



Kingdom of the Netherlands

# MASOLO

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## ECONOMIC NEWSLETTER EMBASSY OF THE KINGDOM OF THE NETHERLANDS IN KINSHASA



## Presentation of H.E. Robert Schuddeboom

It is a great honor to be appointed as Ambassador in the Democratic Republic of Congo (DRC) and the Republic of Congo-Brazzaville. My wife and I arrived in the middle of August and our first personal experience has been very positive. The Netherlands has great interests in the two Congos, in terms of social questions and the rule of law, but also of big regional and global issues, such as the environment, biodiversity and stability. We are, of course, very eager to maintain and develop economic and commercial relationships. After all, it are businesses which often play a key role in the development of a country. The context in the two Congos is not always an easy one, but it has enormous potential. One thing that is always a decisive factor for me, is the entrepreneurial spirit of the people. Well, that spirit is definitely present here.

I have been a diplomat since 1984. Naturally, I have taken up several posts in The Hague, including that of Ambassador of Economic Diplomacy. After Iraq, Norway, Israel and Russia, I obtained my first post as Ambassador in Latvia, followed by two posts as Consul General in Hong-Kong and in Turkey. I have two sons of 21 and 19 years old, of whom one studies digital video production and the other hotel management. They have the firm intention to come visit us and our dog Randy (which accompanies me everywhere) often, here in Congo. My wife and I are impatiently waiting to get to know these two fascinating countries better, as well as the continent, which we don't know yet. Professionally, I am very committed to improve our economic and commercial relationships. You will always find me available to promote your interests.

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## 2 From the Netherlands

### Solar panel projects get most government subsidies in 2017



A record 4,530 projects were awarded government subsidies under a government scheme to stimulate sustainable energy production in the first six months of this year, the economic affairs ministry said. This is double the number of successful applications in the second half of last year and four times as many as in spring 2016. Of the total €5.8bn allocated to sustainable power generation, €2.8bn went to solar panel projects, the ministry said.

This is sufficient to build several thousand hectares of solar panel fields on roofs and in fields. In total, applications were made for over €7bn in subsidies. Other funding will go to land-based windmills, biomass, geothermal projects and other solar sources. This is the first time projects involving solar panels have headed the list, the ministry noted. The aim of the subsidy scheme is to help the Netherlands reach green energy targets by 2020. (Source: Dutchnews.nl. Photo: EnergyLiveNews.com)

### Germany willing to give the Netherlands access to Panama Papers



German authorities are in principle willing to share relevant information about the Panama Papers with the Netherlands, junior finance minister, Eric Wiebes, told the parliament. According to German media, the German federal crime office BKA paid up to €5m for the records of the Panamanian law firm Mossack Fonseca, which reveal the tax evasion strategies used by thousands of companies, politicians, sports stars and businessmen. Wiebes said, in answer to MPs' questions, that "talks are taking place at official level with the BKA."

The BKA has already said it is willing to share relevant data with the Netherlands. "It is currently being investigated whether, how and under what conditions the documents can be shared," the junior minister said. However, the parliament will have to wait until November for further information, when the tax office publishes its half-year report containing a summary of the Dutch investigation into the Panama Papers, he said. (Source: Dutchnews.nl. Photo: ThePanamaNews.com)

### DRIVE: Several adjustments in the Dutch programme



The overall objective of Development Related Infrastructure Investment Vehicle (DRIVE) is to contribute to inclusive and sustainable growth in developing countries. DRIVE supports investments in expansion and/or quality improvement of public infrastructure, which improve the development of the private sector by promoting entrepreneurship, productivity, employment opportunities, and lifting wages. First field experiences with DRIVE and consultations with various Dutch embassies, companies and other stakeholders about the DRIVE instrument lead to several adjustments to DRIVE policy rules in order to improve its functioning.

The current policy rules remain in power. The following components will be added to the policy rules and will be published in the Government Gazette on September 12: the possibility to secure financing to a project instead of one company; a stronger focus by the Netherlands Enterprise Agency (RVO) to bring those projects a step forward that link to the Dutch policy priorities on aid and trade in a country; some technical adjustments on the subsidy percentage and supervision costs. (Source photo: ondernemeninontwikkelingslanden.nl)

### Egg scandal: already 45 countries affected by Fipronil



Until now, 26 of the 28 member states of the European Union already reported that they found the insecticide Fipronil in their eggs or egg products. In addition to that, there were such accounts of 19 countries from outside the European Union too. The material has been found in, amongst others, the US, Russia, South Africa, the Dutch Antilles, Turkey, Iraq, Norway, Israel and Canada. In the Netherlands, 144 chicken farms are still closed, in relation to the egg scandal. There were 281 closed initially.

