

Congo, Dem. Rep.  
**2011**





This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

# Congo, Democratic Republic

## Overview

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The economy began to recover in 2010, with estimations showing real gross domestic product (GDP) growth increasing to 6.1% from 2.8% in 2009 and largely driven by mining, which was buoyed by higher world prices. This in turn stimulated the services sector and infrastructure rehabilitation. Contributors to overall growth were mining (11.8%), construction (10.1%) and wholesale and retail trade (6.3%). The economy is expected to grow at around 6.5% over the next two years.

The budget deficit, which had worsened in 2009 as a result of the world economic crisis, improved in 2010 thanks to higher government revenue, but is expected to worsen again in 2011.

Better co-ordination of monetary and budgetary policies cut inflation to 23.2% in 2010 from 46.2% in 2009, and it is expected to fall sharply to around 10% in 2011. The central bank (BCC) reduced its key interest rate five times during the year and it reached 22% in November 2010.

The revival of the world economy and the country's achievement of completion point under the Heavily Indebted Poor Countries (HIPC) Initiative should greatly improve the external position of the Democratic Republic of Congo (DRC). The current-account deficit increased to almost 16% of GDP in 2010, from 10.1% in 2009. It is expected to remain high in 2011 and 2012. Reaching completion point in June 2010 has opened the way to total debt relief of USD 12.3 billion: 11.1 billion under the HIPC Initiative and 1.2 billion under the Multilateral Debt Relief Initiative (MDRI).

The DRC ranks 175<sup>th</sup> in the World Bank's *Doing Business* report, an improvement of four places mainly due to reforms in setting up businesses, granting building permits and transferring property.

The central bank surveyed commercial-bank loan quality and whether to recapitalise or restructure some banks. Dollarisation is still substantial, with foreign currency making up 85.7% of all bank deposits. Actionable debts were estimated at 4.8% of total debts to the private sector at the end of November 2010, up from 3.6% at the end of December 2009.

Ongoing decentralisation and privatisation are having serious problems, but public-finance management has improved thanks to effective use of resources.

The country's vast road network is still in very poor condition despite efforts to improve it, and electricity supply remains far below the country's needs, but an aid agreement with China and resumption of ties with foreign donors have re-energised these sub-sectors.

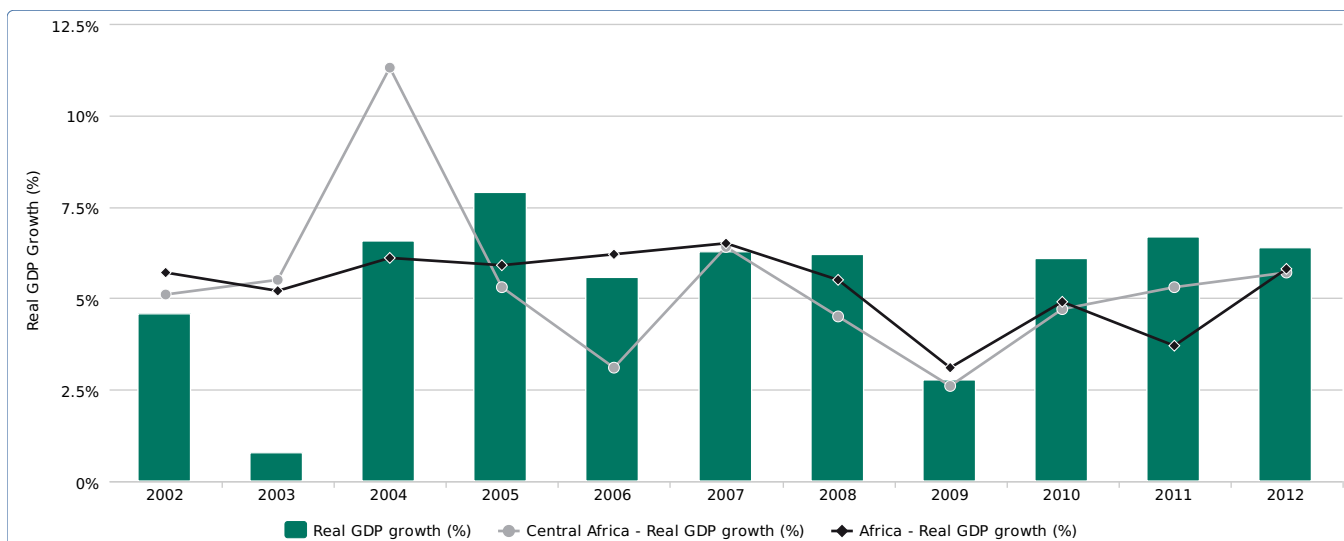
The first report by the Extractive Industries Transparency Initiative (EITI) was approved by a multiparty group in January 2010, and several mining contracts have been amended.

