Country Profile 2007

Democratic Republic of Congo

This Country Profile is a reference work, analysing the country’s history, politics, infrastructure and economy. It is revised and updated annually. The Economist Intelligence Unit’s Country Reports analyse current trends and provide a two-year forecast.
The Economist Intelligence Unit

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London
The Economist Intelligence Unit
26 Red Lion Square
London
WC1R 4HQ
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8500
E-mail: london@eiu.com

New York
The Economist Intelligence Unit
111 West 57th Street
New York
NY 10019, US
Tel: (1.212) 554 0600
Fax: (1.212) 586 0248
E-mail: newyork@eiu.com

Hong Kong
The Economist Intelligence Unit
60/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
E-mail: hongkong@eiu.com

Website: www.eiu.com

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Contents

Democratic Republic of Congo

3 Basic data
4 Politics
4 Political background
6 Recent political developments
13 Constitution, institutions and administration
14 Political forces
16 International relations and defence
18 Resources and infrastructure
18 Population
18 Education
19 Health
19 Natural resources and the environment
20 Transport, communications and the Internet
22 Energy provision
22 The economy
22 Economic structure
23 Economic policy
26 Economic performance
27 Regional trends
27 Economic sectors
27 Agriculture
28 Mining and semi-processing
34 Manufacturing
34 Construction
34 Financial services
35 Other services
35 The external sector
35 Trade in goods
37 Invisibles and the current account
38 Capital flows and foreign debt
39 Foreign reserves and the exchange rate
40 Regional overview
40 Membership of organisations
44 Appendices
44 Sources of information
45 Reference tables
45 Government finances
46 Money supply
46 Gross domestic product
46 Consumer prices
46 Agricultural production
47 Industrial production
47 Exports
47 Main trading partners
48 Balance of payments
48 External debt
49 Net official development assistance
49 Exchange rates
Democratic Republic of Congo

Basic data

**Land area** 2,344,885 sq km

**Population** 60.64m (mid-2006; IMF estimate)

**Main towns** Population estimates in '000 (2005)

- Kinshasa (capital) 7,786
- Lubumbashi 1,374
- Kolwezi 910
- Mbuji-Mayi 875
- Kisangani 539
- Kananga 464

**Climate** Tropical

**Weather in Kinshasa** Hottest months, March-April, 22-32°C; coldest month, July, 18-27°C; driest months, July-August, 3 mm average rainfall; wettest month, March, 221 mm average rainfall

**Languages** French (official, business); Lingala, Swahili, Kikongo, Chiluba, other local

**Measures** Metric system

**Currency** Congolese franc (FC)=100 centimes. The new zaire (NZ1:Z3m) was introduced in October 1993 and replaced in July 1998 by the Congolese franc at a fixed rate of FC1.38-1.45:US$1. It was floated in May 2001. The currency now trades on the parallel market at only a slight discount. Average (official) exchange rate in 2006: FC468.3:US$1; exchange rate on August 17th 2007: FC495:US$1

**Time** Kinshasa, Mbandaka 1 hour ahead of GMT; Lubumbashi, Kisangani, Goma 2 hours ahead of GMT

**Public holidays** January 1st; January 4th, Martyrs of Independence Day; January 16th-17th, Heroes' Day; Easter Day; May 1st, Labour Day; May 17th, Liberation Day; June 30th, Independence Day; August 1st, Parents' Day; December 25th
Politics

The Democratic Republic of Congo (DRC) is uncertainly moving on from a destructive five-year conflict (1998-2003), which split the country into three, saw the rise of four large rebel groups and dozens of small predatory ones, and drew in the armies of most neighbouring countries. A peace agreement signed in 2002 began a transition period that came to an end following elections in 2006. The presidential election was won after a second round of voting by the incumbent, Joseph Kabila. The result was contested by the runner-up, Jean-Pierre Bemba, leader of the Mouvement de libération du Congo (MLC), but he later accepted it in the interests, he said, of national unity. Mr Kabila's 38-party coalition, called the Alliance pour la majorité présidentielle (AMP), also secured a majority in the election to the National Assembly.

The new government, formed in February 2007, has 60 members and has thus far proved incapable of effective policymaking. The government is faced with numerous daunting challenges, including economic reconstruction, building the state's currently near-absent capacity to deliver basic social services, disarming rebel groups, integrating former rebel fighters into the armed forces and restoring peace to the country's troubled, violent eastern regions. Donors are willing to help, but are less prepared to overlook fiscal mismanagement and corruption than previously, and the government is struggling to adapt to their new conditions.