The two directors of the Chickfriend business are imprisoned for 30 more days. They have been arrested on 10 August in the criminal investigation of the egg scandal. According to the Netherlands Food and Consumer Product Safety Authority, Fipronil is an insecticide that cannot be used for animals which are destined for the food chain. The claim organization Massaclaim is occupied with the Fipronil crisis. Poultry keepers who want to obtain a compensation or get financial support from the government, can join [fipronil-compensatie.nl](http://fipronil-compensatie.nl). (Source: Het Parool.nl. Photo: nu.nl)



## IMF ranks African countries according to weight of their informal sector

According to a report published by the International Monetary Fund (IMF), the informal market represents between 20 and 65% of the GDP of sub-Saharan African countries. The report specifies that in this geographical region, the informal market represents a very big heterogeneity. It indicates that the informal sector retreats in function of the height of the level of income. This seems to call for an increased capacity of efficient governance and attractive advantages to reduce the phenomenon.

In the Democratic Republic of Congo (DRC), the informal sector counts for about 30 to 40% of the GDP, on average. That is fostered by an inefficient judiciary system, excessive bureaucracy, a lack of transparency and difficulty to access credit. These factors lead to the current situation, especially as the repressive capacities of the government are weak. Sub-Saharan Africa is one of the regions where the informal economy weighs the strongest. (Source: Agence Ecofin)

## FINCA takes over I-Finance investors in its network



FINCA signed a memorandum of understanding with I-Finance, with the endorsement of the Congolese Central Bank (BCC). An official public notice was published by FINCA, inviting all new clients-savers to present themselves to their agencies. In this context, doctor Tshiani recently launched a call to the Congolese authorities and to the BCC, to establish an explicit protection mechanism for bank deposits, as is the case in several countries in Africa, as well as in the rest of the world.

This necessity is compelling, all the more since in 2016, the BCC placed the Savings and Credit Mutual Funds of Congo (MECRECO), the International Bank for Africa in Congo (BIAC) and Fibank under administrative control. The repetition of bank failures during the last 20 years, should warrant the Congolese authorities of this problem. (Source: Zoom Eco. Photo: Finca.cd)

## Difficult times for the DRC

The economic context of the Democratic Republic of Congo (DRC) is critical. Despite the fact that Kinshasa was in discussion with the IMF to obtain funding for new programs, it missed the payment deadline of its Eurobond, of 363 million dollars. The Congolese Central Bank (BCC) suspended all payments until a new order, without justification.

Certain economists suspect that this decision results, on the one hand, from a financial asphyxiation, and on the other hand, from a certain restriction on payments in Congolese Francs, with the intention to increase the money stock on the market and those in USD, which attracts currency requesters. Fuel at the pump is becoming rare too, creating queues of over an hour. Different strikes are added to this difficult context, where doctors and teachers claim an adjustment of their salaries to the current rate, which plagues the country. (Source: diverse)

## 750 million dollars of mining revenues embezzled in three years



A report of Global Witness, entitled "Automatic distributor of the Regime", revealed that between 2013 and 2015, more than 750 million dollars that were deposited by mining companies at fiscal authorities and public mining companies of Congo, have not reached the public treasury. This amount represented between 30 and 40% of the mining revenues collected by the country, according to Global Witness. The report of the NGO draws on data from the Extractive Industries Transparency Initiative (EITI), an international norm meant to promote transparent and responsible management of oil, gas and mining resources.

"Since years, Global Witness and other actors document the drains of the Congolese mining sector towards offshore shell companies. We note now that even the revenues deposited at state organisms in Congo, vanish before they reach the accounts of the public treasury," explains Pete Jones, campaign responsible of Global Witness. (Source: Jeune Afrique. Photo: RFI)

## 16 insurers interested in soon to be liberalized market

The DRC is finally opening up its insurance market. After years of hesitation and delay, the new regulator set his calendar to grant licenses to operators who will join in the race to obtain a part of the cake, which is estimated at half a billion dollars per year. The sector's regulator, previously protected with a quasi-state monopoly under the umbrella of its public enterprise SONAS, planned the liberalization of the market and already starts to receive inquiries from international operators.