Politicians are waiting for general elections due in 2011. Efforts to improve governance have not, however, changed the country's very low ranking in worldwide indexes.

Progress has been made in health and education but most Millennium Development Goals (MDGs) are unlikely to be achieved.

Partnerships with emerging countries include ties with China, India, Korea and Brazil, which are very involved in mining, construction, information and communication technology (ICT), agriculture, technology transfer and social development, with India supplying credit lines, and China grants and soft loans. Chinese enterprises dominate public-works projects and have increased their activity in mining.

Figure 1: Real GDP growth (C)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink <http://dx.doi.org/10.1787/888932403971>

Table 1: Macroeconomic indicators

|                              | 2009  | 2010  | 2011  | 2012  |
|------------------------------|-------|-------|-------|-------|
| <b>Real GDP growth</b>       | 2.8   | 6.1   | 6.7   | 6.4   |
| <b>CPI inflation</b>         | 46.2  | 23.2  | 10.2  | 9.8   |
| <b>Budget balance % GDP</b>  | -4.1  | -0.5  | -8.3  | -6.6  |
| <b>Current account % GDP</b> | -10.1 | -15.7 | -16.7 | -14.3 |

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink <http://dx.doi.org/10.1787/888932406327>

## Recent Economic Developments and Prospects

Table 2: GDP by sector (in percentage)

|  | 2005 | 2009 |
|--|------|------|
| <b>Agriculture, forestry, fishing &amp; hunting</b>  | 48.4 | 47.4 |
| <b>Agriculture, livestock, fishery, forestry and logging</b>   | -    | -    |
| of which agriculture   | -    | -    |
| of which food crops  | -    | -    |
| <b>Mining and quarrying</b>  | 9.3  | 7.1  |
| <b>Mining, manufacturing and utilities</b>   | -    | -    |
| of which oil   | -    | -    |
| <b>Manufacturing</b>   | 5.4  | 5    |
| of which hydrocarbon   | -    | -    |
| <b>Electricity, gas and water</b>  | 3.1  | 2.6  |
| <b>Electricity, water and sewerage</b>   | -    | -    |
| <b>Construction</b>  | 4.8  | 5.3  |
| <b>Wholesale and retail trade, hotels and restaurants</b>  | 16   | 19.5 |
| of which hotels and restaurants  | -    | -    |
| <b>Transport, storage and communication</b>  | 3.9  | 4.6  |
| <b>Transport and storage, information and communication</b>  | -    | -    |
| <b>Finance, real estate and business services</b>  | 4.6  | 4.5  |
| <b>Financial intermediation, real estate services, business and other service activities</b>                 | -    | -    |
| <b>General government services</b>   | 3.6  | 3.3  |
| <b>Public administration &amp; defence; social security, education, health &amp; social work</b>             | -    | -    |
| <b>Public administration, education, health</b>  | -    | -    |
| <b>Public administration, education, health &amp; other social &amp; personal services</b>                   | -    | -    |
| <b>Public administration, education, health &amp; social work, community, social &amp; personal services</b> | -    | -    |
| <b>Public administration, education, health &amp; social work, community, social services</b>                | -    | -    |
| <b>Other community, social &amp; personal service activities</b>   | -    | -    |
| <b>Other services</b>  | 0.8  | 0.7  |
| <b>Gross domestic product at basic prices / factor cost</b>  | 100  | 100  |

Source: AfDB Statistics Department based on data from national authorities.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932407296>

The economy recovered well in 2010 after slowing in 2009 because of lower mining revenue and less foreign

direct investment (FDI), and real GDP growth has been estimated to have reached 6.1%, up from only 2.8% in 2009. The progress was mainly due to good performances in mining (+11.8%), construction (+10.1%) and wholesale and retail trade (+6.3%), and the building and repair of major roads increased movement of goods and people. But the water and energy sub-sector shrank 2.1% in 2010 and continued to be a drag on the economy. Real GDP growth should be of the order of an annual 6% in the next two years.

Revival of mining, which grew 11.8% in 2010 (from 7.1% in 2009), was due to more exports and much higher world prices. Several mining firms that had shut down or reduced activity in 2009 resumed operations. In 2010, output of copper (467 000 tonnes) rose 54.3% and cobalt (93 000 tonnes) 65.3% from 2009.

Crude-oil production, however, fell to 7.9 million barrels on the year up to the end of November (from 8.6 million for the same period in 2009) because of delays in maintenance work by one of the sector's big enterprises, Perenco.

Construction grew 10.1% in 2010 (up from 5.3% in 2009), because of more government road-repair projects, private housing projects and the reopening of the Cilu cement works in Lukala. Cement production rose 16.1% in 2010 (up from 14.6% in 2009).