Political background

A country of legendary potential, the DRC has never come close to realising it. The country experienced an unusually cruel colonial era, followed by a hasty and chaotic decolonisation. The hopes of independence quickly gave way to dismay at the systemic corruption and economic mismanagement of the Mobutu era, to which was added state disintegration following five years of war between 1998 and 2003. Matters have improved greatly since, although the persistence of bad old habits among senior members of the political elite continues to retard progress.

In the pre-colonial period, the area of lower Congo was part of the Kongo kingdom, which spanned both banks of the Congo River, covering much of the territory of present-day Angola and Congo (Brazzaville). Portuguese mariners were the first Europeans to make contact with the kingdom, establishing trading operations on the coast and the Congo River estuary during the 16th century. In the late 19th century the territory was colonised by the Belgian king, Leopold II, with its name, the Congo Free State, belying the truth that it was in effect his personal property. The Congo Free State soon became legendary, particularly in the UK, for the criminal brutality of its government officials and, in response to the growing outcry, the Belgian government took over the territory in 1908.

The Belgian colonial state ended the Congo Free State's most controversial practices, including the chopping off of villagers' hands by its police/army, the Force publique, but remained decidedly authoritarian in character. The Belgian
colonial era saw the establishment of industrial mining, commercial agriculture and limited manufacturing, and at independence the country was the second-most industrialised in Sub-Saharan Africa after South Africa.

Alarmed that the death of 40 Congolese during the violent repression of a banned public meeting in 1959 presaged unstoppable violence in the colony, the Belgian authorities rushed into an ill-prepared decolonisation process. Following hasty talks with the main Congolese parties in Brussels, Belgium granted Congo independence on June 30th 1960.

**Independence, secession and civil war**

Joseph Kasavubu was appointed president and Patrice Lumumba prime minister of the newly independent country, but Belgian officers remained in command of the Force publique. A few days later the Force publique mutinied in protest, following which Belgian paratroopers landed in Katanga on July 10th 1960. Their presence encouraged a provincial politician, Moïse Tshombe, to declare Katanga independent on July 11th, marking the beginning of five years of civil war. Mr Lumumba’s repeated appeals for international intervention to end the war in Katanga were ignored, and he was assassinated in 1961 with the involvement of the Belgian secret service and the US Central Intelligence Agency. Political instability and a succession of rebellions continued until November 1965, when the army chief, Joseph-Désiré Mobutu, seized power with the support of the US.

**The Mobutu years**

In 1971 the country was renamed Zaire as part of Mr Mobutu’s campaign to promote its African identity, and the following year he changed his name to Mobutu Sese Seko. He was elected, unopposed, to three seven-year terms as president in 1970, 1977 and 1984, and in 1988 his Mouvement populaire de la révolution (MPR) became the sole legal party. Mr Mobutu’s absolute and arbitrary rule and encouragement of personal enrichment by those in government contributed to the progressive erosion of the administrative capacity of the state. It also established corruption as an explicit instrument of rule, and the pillaging of national resources and state assets became the chief motive for seeking political power. Government ceased to carry out the normal functions associated with serving the public. A brilliant manipulator, Mr Mobutu dominated the political scene for 32 years, during which time almost every politician or political opponent was neutralised or co-opted at some point, often several times. Paradoxically, this was also a period of nation-building, during which were established many of the elements of modern-day Congolese nationalism, ranging from widespread popular opposition to federalism, and support for a unitary state, to the country’s distinctive popular music.

**Mobutu dragged out the transition period for years**

Despite repression, domestic opposition to Mr Mobutu grew steadily, forcing him in April 1990 to permit other parties to operate—the first stage in a transition to full democracy. In March 1991 around 200 newly formed political parties pushed the government to agree to a constitutional conference, which began in August that year. The next six years witnessed a succession of governments, led in name by opposition figures, but ultimately dominated by Mr Mobutu, who succeeded in drawing out the transition. The constitutional conference set up a transitional legislature, Haut conseil de la République, in
December 1992, which elected as prime minister Etienne Tshisekedi, the leader of the oldest and most popular opposition party, Union pour la démocratie et le progrès social (UDPS).

Disputes and confusion arose over the relative authority of Mr Mobutu and the new government. In January 1993 rioting broke out in the capital, Kinshasa, when soldiers protested at being paid with new bank notes, issued by Banque centrale du Congo (the central bank) but declared illegal by Mr Tshisekedi. In March 1993 Mr Mobutu violated the transitional constitution by dismissing Mr Tshisekedi and appointing as prime minister a former UDPS member, Faustin Birindwa. Following a split between the moderate and radical opposition, a centrist opposition leader and former premier, Léon Kengo wa Dondo, became prime minister in June 1993. Mr Kengo and Mr Mobutu failed to carry out their promise to organise elections before July 9th 1995, and the transition was formally extended for another two years.