According to Bloomberg, not less than 16 enterprises addressed letters of intent to the Insurance Regulation Authority, known under the name ARCA, which has recently been created. Eric Mbomba, chief executive of the new organism, stated to the media that the institution which he governs, is now ready and that "the competition will be a catalyzer for economic growth." (Source: La Tribune)

## Infantile undernourishment costs DRC's economy 1 billion dollars per year

Infantile undernourishment costs the gross domestic product (GDP) of the Democratic Republic of Congo (DRC) up to 4.5%. The social and economic costs of malnutrition are estimated at 1.637 billion Congolese Francs, or more than one billion dollars, per year, according to the report entitled "Study of the cost of hunger in Africa", drafted by the Congolese government in collaboration with the World Food Programme (WFP), the Commission of the African Union, the New Partnership for Africa's Development (NEPAD) and the Economic Commission of the United Nations for Latin America and the Caribbean (CEPAL).

According to the report, the DRC could save up to approximately 383 million dollars from this time until 2015, if the prevalence rate of children suffering from underweight would decrease from 11 to 5% and if the stunting rate would fall from 43 to 10%. (Source: Xinhua)

## Re-introduction of VAT in the mines



After a tax waiver on the added value to imports of mine operators, during one year, the Democratic Republic of Congo (DRC), re-introduces the tax to replenish its funds. Operators are, of course, rising and believe the moment is still not right to re-introduce the tax. The Congolese government accepted to suspend the tax in July 2016, to support the companies during the price drop of raw materials.

Kinshasa equally restored approximately 700 million dollars of VAT refunds which were due to those operators. Presently, however, the government estimates that it is no longer in a position to grant such types of privileges. The DRC should achieve an inflation of more than 30% this year, which directly affects Congolese households. Parallel to that, the foreign reserves of the central bank could only cover approximately three weeks of imports. (Source: Tribune Afrique. Source: Congo Actuel)

## Congo should face its second consecutive year of recession in 2017



The economic recession in Congo should continue, though the executive announced that he foresaw a shrinkage of 1.9% of its gross domestic product (GDP). This new perspective replaces the initial forecast, counting on a growth of 1%. According to Reuters, this counter-performance is linked to the weakness of the level of gas production of the country. The maturity of the oil fields would be at the origin of this production well below the official expectations.

The executives continue, however, that the prospects brought by new projects such as the Moho Nord field of Total, leave hope for an upturn. In fact, this field would have to increase 25% of the Congolese production, to bring it to 350,000 barrels per day, making the country the third African producer of the black gold. According to the World Bank, the Republic of Congo would globally be the most dependent country on its natural resources, with a contribution of 60% of its raw materials to its GDP. (Source: Agence Ecofin. Photo: Portail242.info)

## Negotiations with IMF start in September



Congo-Brazzaville is preparing to start its negotiations with the IMF soon. These discussions would have to allow it to unhook a support program from the financial institution, to gain control over its economy again, which is in great difficulty now. These negotiations would have to lead to a program to get Congo out of the economic and financial crisis which it is in since 2014, caused by the big fall in the prices of fuel, in addition to the discovery of hidden debts.

This situation, conjugated with the absence of a diversified economy, has placed the Congolese economy on its knees. The price drop of fuel even forced the Economic and Monetary Community of Central Africa (CEMAC) to devalue the Congolese Franc. These circumstances pushed Congo to negotiate with the IMF about setting up a plan to get out of the crisis and strategies for new economic sources in the country. (Source: Journal de Brazza. Photo: La Tribune)

## New government to tackle big economic deficits



The leader of the Republic of Congo, Denis Sassou Nguesso, proceeded with the appointment of a new governmental team which has the difficult task of tackling the economic crisis that the country faces, following the proposal of his Prime Minister. This new government, grossly maintaining the existing core of ministers already in office, notwithstanding a few rearrangements, consists of 35 members instead of 38, as the previous team had.