Agriculture grew 18.6% thanks to higher production of logs (+89.8%) and coffee (+12.2%) on the year up to the end of November because of better world prices.

Despite its key role in overall growth, expansion of wholesale and retail trade slowed to 6.3%, from 7.1% in 2009.

The water and energy sector contracted 2.1% (more than the 0.2% fall in 2009) owing to supply shortages from the state-run electricity and water enterprises *Société nationale d'électricité* (Snel) and *Régie de distribution d'eau* (Regideso) because of outdated equipment and maintenance failures, which hampered the manufacturing sector.

Growth in 2010 was boosted by increased private consumption, partly as a result of more household buying power after a significant drop in inflation. Private investment also rose with more government efforts to repair basic infrastructure and more private housing construction.

Public investment, especially in road and energy infrastructure, should also significantly help real GDP growth in the next few years.

Government projections are based on expectation of growing world demand for raw materials, thus higher prices and much more exports. Greater official development aid is expected in the next few years because of the country's achievement of the HIPC Initiative completion point.

Clouds on the horizon include the elections due in 2011, social unrest, probable delays in structural reforms and persistent rebel activity in the east of the country. External uncertainties include erratic prices of raw-material exports and imported goods, on which the DRC is very dependent, and the country's ability to attract foreign funding.

Table 3: Demand composition

|                                | Percentage of GDP (current price) |       | Percentage changes, volume |      |      | Contribution to real GDP growth |      |      |
|--------------------------------|-----------------------------------|-------|----------------------------|------|------|---------------------------------|------|------|
|                                | 2002                              | 2009  | 2010                       | 2011 | 2012 | 2010                            | 2011 | 2012 |
| <b>Gross capital formation</b> | 9                                 | 19.4  | 34.5                       | 14.4 | 2.7  | 8.1                             | 4.3  | 0.9  |
| Public                         | 1                                 | 4.6   | 65                         | 25   | 2    | 3.6                             | 2.2  | 0.2  |
| Private                        | 8                                 | 14.8  | 25                         | 10   | 3    | 4.5                             | 2.1  | 0.7  |
| <b>Consumption</b>             | 93.4                              | 96.3  | 7.2                        | 7.9  | 3.8  | 8.7                             | 9.6  | 4.7  |
| Public                         | 5.5                               | 12.1  | 21.5                       | 8.7  | 3.5  | 3.8                             | 1.8  | 0.7  |
| Private                        | 87.9                              | 84.2  | 4.8                        | 7.7  | 3.9  | 4.9                             | 7.8  | 4    |
| <b>External sector</b>         | -2.4                              | -15.7 | -                          | -    | -    | -10.7                           | -7.1 | 0.9  |
| Exports                        | 24                                | 45.2  | 9.4                        | 4.5  | 6.4  | 2.5                             | 1.3  | 1.8  |
| Imports                        | -26.3                             | -60.9 | 18.6                       | 10.6 | 1.1  | -13.2                           | -8.4 | -0.9 |
| <b>Real GDP growth rate</b>    | -                                 | -     | -                          | -    | -    | 6.1                             | 6.7  | 6.4  |

**Source:** AfDB Statistics Department based on data from national authorities; estimates (e) and projections (p) based on authors' calculations. Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932408265>

## Fiscal Policy

The budget deficit improved in 2010 owing to more government revenue from revival of the world economy and better prices of raw materials on which the country is very dependent, and also to use of a cash flow forecast and budget commitment plan in managing the deficit.

Special subsidies to supplement petroleum-product prices were suspended in November 2010, producing extra revenue of USD 5 million a month.

Government outlay on health increased to 2.9% of GDP (2.1% in 2009). More money went to education than in 2009 but its GDP share fell slightly to 3.6% (from 3.7%).

The country's internal debt rose 125.5% in 2010, to CDF 31 billion (Congolese francs), or 0.3% of GDP, because of a carry-over of arrears from 2007. The external debt – USD 12.3 billion at the end of 2009 (125% of GDP) – should fall considerably now that the country has reached the HIPC Initiative completion point and gained access to HIPC and MDRI debt relief. Completion point was reached after achievement of various goals agreed between the government and the International Monetary Fund (IMF). In November 2010, the Paris Club of creditors also rescheduled 97% of the service on the DRC's debt (including arrears) due in the 2009-12 extended credit facility (ECF) period, the equivalent of USD 7.35 billion.

Uncertainties in budget execution in the next few years relate to delays in drafting and introducing medium-term budgetary (MTBF) and expenditure (MTEF) frameworks. Fiscal discipline will be vital for optimal use of budget revenue in the run-up to the late-2011 elections. The overall deficit is also expected to worsen to above 8% of GDP in 2011 owing to lower grants and higher spending.

