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# Democratic Republic of Congo Country report

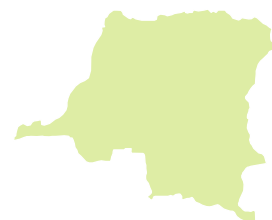
For the SADC-DFRC 3P



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# DRC



## 1 Overall evaluation of DRC's readiness for PPPs

### 1.1 Background

We evaluated the Member Country by looking at 6 broad categories, containing a number of sub-categories. The six ('6') broad categories include:

- Attractiveness of the member countries
- Availability of domestic capital and debt funding
- Judicial system
- Governance and decision making
- Ease of doing business in the member country
- PPP environment in the member country

The information and indicators were obtained from external sources like World Bank, World Economic Forum, IFC, Ibrahim Index of African Governance, KPMG country reports and actual visits to the member countries (with exception to three ('3') countries, namely , Democratic Republic of Congo, Swaziland and Seychelles). Where possible, KPMG utilised its in-country office to address the categories and answer questions surrounding the projects.

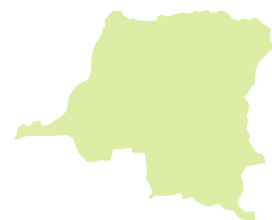
On the country visits we meet with the member country's Treasury/PPP unit, Mr. Desiré BALAZIRE : Counselor at the Prime Minister Cabinet, Mr. Kabuya Kalala: Cabinet Director of Minister of Finance and Mr. Ntagoma JB: Counselor a the Prime Minister Cabinet

Each sub-category was rated either one ('1'), two ('2'), three ('3') or four ('4') based on the indicators from various reputable sources. Where one ('1') and two ('2') refers to "Developing towards PPP readiness" and three ('3') and four ('4') indicates a "Maturing level of PPP readiness". Where no information was available, no value was given. Where there was an element of subjectivity, KPMG, based on years of experience, applied its own mind in coming up with a value. The overall broad category value is addressed in more detail below.

### 1.2 Attractiveness of DRC

| Attractiveness of the member country                   | Source of information  | Information    |
|--|--|----------------|
| GDP % growth for last 3 years                          | World Bank   | 6.90%          |
| Actual GDP in numbers (size of economy), current USD\$ | World Bank   | 15 653 634 043 |
| Lending Interest rates                                 | World Bank   | 43.8%          |
| Inflation rate   | <a href="http://www.tradingeconomics.com/country-list/inflation-rate">www.tradingeconomics.com/country-list/inflation-rate</a> | 5.67%          |
| Credit Rating  | Country visit  | Not available  |

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|  |   |                |
|--|---|----------------|
| Political Stable and Absence of Violence | Governance indicator, World bank                                  | 2.4 out of 100 |
| Macro-Economic Environment               | The Global Competitiveness Report 2012-2013, World Economic Forum | Not available  |

## Attractiveness of DRC, overall result is a one ('1')

This analysis results in an overall value of one ('1'), DRC is thus considered “developing” in terms of this category.

The DRC has begun to emerge from a chronic series of violent conflicts and civil war that severely constrained its economy. Endowed with natural resources and following a reform process that has seen an improvement in business environment, the DRC has sustained almost 7% year on year growth over the last three years. Its economy is still small at R15,653 million and it has not yet achieved a sovereign credit rating. Its political stability rating is one of the lowest in the world at 2,4 out of 100 and per capita GDP is the lowest in the world. It also has chronically high interest rates, partially reflecting the low availability of domestic capital and partly reflecting the risk premium attached to the country. Inflation rates are below 10% which bodes well for improving economic conditions.

## 1.3 Availability of domestic capital and debt funding

| Availability of domestic capital and debt funding      | Source of information | Information   |
|--|-----------------------|---------------|
| Number of banks  | Country visit         | 27            |
| Number of equity investment funds                      | Country visit         | Not available |
| Number of pension funds                                | Country visit         | 1             |
| 3 year history of bond issuance                        | Country visit         | Not available |
| Assessment of available capital (local) for investment | Country visit         | Not available |

## Availability of domestic capital and debt funding in DRC, overall result is a two ('2')

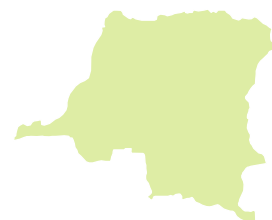
This analysis results in an overall value of two ('2'), DRC is thus considered “developing” in terms of this category.

The availability of domestic capital and debt is extremely constrained. Although a number of banks have a presence in the country this reflects an interest of foreign funding in extractive industries. The capital market is almost non-existent and there are no large institutions such as pension funds that are able to invest in any significant infrastructure projects.

## 1.4 Judicial system

| Judicial system that contributes to effective commercial dispute resolution | Source of information                        | Information              |
|---|--|--------------------------|
| Enforcing Contracts   | Doing Business 2013 – The World Bank and IFC | 162 out of 183 countries |

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|             |                                  |                |
|-------------|----------------------------------|----------------|
| Rule of Law | Governance indicator, World bank | 1.9 out of 100 |
|-------------|----------------------------------|----------------|

We used the key indicators 'Enforcing Contracts' and Rule of Law from Doing Business and World Bank respectively, as they focuses on how public institutions function in the case of a commercial dispute<sup>1</sup>. Doing Business measures the time, cost and procedural complexity of resolving a commercial lawsuit.