There are four new ministers in the new team. Once established, the new government of Prime Minister Mouamba will have as mission to manage the different reforms which are required to deal with the difficult economic and financial situation which Congo has been in for three years, due to the price drop of barrels of gas. To relaunch the domestic economic wheel, it will have to accelerate crisis recovery and put the whole country on the track towards development. (Source: Xinhua. Photo: Jeune Afrique)

## 53 billion FCFA for the production of cashew nuts

The Chinese company CELTS Industrie LLC, will invest 53 billion FCFA in the production of cashew nuts in Loudima, in the Niari department in the South of Congo. The lease agreement, for a duration of 60 years, for the exploitation of more than 22 thousand hectares for the production of cashew nuts, was signed between the Congolese Minister of Agriculture, Henri Djombo, and Guo Li from CELTS Industrie LLC.

Guo Li stated that its company "plans to make Congo a cashew nut exporter in a few years, through the agri-business complex for production and processing of fruits that it will establish." It is for the purposes of "Congolese production and consumption" that this lease agreement was signed, explained Minister Henri Djombo, assuring that the contract foresees "all safety mechanisms and protection of the environment." (Source: APA)

## Disappointed by gas, the government now plays the tourism card



Despite the fact that the Congolese economy is predicted to undergo a second successive year of recession, according to the forecasts of the Bank of Central African States (BEAC), the country tries to multiply its paths out of it. In the first instance, through tourism. Brazzaville is actively preparing its first touristic bases, which will take place next 17 and 18 July with, amongst others, the expected presence of the Secretary General of the World Tourism Organization (UNWTO), the Jordanian Taleb Rifai.

"I want to make Congo a credible destination. I work on it every day," Arlette Soudan-Nonault, Congolese Minister of Tourism, declared. The objective is to break apart the potential of the destination of Congo and to attract domestic and foreign investors, for a contribution of 10% of the GDP from now until 2021, as opposed to only 3% today. During last year, her department also prepared the establishment of a counter solely for tourism systems, the hotel and leisure business. (Source: ADIAC. Photo: PetitFute.com)



# POST SCRIPTUM

## Official launch of Global Compact in the DRC

On 7 September, the official launch of a network of Congolese companies committed to develop corporate social responsibility (CSR) strategies and measures, the DRC Global Compact Network, took place in Kinshasa. The launch ceremony was attended by more than 150 Congolese companies, NGOs and government representatives. The Minister close to the Prime Minister, the Deputy Special Representative of the UN Secretary-General, the Ambassador of the Netherlands in the DRC, the Vice President of UN Global Compact, based in New York, and the Director of Vlisco were key speakers at the event. At the ceremony, an appeal was launched to join this platform and to, as such, have a positive influence on the Congolese business environment, based on Global Compact's four major domains: human rights, work rights, the environment and the fight against corruption. The DRC Global Compact Network was initiated by the embassy of the Netherlands.



## PRACTICAL INFORMATION

### Embassy in Kinshasa

#### Contact

11, avenue Nzongotolo  
Immeuble Residence 55, Kin-Gombe

Phone: +243 99 6050 600  
Emergencies: +243 99 818 62 24  
Fax: +243 99 6050 629  
E-mail: [kss@minbuza.nl](mailto:kss@minbuza.nl)

#### Postal address

Lokatie 309 / ZMA Kinshasa  
Postbus 12200 - 2500 DD Den Haag

#### Opening hours

Monday - Thursday 08:00 - 16:30  
Friday 08:00 - 13:30

#### Opening hours consular department

Monday & Wednesday 09:00 - 12:00  
Otherwise by appointment only

### Consulate in Brazzaville

#### Address

30, Blvd Denis Sassou N'Guessou  
B.P 277 M'Pila - Brazzaville

#### Opening hours

Monday - Friday 09:00-16:00 (Consulate)  
Tuesday & Thursday 09:00-12:00 (Consular affairs)

#### Honorary Consul

Ms. Hilly-Anne Fumey  
Phone: +242 06 924 14 07  
E-mail: [hamvanbaggum@yahoo.fr](mailto:hamvanbaggum@yahoo.fr)

For comments, suggestions and remarks on this Newsletter, or any others business, please contact the Embassy's economic policy officer:

Phone: +243 99 060 50 627  
E-mail: [kss-hb@minbuza.nl](mailto:kss-hb@minbuza.nl)

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Mr Robert Schuddeboom (Ambassador)

Mrs Corina van der Laan (Deputy Head of mission)

Mr Francis Wilanga (Sr Economic policy officer)

Ms Sandy Makola (Economic policy officer)