Table 4: Public finances (percentage of GDP)

|  | 2002 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|------|------|------|------|------|------|------|
| <b>Total revenue and grants</b>              | 8.3  | 17   | 20.8 | 24.1 | 29.3 | 26   | 26.4 |
| Tax revenue                                  | 7.9  | 13.5 | 16.7 | 15.9 | 15.7 | 15.9 | 15.7 |
| Oil revenue                                  | -    | -    | -    | -    | -    | -    | -    |
| Grants                                       | 0.4  | 2.3  | 2.3  | 6.9  | 12.3 | 8.7  | 9.4  |
| Other revenues                               | -    | -    | -    | -    | -    | -    | -    |
| <b>Total expenditure and net lending (a)</b> | 10.3 | 19.9 | 24.9 | 28.2 | 29.9 | 34.2 | 33   |
| Current expenditure                          | 9.4  | 17.2 | 19.2 | 19.7 | 18.9 | 21.3 | 20.3 |
| Excluding interest                           | 6.2  | 13.4 | 15.8 | 15.3 | 16.8 | 18.9 | 18.6 |
| Wages and salaries                           | 2    | 6.9  | 6.9  | 6    | 5.4  | 5.3  | 4.9  |
| Goods and services                           | 3.8  | 4    | 4.3  | 3.6  | 4.5  | 5.4  | 5.5  |
| Interest                                     | 3.2  | 3.8  | 3.4  | 4.4  | 2.1  | 2.3  | 1.7  |
| Capital expenditure                          | 0.5  | 2.4  | 3.7  | 7.8  | 10.9 | 13   | 12.7 |
| <b>Primary balance</b>                       | 1.2  | 0.9  | -0.7 | 0.3  | 1.6  | -5.9 | -4.9 |
| <b>Overall balance</b>                       | -2   | -2.9 | -4.1 | -4.1 | -0.5 | -8.3 | -6.6 |

a. Only major items are reported.

**Source:** AfDB Statistics Department based on data from national authorities; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932409234>

## Monetary Policy

Better monetary and budgetary policy co-ordination brought inflation down to 23.3% in 2010, slightly less than the 23.6% target in the government's PEG II economic programme, after reaching 46.2% in 2009. After disruption mainly due to depreciation of the Congolese franc from January to mid-February and costlier petroleum products starting in mid-August, inflation was sharply reduced by lower prices for food and alcoholic beverages, transport, housing, water, electricity and fuel, and clothing and footwear. Core inflation fell from 30% at the end of 2009 to 9.8% at the end of 2010. Overall inflation is expected to decline to around 9% in 2011 and 2012.

The central bank's key interest rate was cut five times during the year and reached 22% in November 2010. The real interest rate was 12.2% in December. The volume of loans, however, due to lower real and nominal interest rates as well as lower prices, only rose 8.8%, perhaps reflecting continued hesitation by investors because of the poor business climate.

The DRC's money supply is mostly quasi-money, with foreign exchange still about 65% of the total, showing the importance of the economy's dollarisation. Cash credits to the government fell 83.9% (from CDF 172.8 to 27.8 billion) between December 2009 and November 2010. Loans to public enterprises declined 4.1% while those to the private sector increased 21%.

Actionable debts increased 60.2%, from CDF 28.9 to 46.3 billion, between December 2009 and November 2010, showing the problems of financial intermediaries in funding the economy and explaining why loans to the private sector rose only slightly despite the economic upturn.

Monetary policy in 2011 will remain focused on cutting inflation owing to the expected rise in food and oil prices. The central bank will have to increase further its supervision of financial intermediaries.

## **External Position**

The return to worldwide growth and the achievement of the HIPC Initiative completion point should have a major effect on the country's trade.

A sharp rise in exports (+60.4%) and imports (+52%) was expected in 2010 after their slump in 2009, with exports responding to higher world prices for raw materials, especially minerals, and imports to demand for production machinery and manufactures.

These trends will continue to increase the current-account deficit, expected to widen to 15.7% of GDP in 2010 (from 10.1% in 2009) and 16.7% in 2011, before improving in 2012.

Achieving HIPC Initiative completion point in June 2010 gives the country access to USD 12.3 billion in debt relief (11.1 billion under the HIPC Initiative and 1.2 billion under the MDRI). Of this, USD 491 million will come from the IMF and USD 1 832 million from the International Development Association (IDA), with the rest from bilateral and commercial creditors. The DRC will no longer have a heavy debt-service burden undermining its revenue and exchange reserves. The government has already obtained relief of USD 7.35 billion from the Paris Club, reducing debt servicing to 2.9% of goods and services exports in 2010 (from 21.2% in 2009) and to an expected 1% in 2011. External debt is estimated at USD 2.9 billion in nominal value and 3.7 billion in current value.