**The end of the Mobutu era**

Towards the end of 1996 it was announced that Mr Mobutu had cancer. At the same time, an armed rebellion against his regime began in North and South Kivu provinces. Since 1994 up to 2m Rwandan Hutu refugees had lived in the Kivus, after being herded out of Rwanda by their former rulers when the Tutsi-dominated Rwandan Patriotic Front took power. Many of the refugees were members of the former Rwandan army and the Interahamwe militia responsible for the massacre of 800,000 Rwandan Tutsis and moderate Hutus in the preceding months. Mr Mobutu used these refugees to destabilise Rwanda and Uganda, and persecute the Tutsi populations of the Kivus.

**Recent political developments**

**The Kabila takeover**

The Kivu rebellion was militarily supported from the start by Rwanda and Uganda, as their governments saw in it the potential to overthrow the Mobutu regime. This loose regional alliance promoted Laurent Kabila, a minor guerrilla and smuggler from Katanga, as the leader of a rebel coalition, called Alliance des forces démocratiques pour la libération du Congo-Zaire (AFDL). The AFDL easily overcame government forces, which nearly everywhere put up no resistance. Mr Kabila refused South African efforts to secure a constitutional exit from office for Mr Mobutu, and Kinshasa fell to the AFDL on May 16th 1997. Mr Mobutu fled into exile in Morocco, where he died four months later. Mr Kabila declared himself president, renaming the country the Democratic Republic of Congo, as it had been called between 1964 and 1971. Domestic and international hopes that the corruption and mismanagement of the Mobutu era had come to an end were soon dashed. Mr Kabila's rule immediately turned authoritarian, marked by the banning of opposition parties, the capricious treatment of foreign investors and economic incompetence. Mr Kabila also soon alienated his key supporters, Rwanda and Uganda, setting the stage for renewed conflict.

**A conflict with roots in neighbouring countries**

The civil war that then broke out in the DRC was in large part the legacy of civil strife in Rwanda, Uganda and Burundi, which spilled into the vacuum of the imploding Congolese state in the late 1990s. Of particular importance was the
still unresolved conflict between the Rwandan government and its armed opponents still camped in the Kivus. The main reason the Rwandan government had propelled Mr Kabila to power had been for him either to act against these opponents or to allow Rwandan forces to do so. After playing along initially, Mr Kabila soon changed course and in July 1998 expelled all foreign troops from Congolese soil. Rwandan forces attempted to overthrow Mr Kabila only days later and came close to doing so, but were kept out of Kinshasa and repulsed by a rapid military intervention from Zimbabwe and Angola. Soon after that, the Rwandan government oversaw the establishment of a new rebel movement largely drawn from Congolese Tutsis, Rassemblement congolais pour la démocratie (RCD). The rebellion quickly erupted into a full-scale war. Namibia joined Zimbabwe and Angola in defending the Kabila government, and Uganda created its own rebel movement to oppose both Mr Kabila and the RCD, the MLC, led by the son of a former finance minister of Mr Mobutu, Mr Bemba.

A ceasefire since 2001

Efforts to bring the war to an end through a negotiated settlement resulted in a peace accord signed in the Zambian capital, Lusaka, in July 1999. In the following 18 months little progress was made in implementing the agreement, largely owing to the obstruction of Laurent Kabila, who wished to renegotiate the agreement unilaterally and rejected the facilitator appointed by the Organisation of African Unity (OAU), Ketumile Masire, a former president of Botswana. A ceasefire in February 2001 froze the positions of the main belligerents, leaving rebel forces controlling more than half of the country's territory, mainly in the east and north-west. Fighting continued in the east of the country, with the RCD and Rwandan government forces opposed by Rwandan Hutu fighters and disparate Congolese ethnic militia collectively referred to as Mai Mai. Ugandan troops remained active in Ituri district, where a number of armed groups became involved in an ethnic sub-conflict, largely over mineral and land resources.

Laurent Kabila is succeeded by his son

On January 16th 2001, Laurent Kabila was assassinated in Kinshasa, apparently on the orders of some members of his own political elite. These same people joined with the rest of the late president's colleagues in quickly appointing his son, Joseph Kabila, as president, who was sworn in on January 26th.

Joseph Kabila revived the Congolese peace process, dropping most of the objections raised by his father's government. The deployment of UN troops was authorised, and army forces withdrew from the frontline under a plan signed by all parties in February 2001. The new president won international approval for appointing a government of technocrats and for ending the isolation into which his father had plunged the country. His efforts were rewarded with the re-engagement of the IMF and World Bank, which had halted aid to the country as a result of the political repression in the early 1990s.