## Judicial system of DRC, overall result is a one ('1')

This analysis results in an overall value of one ('1'), DRC is thus considered "developing" in terms of this category.

There is very little confidence in the application of judicial processes to commercial contracts. The DRC is ranked 162<sup>nd</sup> in the world for enforcing contracts and rated 1.9 out of 100 for the application of the Rule of Law.

## 1.5 Governance and decision making

| Governance and decision making in member country | Source of information   | Information     |
|--|---|-----------------|
| Institutions                                     | The Global Competitiveness Report 2012-2013, World Economic Forum | Not available   |
| Africa's Governance                              | Ibrahim Index of African Governance                               | 32.8 out of 100 |
| Voice and accountability                         | Governance indicator  | 8 out of 100    |
| Government effectiveness                         | Governance indicator  | 1.9 out of 100  |
| Regulatory Quality                               | Governance indicator  | 5.7 out of 100  |
| Control of Corruption                            | Governance indicator  | 3.3 out of 100  |

## Governance and decision making of DRC, overall result is a one ('1')

This analysis results in an overall value of one ('1'), DRC is thus considered "developing" in terms of this category.

The Ibrahim Index of African Governance rates the DRC at 32.8 out of 100 in terms of governance and Government effectiveness is a poor 1.9 out of 100.

<sup>1</sup> Doing Business 2013, the World Bank and IFC

# DRC



## 1.6 Ease of doing business in the member country

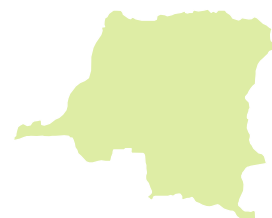
| Ease of doing business in the member country | Source of information                        | Information              |
|--|--|--------------------------|
| Starting a business                          | Doing Business 2013 – The World Bank and IFC | 180 out of 183 countries |
| Dealing with Construction permits            | Doing Business 2013 – The World Bank and IFC | 149 out of 183 countries |
| Getting electricity                          | Doing Business 2013 – The World Bank and IFC | 170 out of 183 countries |
| Register property                            | Doing Business 2013 – The World Bank and IFC | 156 out of 183 countries |
| Getting credit                               | Doing Business 2013 – The World Bank and IFC | 104 out of 183 countries |
| Protecting investors                         | Doing Business 2013 – The World Bank and IFC | 158 out of 183 countries |
| Paying taxes                                 | Doing Business 2013 – The World Bank and IFC | 182 out of 183 countries |
| Trading across borders                       | Doing Business 2013 – The World Bank and IFC | 181 out of 183 countries |
| Resolving insolvency                         | Doing Business 2013 – The World Bank and IFC | 136 out of 183 countries |

### Ease of doing business in DRC, overall score is a one ('1')

This analysis results in an overall value of one ('1'), DRC is thus considered “developing” in terms of this category.

The DRC is ranked 180<sup>th</sup> in the world for Starting a Business, and 104<sup>th</sup> for Getting Credit and 149<sup>th</sup> for Dealing with Construction Permits.

# DRC



## 1.7 PPP environment in DRC

| Enabling environment in the member country for PPPs                                     | Source of information | Information |
|---|-----------------------|-------------|
| Legal system enabling PPPs in the member country  | Country visit         |             |
| - Is there a presence/development of enabling legislation ie PPP Law/regulations etc?   | Country visit         | No          |
| - Does a policy for private participation in the member country exist?                  | Country visit         | No          |
| - Public Sector appetite/capacity and experience relating to PPPs in the member country | Country visit         | No          |
| Is there Political support for PPPs?  | Country visit         |             |
| - Is there a PPP focal point/ Unit in the member country?                               | Country visit         | No          |
| - Does an existing PPP track record in the member country exist?                        | Country visit         | No          |
| Private sector capacity, capability and appetite  | Country visit         |             |
| - Are multiple firms active in the PPP market?  | Country visit         | Yes         |
| - Does capacity exist in the private sector?  | Country visit         | . Yes       |

### PPP environment in the DRC, overall score is a two ('2')

KPMG, based on years of experience, applied its own mind in coming up with a value.

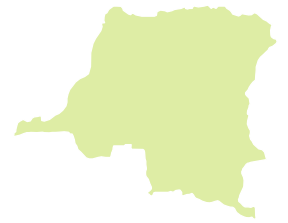
This analysis results in an overall value of two ('2'), DRC is thus considered “developing” in terms of this category.

The DRC is almost completely dependent on its mining sector for foreign capital investments and has developed its regulatory framework around the permitting and regulation of mining concessions. While these are not the same as PPPs in infrastructure there is an acknowledgement of the role of the private sector and its investment. There are no formal PPP laws or regulations and no institutional capacity has been established.

## 1.8 Observations

The DRC is in the process of developing mining specific experience in concessions and the management of foreign investment but has no PPP track record in infrastructure. It also has poorly developed financial markets and very limited institutional and regulatory ability to manage complex procurements related to public infrastructure. As such it is unlikely to develop strong PPP project potential in the short to medium term.

# DRC



## 1.9 Conclusion

Overall DRC is thus considered “developing” in terms of this assessment.



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