Official exchange reserves unrelated to aid remain volatile, changing from the equivalent of 7.8 weeks of imports at the end of December 2009 to 7.7 in December 2010 after dipping to 6.9 weeks in July 2010. The value of the Congolese franc fell 10.8% in 2010 (less than the 30.7% in 2009) and ended the year at CDF 905.3 to the US dollar. It is expected to depreciate further over the next few years.

The net flow of private capital, including FDI, was significantly less in 2010, at 4% of GDP (USD 516.9 million), down from 5.7% in 2009, mainly because of the world financial and economic crises and slow recovery, and is expected to continue in 2011, to 2.8% of GDP (USD 395 million), before increasing in 2012.

The country is meanwhile at ratification stage of joining the free-trade area of the Common Market for Eastern and Southern Africa (COMESA) and has completed a survey of how it might profit from joining another, the Southern African Development Community (SADC). Benefits would include customs valuation under the World Trade Organization (WTO) agreement already adopted by COMESA, application of the WTO's harmonised system of product classification (2007 version) also adopted by COMESA and use of the COMESA customs declaration form (DDCOM).

Notwithstanding, the announcement of the DRC's exclusion from the US Africa Growth and Opportunity Act (AGOA) starting on 1 January 2011 as a result of an annual assessment is expected to reduce tariff-free exports and thus foreign-exchange reserves earned from the substantial DRC exports to the United States (USD 300

million in 2009), mainly minerals, petroleum products and agricultural goods. The DRC continues to participate in multilateral negotiations for economic-partnership agreements between the European Union and member countries of the Central African Economic and Monetary Community (CEMAC). A meeting was held in Douala in February 2010 to plan further talks.

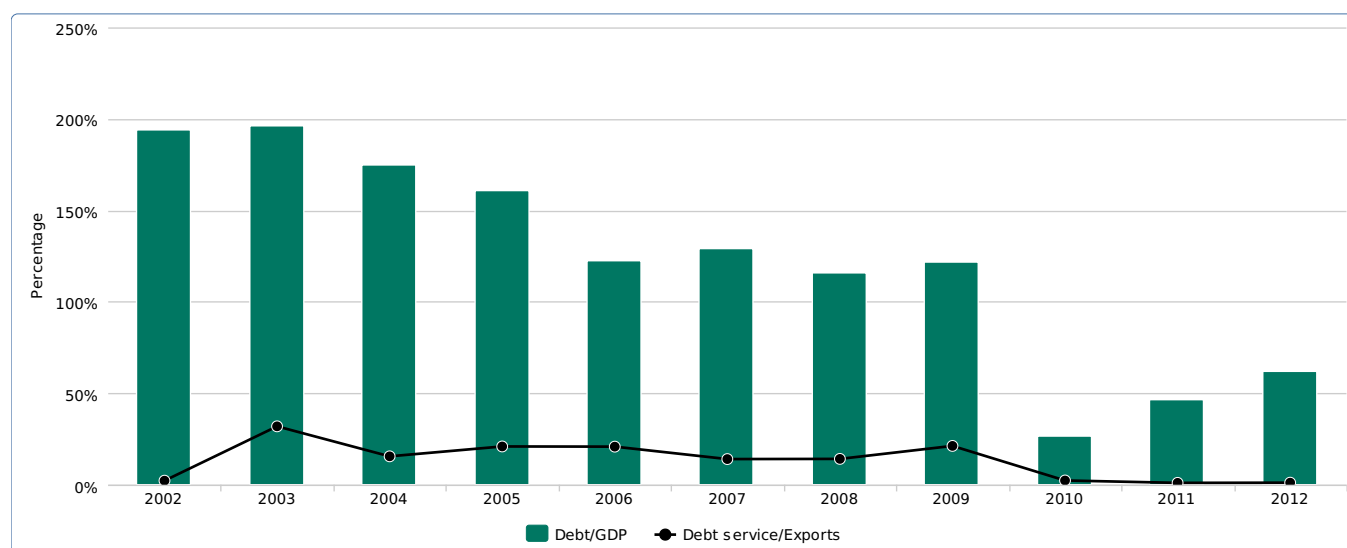
Table 5: Current account (percentage of GDP)

|                                | 2002 | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  |
|--------------------------------|------|-------|-------|-------|-------|-------|-------|
| <b>Trade balance</b>           | 2.7  | 8.9   | -1.1  | -5.2  | -4.4  | -6.6  | -2.8  |
| Exports of goods (f.o.b.)      | 22.5 | 61.6  | 56.8  | 39.3  | 51    | 51.7  | 50.2  |
| Imports of goods (f.o.b.)      | 19.8 | 52.7  | 57.9  | 44.6  | 55.4  | 58.3  | 53    |
| <b>Services</b>                | -4.5 | -12.3 | -14   | -10.5 | -13   | -11.3 | -11.5 |
| <b>Factor income</b>           | -0.5 | -6.4  | -11.4 | -7    | -6.1  | -5.8  | -6    |
| <b>Current transfers</b>       | 7.5  | 8.2   | 10.6  | 12.6  | 7.8   | 7     | 6     |
| <b>Current account balance</b> | 5.1  | -1.5  | -15.9 | -10.1 | -15.7 | -16.7 | -14.3 |