Peace agreement establishes transitional authorities

Political negotiations known as the inter-Congolese dialogue were held in Sun City, South Africa, in February and March 2002 under the mediation of the OAU's facilitator, Mr Masire, and the UN secretary-general's special representative, Moustafa Niasse. The talks included representatives from the various rebel and armed groups, the government, civil society, and political
parties. Although the negotiations were chaotic and broke up in May 2002 without a final agreement, they provided the basis for one. Most outstanding issues were settled in further talks, and in December 2002 a "Global and All-Inclusive Peace Agreement on the Transition in the DRC" was signed by the various parties in Pretoria, South Africa.

The peace agreement led to the formation in June 2003 of a transitional government, including Mr Kabila and his supporters, the main rebel movements, the Mai Mai, several political parties from what was known as the unarmed opposition, and representatives of civil society. Mr Kabila remained president and beneath him were four vice-presidents in a formula known as ‘four plus one’:

- Mr Bemba from the MLC;
- Azarias Ruberwa from the main faction of the RCD, RCD-Goma;
- Arthur Z'Ahidi Ngoma from the political opposition; and
- Yerodia Abdoulaye Ndombasi from the Parti du peuple pour la reconstruction et la démocratie (PPRD), Mr Kabila’s party.

The 36 seats in the cabinet, 500 seats in the National Assembly and 120 seats in the Senate were divided among the eight signatories to the peace accord. Unsurprisingly, the transitional government rarely acted as a cohesive unit: the competing interests of the various components of government usually prevailed over the interests of national unity. This disunity led to delays in implementing key aspects of the transition, in particular the disarmament of armed groups, the integration of former rebel fighters into the Congolese armed forces and the establishment of government authority throughout the country. These delays inevitably led to the postponement of the presidential and legislative elections, which were due to be held in 2005, until 2006.

**MONUC**

The UN’s mission in the Democratic Republic of Congo (DRC), Mission de l’Organisation des nations unies en République démocratique du Congo (MONUC), was set up in 1999. MONUC was mandated to protect civilians under immediate threat of physical violence, to safeguard members of the transitional government, to help with the disarmament and demobilisation of former combatants, and to assist with the reform of the armed forces and with the electoral process. MONUC monitors and enforces an arms embargo imposed by the UN Security Council in July 2003. The UN publishes annual reports on violations of the embargo compiled by a group of experts, who have been particularly critical of Rwanda for supporting dissident military leaders in eastern DRC.

**An election is held in 2006**

A post-transition constitution was overwhelmingly approved in a referendum in December 2005, despite having been barely circulated, in what was widely interpreted as a firm message from the Congolese electorate that the transition to democracy must continue. The electoral commission, Commission électorale indépendante, then began preparations for national elections, massively supported by the DRC’s international partners, and particularly the EU, which
not only provided the bulk of the funds but also a rapid-reaction military force of 2,000 to support MONUC in maintaining security.

The campaigning period saw sporadic outbreaks of violence as rival political groups clashed with each other and with the police. The independent press authority struggled with the task of maintaining standards of fair reporting and equitable access in the broadcast media. Various parties were accused of focusing on ethnic identity rather than on social and economic issues. However, the election itself, held on July 30th 2006, passed off well. Around 17m of 25.8m registered voters went to the polls—a turnout of 66%. There were 33 candidates in the presidential election, and 9,300 candidates contested the 500 seats in the National Assembly.

The provisional results of the presidential election were announced in late August, with Mr Kabila securing 45% of the vote, and Mr Bemba 20%. The remainder was split between the other 31 candidates. The result revealed a clear split between western and eastern DRC. In the eastern provinces, Mr Kabila won a majority of the vote; Mr Bemba was the clear winner in all the other provinces apart from Bandundu, where Antoine Gizenga, president of Parti lumumbiste unifié (Palu), won a majority. Kinshasa rejected Mr Kabila, a reflection of the prevailing sentiment in the city that he is heavily manipulated by his father's old cronies, is favoured by the international community, especially the US, and originates from the east of the country. (Street gossip in Kinshasa has it that Mr Kabila's mother was Rwandan.) The main reason that Mr Kabila polled so well in eastern DRC was people's hope that he would deliver them from the continued Rwandan and Ugandan political and military influence in their region. Mr Kabila polled well in Katanga because he was seen there as a Katangan like his father. Similarly, Mr Bemba attracted wide support in his home province of Equateur. Since no candidate had won more than 50% of the vote, a second round of the presidential election, between Mr Kabila and Mr Bemba, would be held on October 29th.

