DEMOCRATIC REPUBLIC OF CONGO

The Democratic Republic of Congo’s economic freedom score is 50.3, making its economy the 157th freest in the 2019 Index. Its overall score has decreased by 1.8 points, with sharp declines in monetary freedom, business freedom, and labor freedom overwhelming an improvement in judicial effectiveness. The Democratic Republic of Congo is ranked 34th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Economic development in the DRC has been severely undermined by decades of instability and violence. Poor economic management aggravated by repeated political crises has constrained economic freedom and trapped much of the population in persistent poverty. Arbitrary taxation, poor infrastructure, marginal enforcement of property rights, and weak rule of law have driven many people and enterprises into the informal sector, which accounts for more than 80 percent of economic activity.

BACKGROUND: Joseph Kabila, who won the DRC’s first multiparty election in 40 years in 2006, was reelected president in 2011 in a process rife with violence. His schemes to secure a constitutionally prohibited third term delayed 2016 national elections and sparked protests that were often brutally suppressed by state security services. Former Vice President and warlord Jean-Pierre Bemba was expected to run for the presidency in December 2018. Militia groups are active throughout the country. The DRC’s immense natural resource wealth includes large deposits of rare earth minerals used in many high-technology products. The DRC is Africa’s largest copper producer, but its political instability and high inflation discourage international investors. The country remains among the world’s least developed.
Protection of property rights is weak, and legislation to strengthen it has languished in the parliament since 2015. The judicial system is weak, unreliable, and corrupt. Human rights abuses and banditry deter economic activity. Massive corruption in the government and weak rule of law remain prevalent. Enforcement of anticorruption laws is relatively rare and usually done for political reasons.

The top personal income tax rate is 30 percent, and the top corporate tax rate is 40 percent. Other taxes include rental and vehicle taxes. The overall tax burden equals 10.8 percent of total domestic income. Over the past three years, government spending has amounted to 14.2 percent of the country’s output (GDP), and budget deficits have averaged 1.3 percent of GDP. Public debt is equivalent to 15.7 percent of GDP.

The regulatory system remains unfavorable to private entrepreneurship. Outmoded regulations increase the cost of running businesses and hamper private-sector development. Agriculture is the largest source of employment, and formal-sector employment is not substantial. Prices are controlled and regulated by the government, and heavily subsidized and inefficient state-owned enterprises are a burden on the economy.

The combined value of exports and imports is equal to 75.0 percent of GDP. The average applied tariff rate is 11.2 percent. As of June 30, 2018, according to the WTO, the Democratic Republic of Congo had one nontariff measure in force, but other barriers to dynamic trade flows persist. About 27 percent of adult Congolese have access to an account with a formal banking institution.