**Source:** AfDB Statistics Department based on data from national authorities; estimates (e) and projections (p) based on authors' calculations. Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932410203>

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



**Source:** IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932403971>

## Structural Issues

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### Private Sector Development

The DRC moved up four places in the World Bank's *Doing Business* report, to 175<sup>th</sup> place out of 183 countries in 2010, mainly because of reforms involving setting up businesses, granting building permits and registering property.

The DRC went up nine places (to 146<sup>th</sup>) for ease of starting a business after abolishing various formalities including presentation of the enterprise's seal, thus reducing the time for inscription in the trade register to five days, and two for obtaining a national identity number. The country moved up 58 places to 81<sup>st</sup> for getting building permits, mainly thanks to cheaper permits (falling from 1% to 0.6% of the building's market value) and simpler procedures. Since the report, they have been obtainable within 30 days. Halving of proportional taxes and transfer fees for property (from 6 to 3%) earned the DRC a gain of seven places to 118<sup>th</sup> in the property registration ranking.

The main problems business people come up against are double taxation (at provincial and national level linked to decentralisation), access to bank loans for small and medium-sized enterprises (which carry a high 3% monthly interest with repayment of up to a year, according to the *Fédération des entreprises du Congo*), problematic application of administrative rules, and difficult supply of goods and services by major state enterprises dealing with transport (*Office national des transports - Onatra*), electricity (*Snel*), water (*Regideso*) and insurance (*Société nationale d'assurance - Sonas*).

Reforms under consideration include lifting the ban on foreigners running businesses, reducing fees for getting a national identity number, regulation of leasing, creating a property register, introducing a value-added tax in 2012 as the DRC ratifies its joining of Ohada (African business law harmonisation organisation) in February 2010, and implementing existing plans for better governance and transparency in managing natural resources (forests, mining and oil).

### Growth of the financial sector

Restructuring the central bank reached a milestone with the 2011 budget increase of its capital from CDF 60 billion to 213 billion. The bank stepped up its monitoring with a survey of commercial-bank loan quality and on whether to recapitalise or restructure some banks. Restructuring of the *Banque Congolaise* was completed in April 2010 with an injection of USD 20 million by shareholders. The government also chose to modernise monetary- and exchange-policy design and execution by recapitalising the central bank.

Dollarisation of the economy is still substantial, with foreign currency deposits in the country's banks (equivalent to CDF 601.951 billion) making up 85.7% of all deposits, and 84.7% of them demand deposits.

Actionable debts were 4.8% of the total CDF 34.6 billion in loans to the private sector at the end of November 2010, up from 3.6% at the end of December 2009.

The economy is mainly funded on a short-term basis and financial institutions rarely offer long-term loans. Bank equity (averaging USD 12 million per bank) and the percentage of foreign currency demand deposits limits funding of big projects.

Nonetheless, investors and customers seem to be regaining confidence and the country now has 22 commercial banks, up from a dozen or so in 2005, and the number of accounts has soared from 30 000 in 2005 to 350 000 in 2010.

Microfinance institutions and savings and loan co-ops are growing rapidly and the central bank is strengthening regulation of them. The insurance and pension fund sectors are monopolies but insurance is being privatised.

### Other Recent Developments

#### Public-sector reform

Decentralisation is under way, but applying it is still difficult and the only completed aspect is the setting up of provincial governorates, governments and parliaments. Administrative devolution is still in progress and financial decentralisation has run into problems of transferring skills and financial management tools to the provinces, as well as problems of staff capacity building. Classification of items for central government and provincial taxation purposes is being prepared but provincial bodies to deal with public procurement have not yet been set up. The government is trying to implement full decentralisation in three pilot provinces: Sud-Kivu, Katanga and Bandundu.

Privatisation is going ahead despite resistance. A new legal framework for government divestment of commercial firms has been introduced and the statutes of such companies were changed at the end of December 2010. Financially compensated voluntary redundancies have been introduced at Regideso, the mining firm Gecamines and at the railway (*Société Nationale des Chemins de Fer du Congo - SNCC*). The main obstacles are the companies' debts, insufficient capital and substantial wage-payment arrears. Public-private partnership is one solution that has been applied to the mining enterprise *Minière de Bakwanga* (Miba) and a hotel in Katanga.