**Presidential election, 2006: first-round results**

<table>
<thead>
<tr>
<th>Candidate</th>
<th>% of vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseph Kabila (independent)</td>
<td>44.81</td>
</tr>
<tr>
<td>Jean Pierre Bemba (Mouvement de libération du Congo)</td>
<td>20.03</td>
</tr>
<tr>
<td>Antoine Gizenga (Parti lumumbiste unifié)</td>
<td>13.06</td>
</tr>
<tr>
<td>Nzanga Mobutu (Union des démocrates mobutistes)</td>
<td>4.77</td>
</tr>
<tr>
<td>Oscar Kashala (Union pour la reconstruction du Congo)</td>
<td>3.46</td>
</tr>
<tr>
<td>Azarias Ruberwa (Rassemblement congolais pour la démocratie)</td>
<td>1.69</td>
</tr>
<tr>
<td>Pierre Pay Pay (Coalition des démocrates congolais)</td>
<td>1.58</td>
</tr>
<tr>
<td>Lunda Bululu (Rassemblement des forces sociales et fédéralistes)</td>
<td>1.40</td>
</tr>
</tbody>
</table>

Note. Turnout was 66%. The 25 other candidates each received less than 1% of the vote.

Source: Commission électorale indépendante.

In the legislative election Mr Kabila’s PPRD won more seats than any other party, but with 22% of the total had nowhere near a majority in the National Assembly. This Mr Kabila proceeded to construct through the formation of a coalition, the AMP, which would also support him in the second round of the presidential election. The MLC came second in the legislative election with 64
seats, 13% of the total, and also constructed a parliamentary alliance, Union pour la Nation, which is the second-largest grouping in the Assembly. The big electoral losers, not unexpectedly, were the RCD, which although a key stakeholder in the transition and well-represented in government, was rejected by eastern voters as an alleged puppet of Rwanda.

<table>
<thead>
<tr>
<th>National Assembly election, Jul 2006</th>
<th>Seats</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parti du peuple pour la reconstruction et la démocratie (PPRD)</td>
<td>111</td>
<td>22.2</td>
</tr>
<tr>
<td>Mouvement de libération du Congo (MLC)</td>
<td>64</td>
<td>12.8</td>
</tr>
<tr>
<td>Parti lumumbiste unifié (Palu)</td>
<td>34</td>
<td>6.8</td>
</tr>
<tr>
<td>Mouvement social pour le renouveau (MSR)</td>
<td>27</td>
<td>5.4</td>
</tr>
<tr>
<td>Forces du renouveau</td>
<td>26</td>
<td>5.2</td>
</tr>
<tr>
<td>Rassemblement congolais pour la démocratie (RCD)</td>
<td>15</td>
<td>3.0</td>
</tr>
<tr>
<td>Coalition des démocrates congolais (Codeco)</td>
<td>10</td>
<td>2.0</td>
</tr>
<tr>
<td>Convention des démocrates chrétiens (CDC)</td>
<td>10</td>
<td>2.0</td>
</tr>
<tr>
<td>Union des démocrates mobutistes (Udemo)</td>
<td>9</td>
<td>1.8</td>
</tr>
<tr>
<td>Camp de la Patrie</td>
<td>8</td>
<td>1.6</td>
</tr>
<tr>
<td>Démocratie chrétienne fédéraliste-Convention des fédéralistes pour la démocratie (DC-Cofedec)</td>
<td>8</td>
<td>1.6</td>
</tr>
<tr>
<td>Parti démocrate chrétien (PDC)</td>
<td>8</td>
<td>1.6</td>
</tr>
<tr>
<td>Union des nationalistes fédéralistes du Congo (Unafec)</td>
<td>7</td>
<td>1.4</td>
</tr>
<tr>
<td>Othersa</td>
<td>163</td>
<td>32.6</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
<td>100.0</td>
</tr>
</tbody>
</table>

a Comprising 63 independent candidates and candidates from 57 parties (although 19 of these put up only one candidate).

Source: Commission électorale indépendante.

In the run-up to the second round of the presidential election, which was marked by occasional bouts of political violence, particularly in the capital, Mr Kabila and Mr Bemba worked hard to win the support of the better performing presidential candidates in the first round. Mr Kabila clinched agreements with Mr Gizenga, enabling him to secure crucial votes in western DRC, and with Nzanga Mobutu, the late dictator’s son, who had polled quite well in Equateur. For his part Mr Bemba was able to draw to his side Oscar Kashala, who came fifth in the first round. The advantage clearly lay with Mr Kabila who won the second round with 58% of the vote. When the result was announced, there were violent clashes between supporters of Mr Kabila and Mr Bemba in Kinshasa. Mr Bemba disputed the result and took his case to the Supreme Court. However, in late November the court confirmed Mr Kabila’s win and Mr Bemba grudgingly accepted the ruling. On December 6th Mr Kabila was sworn in as the country’s first democratically elected president since 1960.

