohibitively high trade costs. This measure, developed by ESCAP and World Bank (2017), includes all costs involved in trading goods internationally with another partner (i.e. bilaterally) relative to those involved in trading goods domestically.
[13] Or as a proportion (%) of the estimated value of the goods.
[14] See Arvis et al. (2011) for full discussion of methodology.

The United Nations Economic Commission for Africa (UNECA) has been assisting the country in designing the national strategy through several joint meetings with the AU Secretariat and the support of the European Union. The DRC Ministry of Industry indicates that AfCFTA implementation may potentially reverse the negative economic impact of the Covid-19 pandemic on Africa, amounting to $79 billion in 2020, as well as contribute to long-term growth and resilience in African economies (UNECA, 2020).

Various trade and development experts have explained that DRC could play a critical role in developing regional value chains in manufacturing and agro-processing industries by supplying key mineral and agricultural products to the continent. Its unique geographical position also means that DRC could be a gateway to link the three regional economic blocs it is within to the rest of Africa, especially since DRC imports approximately a quarter of all machinery exported by African nations (Burger, 2021). DRC could also facilitate the creation of economic corridors across its borders with nine other regional partners that could lead to lower transport costs if complemented by better transport infrastructure and improved border control practices. This would improve access to markets, reduce input costs, and create regional production synergies for a more prosperous Africa.

The government of DRC, chairing of the AU from February 2021 to February 2022, is championing African countries to break the vicious cycle of export dependence on commodities and create value-addition by enhancing productive capacities and expanding intra-African trade. DRC will thus be in the centre of this new plan for the AU. There will also be a particular emphasis on creating automotive regional value chains for DRC by attracting investment from original equipment manufacturers, developing the requisite local infrastructure, and designing a national automotive plan to support automotive development, especially for battery and electric vehicles (Ministry of Industry, 2021). This could be a lucrative sector as DRC is already a pioneer in cobalt mining, with 70% of the world's reserves. Cobalt is a mineral used in manufacturing of lithium-ion batteries, along with other minerals that the continent is rich in: manganese, graphite and copper. To move up the value chain in production of e-vehicles, DRC must create opportunities to link the extractive sector and the local manufacturing sector to produce battery precursors, battery cells, cell assembly and electric vehicles. This policy is aligned with the Pan-African Auto Pact under the AfCFTA Secretariat, Afreximbank and the AU (Ministry of Industry, 2021).

The Ministry of Trade of DRC has held bilateral meetings with regional partners such as Kenya to boost bilateral trade and optimise the opportunities from AfCFTA (Punchline Africa Tv, 2021). Similar meetings were also held with Uganda to promote cross-border trade by reducing non-tariff barriers (NTBs) and simplifying tax regimes.

A World Bank (2020) simulation suggests that the largest liberalisation is expected in DRC (along with Cameroon, Nigeria, Ethiopia and Madagascar). At present, DRC imposes an average trade-weighted tariff of 10% (approximately) on imports from the continent and this is likely to reduce to less than 5% under the AfCFTA by 2035. The DRC imposes average trade-weighted NTBs of over 40%; some sectors such as real estate and insurance services register NTBs as high as 104%. Simulations suggest that liberalisation of NTBs will reduce associated costs by 13% and overall costs by 50% for DRC. Additionally, a scenario including implementation of the trade facilitation agreement under AfCFTA may further reduce trade costs by 10% for DRC.

While DRC is identified as one of the countries that would benefit in terms of expanded intra-African imports relative to other countries, World Bank (2020) simulations also suggest that DRC will be one of the countries to experience the smallest gain in intra-African export expansion. As a result of tariff liberalisation however, tariff revenues are likely to decline by 3.4%, while total tax revenues may decline by 0.9% once the sensitive products are liberalised after five years (ibid.) Nonetheless, implementation of AfCFTA is expected to increase real income by 10% (relative to the baseline) and lift 4.8 million people out of moderate poverty by 2035 (ibid.).

4 Opportunities and challenges for DRC's trade and investment

Based on the analysis on DRC's macroeconomic performance, trade and investment landscape, and AfCFTA implementation in previous sections, we summarise the following SWOT (strengths, weaknesses, opportunities and threats) considerations for DRC's trade and investment prospects.

Strengths	• Young and increasingly educated population. • Free education programme by the government. • Reduction in poverty in the last two decades. • Declining fiscal deficit. • Pro-industrialisation policy, focusing on creating linkages in regional value chains. • Well-connected borders with nine regional partners places DRC in the centre of cross-border trade. • Tripartite trade arrangement with membership of ECCAS, COMESA and SADC. • Good performance on debt policy management, human resources, business regulatory environment, and efficiency of revenue mobilisation relative to other African countries. • Highly resilient mining sector drove growth of GDP despite the pandemic, coupled with rising international commodity prices. • Producer of 70% of the world's cobalt reserves, with substantial copper reserves. • Growth in greenfield investments in renewable energy, mining and agro-processing.
Weaknesses	• High dependence of the export industry on the extractive sector that exposes the economy to global price shocks, with implications for household income and fiscal sustainability. • Dependence on imports of machinery and electrical equipment. • High incidence of non-tariff barriers and other trade costs that inhibit growth of exports and imports. • Comparatively low ranking among African countries in terms of digital readiness. • Poor performance on sophistication of trade logistics, timeliness, availability of reliable infrastructure and shipment processing. • Does not offer preferential tariff to any country; yet to offer tariff preferences or internalise RECs or AfCFTA agreement.

Opportunities	• Strategic geographical location and position within ECCAS, COMESA, SADC and AfCFTA to capture the continental market base in the automotive sector, especially battery packs and electric vehicles. • Ongoing bilateral efforts to increase cross-border trade with regional partners including with nine countries that share its border. • Attract substantial investment from original equipment manufacturers, developing the requisite local infrastructure, and designing a national automotive plan to boost domestic production. • Interventions to boost value-addition in manufacturing exports and establish regional value chains in agro-processing, the automobile sector and mineral processing. • Export promotion and facilitation in copper ore and products, and in plants used for perfumery or pharmaceuticals, light petroleum oils, tropical wood and other ores including of cobalt, niobium, tantalum and vanadium.
Threats (risks)	• High incidence of political instability and poverty that could be exacerbated by new waves of Covid-19 outbreak or of other diseases and malaises, and associated risks to fiscal sustainability such as rising public debt. • Delays in AfCFTA implementation and high costs (tariff and non-tariff measures) of intra-African trade. • Global prices volatility affecting exports and spikes in food prices. • Rising import bill with low international reserves.

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