Public-finance management has been improved with the modernisation of budget execution in order to allow tracing of funds, a system of international-standard accounting, an Asycuda++ computer programme at customs headquarters (*Direction générale des douanes and accises - DGDA*) and quarterly reports on budget execution. A strategic public finance reform plan was adopted in March 2010. Use of a cash-flow forecast and a budget-commitment plan to curb the deficit have also helped, though "crowding out" was seen at times as a result of rebel activity in the east of the country.

### **Infrastructure**

The DRC has about 152 500 kilometres of roads with nine main routes linking provincial capitals. The network is in very poor condition due to lack of maintenance and funding in recent decades. The electricity grid has a wide gap between supply and demand despite the country's huge generating potential of 100 000 MW.

Hopes for improvement have risen with a new co-operation agreement with China and resumption of ties with funding sources as a direct result of announced higher government investment. Major projects include upgrading the Inga hydroelectric power stations and exporting more electricity to southern Africa through Zambia under the Domestic Electricity Markets for Consumption and Export Project (PMEDE) and the Southern African Power Market Project (SAPMP). The USD 900 million scheme is being funded by the World Bank, the African Development Bank (AfDB) and the European Investment Bank. Another infrastructure project (USD 1.9 billion) will repair the tarred roads between Kinshasa and Lubumbashi (east-west) and Kisangani and Bunia (north-south).

The national electricity firm Snel is entering into more and more partnerships with the private sector, especially with mining enterprises, to rehabilitate power stations and provincial power lines in exchange for discounts on their electricity bills and arrangements for the resale of surplus power. Electricity production has been opened up to the private sector but distribution is still the monopoly of Snel.

Nationwide road projects have been estimated to amount to about 3.6% of GDP for the period 2010-13. Government priorities are repairing tarred roads, reviving the national roads office and helping the population living along these routes.

The government is still considering the plan to build a bridge over the Congo river to link Kinshasa and the Congo Republic capital of Brazzaville.

### **Management of natural resources and the environment**

Mining contributes about 12.5% of GDP at constant prices and employs very many people. A national committee for the EITI was set up in July 2009 and its first report, on copper and cobalt, was approved by the multi-stakeholder group in January 2010 and will be endorsed by the EITI board by April 2011 in agreement with the government. The country is close to meeting international standards. Mining contracts were reviewed in 2010 and the mining land register Cami, which regulates the sector, performed an audit.

The USD 64 million World Bank-funded national forests programme (*Programme national des forêts et de conservation de la nature - PNFOCO*) is one of the pillars of the government's nature conservation policy and has helped ministries and other bodies to collect data and monitor activity in protected areas. Growing interest by funding sources has resulted in grant promises of USD 361 million.

### **Agricultural reforms**

Agriculture is rather marginalised in government spending and gets only 0.64% of the total budget, far below the 10% spending target of African countries as a whole.

An agriculture law aimed at attracting investors will be debated soon by parliament and an agricultural-development strategy was drafted in April 2010, though it is not yet in operation. A national food-security programme was recently drawn up with the help of the UN Food and Agriculture Organization (FAO) and adopted by the government.

## Emerging Economic Partnerships

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The DRC's most active emerging partners are led by China, followed by India and Korea. Turkey is preparing to join them, while Brazil's presence is still small. These countries are very involved in mining, construction, information and communication, agriculture, technology transfer and social development.

China, which wants to expand its presence in the region, is involved in several economic sectors and projects as part of a long-term co-operation agreement with the government under which China builds infrastructure in exchange for mining concessions. China is also helping with major projects in education, health, water supply, electricity and rural development, funded in 2009-10 by grants amounting to CNY 140 million (yuan), interest-free loans (CNY 150 million) and soft loans. The latter included CNY 2.348 billion, including 490 million to upgrade telecommunications and CNY 1.758 billion to build a national optic fibre network. A soft loan of CNY 376.5 million will fund the 150 MW Zongo-II hydroelectric project. China also plans to get more involved in the country's health system and agricultural training in the next few years.

The Indian government is providing low-interest credit lines over at least 25 years, along with capacity building and experience sharing. Indian credit lines since 2005 have included USD 33.5 million in 2005 for urban transport in Kinshasa, for the mining enterprise Miba in Kasai-Oriental and to build a cement factory in the Orientale province. Sixty tractors have also been supplied to revive agriculture. USD 25 million in credit was provided in 2010 to buy water pumps, and USD 263 million in 2009, including 213 million for the Katende and Kakobola dams and the rest for rail transport.

India regularly provides professional training and university scholarships. It has also made grants for building ICT training centres and training women in farming and use of solar energy. Both governments have agreed on joint committees to discuss aid problems.