In the meantime, on December 5th the results of the provincial assembly elections, which took place at the same time as the second round of the presidential election, were announced, recording victory for the AMP in seven provinces, and for the pro-Bemba Union pour la Nation in four. On January 19th the provincial assemblies elected members of the new Senate, making the AMP the biggest single grouping though without an overall majority, and on January 27th elected provincial governors. Surprisingly, Union pour la Nation won the governorship in only one province—Equateur—even

AMP triumphs in provincial and Senate elections

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though it has a majority in another three provincial assemblies. There is clear evidence that nominal supporters of Union pour la Nation were bribed to vote for the AMP’s candidates—US$5,000 was said to be the going rate in Bas-Congo.

The announcement that the AMP candidate for governor had won in Bas-Congo sparked protests by supporters of the Bundu dia Kongo, a politico-religious group that also advocates the independence of the province and whose candidate had been supported by the opposition coalition. Around 135 people, mostly civilians, were killed in the subsequent crackdown by the police and military in Matadi, the provincial capital, making this by far the bloodiest confrontation of the elections.

As Palu’s reward for backing him, Mr Kabila nominated Mr Gizenga as prime minister on December 30th. After five weeks of intense political horse-trading, Mr Gizenga eventually announced his government in early February 2007. Mr Gizenga’s government comprises 6 ministers of state, 34 ministers and 20 deputy ministers, in all 60 members drawn from 16 parties. Its unwieldy size indicates the pressing patronage demands of AMP’s constituent parts. The PPRD, Mr Kabila’s own party, has one-third of the ministerial posts, and Mr Gizenga’s Palu just seven; the rest are distributed between the minor parties in the coalition. Despite international diplomatic urging, no positions were offered to the MLC or its allies.

In fact, in late March central Kinshasa suffered 48 hours of open warfare between soldiers loyal to Mr Bemba, now an elected senator for Kinshasa province, and those loyal to Mr Kabila, which left at least 150 dead. This followed an official order that politicians should disband their private militias. Mr Bemba rejected the offer of a bodyguard consisting of 12 policemen to replace his hundreds-strong militia as insufficient to guarantee his security. Mr Bemba fled to the South African embassy during the fighting, where he remained following the issuing of a warrant for his arrest on a charge of high treason. Foreign diplomats secured his departure to Portugal, ostensibly for medical reasons, on April 11th. With Mr Bemba out of the country apparently indefinitely (despite Western demands that he be given a guarantee of safety to enable his return), the election of Léon Kengo wa Dondo as president of the Senate on May 11th, comfortably defeating Mr Kabila’s candidate, has made Mr Kengo the main opposition politician in the country, despite his association with the Mobutu era (see Political background).

Conflict resumed in North Kivu in November 2006, as troops loyal to a dissident Congolese Tutsi general, Laurent Nkunda, clashed with other Congolese armed forces units, and with Rwandan Hutu militia. The Rwandan government mediated an agreement between Mr Nkunda and the DRC government in January 2007, providing for the formation of mixed brigades comprising both Mr Nkunda’s and other Congolese army units. However, by May the deal had collapsed and Mr Nkunda was making substantial territorial gains in the province, resulting in the displacement of tens of thousands of civilians. A substantial build-up by the Congolese army followed in the province, and before long fighting broke out between the army, assisted at times by MONUC, and Mr Nkunda’s forces. By September the number of people
forced to flee in North Kivu since the beginning of the year had passed 300,000, according to the UNHCR, the UN refugee agency.

There has also been continued, although increasingly sporadic, violence during 2006-07 in the troubled Ituri region of Orientale province. The main warring militias, including Front nationaliste et intégrationiste (FNI) and Mouvement révolutionnaire congolais, have signed numerous peace, disarmament and amnesty deals but have been reluctant to implement them, preferring to continue their conflict with each other and the Congolese armed forces instead. However, in an apparent breakthrough, in April 2007, Peter Karim, a commander in the FNI, formally joined the Congolese armed forces as a colonel, resulting in the disarmament and demobilisation of hundreds of his fighters. The disarmament process has continued since, and MONUC has expressed cautious optimism that peace may be returning to Ituri.

### Important recent events

**2003**

**June:** The transitional government is inaugurated.

**2004**

**June:** Bukavu, the capital of South Kivu province, is occupied for a week by troops loyal to Rassemblement congolais pour la démocratie (RCD), who claim to be preventing the genocide of Banyamulenge (Congolese Tutsis) in South Kivu. **August:** 160 Banyamulenge, who had fled the fighting in Bukavu, are murdered at a refugee camp in Burundi. **December:** Rwanda threatens to send troops into the DRC to disarm Hutu opponents of the regime in Kigali, which the DRC government had undertaken to disarm in return for Rwanda’s withdrawal from the country in 2003.

**2005**

**December:** A new constitution is approved in a national referendum.

**2006**

**February:** The new constitution comes into force, paving the way for elections that will bring three years of transitional government to an end. Government troops and UN forces are engaged in military operations in several areas of eastern DRC: against mutinous troops in North Kivu, ethnic militias in Ituri district, Rwandan Hutu rebels in North and South Kivu, Ugandan rebels in northern Orientale province and Mai Mai guerrillas in north-eastern Katanga. **July:** Presidential and legislative elections take place throughout the country. There is no outright winner in the presidential election, so a second round is to be held on between Joseph Kabila and Jean-Pierre Bemba. In the concurrent legislative election, 63 independent candidates and 69 political parties share the 500 seats in the National Assembly; only five parties win more than 5% of the vote each. **October:** Joseph Kabila wins the second round of the presidential election, defeating Jean-Pierre Bemba, with 58% of the vote. In the provincial assembly elections, Mr Kabila’s alliance wins control of seven provinces, and Mr Bemba’s wins four. **December:** Mr Kabila appoints Antoine Gizenga as prime minister.
The post-transition constitution

A new constitution was passed by the National Assembly in May 2005 and approved in a national referendum in December. The new constitution provides for a semi-presidential system of government, with both a president and a prime minister. The president is directly elected for a term of five years and may serve no more than two terms. The president appoints as prime minister whoever can command a parliamentary majority. The federal legislature is a bicameral parliament comprising the 500-seat National Assembly and the 108-seat Senate. Parliament will meet twice a year from mid-March to mid-June and from mid-September to mid-December. Members of the National Assembly are elected by direct vote for five-year terms. Members of the Senate are indirectly elected by the legislative assemblies of the provinces.

The constitution creates 25 new provinces (Kinshasa will continue to have the same status as a province) and gives them greater autonomy than the current 11 provinces (including Kinshasa). This is a major change for the country, which has traditionally been ruled in a highly centralised manner, a concession to the provinces and districts that have long complained about the over-centralised system in which Kinshasa is the main beneficiary of the country’s resource wealth. The new provinces’ increased autonomy will allow them to develop economies suited to their location and their proximity to neighbouring countries. In a country of the size and racial complexity of the DRC, an increased measure of devolution is seen as a way of securing the maximum support for national institutions and thereby consolidating national unity. One of the root causes of the country’s recurrent crises since independence in 1960 has been the failure of national institutions to achieve universally accepted legitimacy. Each province is governed by a provincial legislative assembly and government consisting of a governor and deputy-governor, elected by the assembly, and up to ten provincial ministers. To finance the operations of provincial government the provinces will retain 40% of intra-provincial revenue, including taxes on exports of minerals, timber and energy resources. The remaining revenue will become part of the national budget.

An important clause in the constitution confers nationality on all groups that were present on national territory at the time of independence, determining once and for all the status of the Banyamulenge (Congolese Tutsi) community in the DRC, the descendants of immigrants from present-day Rwanda both before and during the colonial era. Their status as Congolese nationals has been heavily politicised and manipulated over the past 25 years, being called into question and revoked several times as a result of changing political winds. This ambiguity has been the reason for much abuse of the
Banyamulenge and has also fuelled their resentment towards the Congolese government.

**Political forces**

**Mr Kabila's PPRD**
The coalition that brought Laurent Kabila to power, Alliance des forces démocratiques pour la libération du Congo-Zaire, was officially dissolved in 1999, leaving the government without a political party. In March 2002, Joseph Kabila formed his own political party, Parti du peuple pour la reconstruction et la démocratie (PPRD), largely composed of his father’s old allies. The PPRD has done little to create the structures of a modern political party or find a distinctive voice. The feeling of many observers is that Mr Kabila remains under the influence of his father’s corrupt old cronies, many of whom occupy key government posts or continue to wield their power from behind the scenes. Mr Kabila chose to stand as an independent candidate in the presidential election in 2006, rather than as the candidate of the PPRD, wishing to dissociate himself in the public mind from some of the more unsavoury characters in the party. In the general election, the PPRD won 111 seats, less than one-fifth of the total, although this made it the largest single party in the National Assembly.