Korea and Brazil are currently focusing on technology transfer, and offer training, university scholarships and internships. Brazil is sending Congolese trainee technicians to more advanced countries as part of their training and also sending experts to the DRC. A similar scheme is being negotiated with Korea, which is also involved in strengthening government institutions and negotiating to build a deep-water port in Banana (Bas-Congo). Talks are continuing with Brazil to extract oil from the central basin and in Ituri starting in 2012.

India's biggest telecom firm, Bharti Airtel, has bought the Congolese telecom company Zain and a new firm, Congo China Telecom (CCT), has been set up.

Emerging partners are different from "traditional" ones because they attach no conditions to any aid, profitability comes first, implementation is efficient, they focus on neglected sectors and give the impression of wanting long-term involvement.

Co-operation with the DRC's emerging partners is defined by a formal agreement with China and a draft agreement with India. Agreements under mining and forestry laws give investors special facilities and tax and customs deductions. The national investment office (*Agence nationale pour la promotion des investissements - Anapi*) is drafting a plan to create special economic zones.

Partnerships with emerging countries, which sub-contract to some Congolese firms, should produce significant benefits in the medium term, including more local jobs, cheaper consumer goods and technology transfer.

## Political Context

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Pockets of rebels still active in the east of the country in 2010 could undermine the peace agreement signed by the DRC, Rwanda and Uganda with the rebel *Congrès national pour la défense du peuple* (CNDP). The humanitarian situation in the east is still uncertain because of fighting between the DRC army (FADRC) and rebels of the *Front démocratique de libération du Rwanda* (FDLR).

Despite government efforts at greater transparency in its operations, governance perception indicators, such as those compiled by the World Bank and the Mo Ibrahim Foundation, put the DRC well down on the list of African countries. Transparency International's 2010 Corruption Perceptions Index ranks the country at 164<sup>th</sup> position out of 178 countries.

Strikes over salary and bonus arrears affected state financial bodies, health services, education, mining and transport, and the government had problems implementing civil servant pay scales proposed by Prime Minister (2006-08) Antoine Gizenga.

The police force is being reformed and a census of officers was begun in late November 2010.

General elections are due in 2011, prepared by the independent elections commission (CEI) and with the government earmarking funds. Parliament amended the national constitution to change to a one- instead of two-round election, but the opposition has protested.

## Social Context and Human Resource Development

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The country is having a hard time meeting the MDGs of reducing extreme poverty and hunger, gender equality and the fight against HIV/AIDS, malaria and other diseases. Progress has been made in health and education, but few MDGs will be reached. Poor quality or almost non-existent statistical data rule out serious efforts to assess and monitor MDGs and their indicators. Strengthening national data-gathering and analysis is a major problem for the social and human development sector as for all others.

Net primary-school enrolment improved to 62% in 2007 (from 52% in 2001) and should rise further in the next few years with government adoption in March 2010 of a sector development strategy (2010/11-2015/16) and introduction in September 2010 of free schooling in the first three primary-age classes, except in Kinshasa and Lubumbashi. The plan aims at better quality education nationwide.

Maternal mortality fell from 1 289 per 100 000 live births in 2001 to 549 in 2007, while infant mortality declined from 126 per thousand births to 98 in 2007. Births with qualified health workers present rose to 74% in 2007 (from 60.7% in 2001) as antenatal-care coverage increased to 85.3% in 2007, up from 68.2% in 2001. A health-sector strategy (2011-15) introduced in March 2010 should further improve health indicators.

The government's anti-HIV/AIDS drive (*Programme national multisectoriel de lutte contre le sida - PNMLS*) reports that the country's epidemic has levelled off, though new cases increased slightly in 2009 to 133 202 (from 129 425 in 2008). HIV/AIDS incidence was about 3.4% in 2009 and distribution of antiretroviral medicine continues, with 12.4% of patients with advanced AIDS getting them, up from 9% in 2008.

The government and its development partners are trying to increase access to basic water supply and sanitation, which has been falling. Contracts were signed in June 2010 to repair and expand clean-water supply networks in the towns of Lisala, Kasangulu and Tshikapa as part of the PEASU (*Projet d'eau potable et d'assainissement en milieu semi-urbain*) water and sanitation project. The 70 million universal currency units (UC) scheme funded by the AfDB will give about 1.5 million people access to clean water and about 1 million access to sanitation. PEASU will help the DRC take a big step towards the MDG for water and sanitation, boosting access to clean water from 22% to 27% and from 9% to 15% for sanitation. The World Bank has also launched an urban water programme (*Projet d'eau en milieu urbain - Pemu*) to reform the state water company Regideso, and a law has been drafted with German government help to organise the water and sanitation sector better.