**Mouvement de libération du Congo (MLC)**
Mouvement de libération du Congo (MLC), headed by Mr Bemba, has its headquarters in Mr Mobutu’s former presidential “village” of Gbadolite in Equateur province. The group was for a long time openly backed by Uganda. The MLC is more cohesive than the other former rebel groups—Mr Bemba dominates the movement, which is a vehicle for his own ambitions. Mr Bemba was one of four vice-presidents in the transitional government, and in the presidential election of July 2006 headed the poll in five of the country’s central and western provinces. The party came second in the general election, yet won only 64 seats in the National Assembly.

**The Mai Mai militias**
The Mai Mai militias first emerged in the early 1990s to oppose the presence of Rwandan forces and their proxy, the RCD, in eastern DRC. The Mai Mai are divided into many armed groups and do not have a unified leadership structure. The Mai Mai fought alongside government forces throughout the war and also have links to the Interahamwe. As signatories to the Pretoria peace accord, they were represented in the transitional institutions. Some of their troops have been incorporated into the government armed forces.

**Other opposition parties**
Although all of the main political parties signed the peace accord in December 2002, the political opposition split into two camps: those that participated in the transitional government and those that did not. The Union pour la démocratie et le progrès social (UDPS) and the Parti lumumbiste unifié (Palu), two of the DRC’s oldest and most legitimate opposition parties did not join the government because they objected to the procedure for selecting the opposition’s representatives in the government. However, whereas Palu under its leader, Mr Gizenga, took part in the 2006 elections, the UDPS, long seen as the main opposition party in the country, followed its leader, Mr Tshisekedi, in turning its back on the whole process, first by boycotting the registration of
voters and then by setting impossible conditions for its participation. As a result, Palu and Mr Gizenga came third in the legislative and presidential elections in July 2006, and the UDPS will remain outside the country's new governing institutions, although it may still be capable of mobilising its supporters in sometimes violent mass demonstrations.

Main political figures

Joseph Kabila

The 36-year-old president was educated in Uganda, and later lived and worked in Tanzania. His outlook is more anglophone East African than francophone and he speaks English and Swahili better than French. Commander of the land forces under his father, he had little political experience before being catapulted into power by historical accident.

Jean-Pierre Bemba

A wealthy Belgian-educated businessman from Equateur province, whose father was close to former presidents, Joseph Mobutu and Laurent Kabila, Mr Bemba, who is 44, heads the Mouvement de libération du Congo (MLC), which began as one of the two main rebel movements during the civil war. A vice-president in the transitional government, he is regarded as a volatile and unpredictable figure. His ownership of a number of radio and television stations helped him and his party to come second in the presidential and legislative elections in 2006. Though elected a senator for Kinshasa, he refused to disband his militia, fearing for his own safety. Following its defeat in fierce fighting by government forces in March 2007, he sought refuge in Portugal and will not return to the country without firm guarantees of his safety.

Antoine Gizenga

The 82-year-old leader of Parti lumumbiste unifié (Palu), the largest of several parties claiming the heritage of Patrice Lumumba, Congo's first prime minister, who was murdered in 1960, came third in the presidential election of July 2006. His announcement in September 2006 of support for Mr Kabila in the second round greatly increased Mr Kabila's chance of victory, and Mr Gizenga was appointed prime minister in December. The apparent inertia of the government has been blamed on Mr Gizenga, and leading politicians have called for him to be replaced.

Léon Kengo wa Dondo

Born in 1935, the son of a Polish father and a Tutsi mother, he was prime minister several times in the 1980s and 1990s, before leaving office for the last time as Laurent Kabila's forces approached Kinshasa in 1997. He backed Mr Bemba in the 2006 presidential election and was elected senator for Equateur province in January 2007. In May he was unexpectedly elected president of the Senate, and in Mr Bemba's absence is looked on as the leading opposition politician.

Olivier Kamitatu

Planning minister in the Gizenga government, Mr Kamitatu is seen by many as a potential national leader and is regarded with favour by foreign governments because of his straight dealing. General secretary of the MLC since its days as an armed rebel movement, he became speaker of the National Assembly under the transitional government. However, in 2006 he fell out with Mr Bemba and founded Alliance pour le renouveau du Congo (ARC). The ARC allied with the
Kisangani faction of Rassemblement congolais pour la démocratie led by Antipas Mbusa Nyamwisi to form Forces du renouveau, which backed Mr Nyamwisi in the 2006 presidential election. In the end, Mr Nyamwisi decided to stand aside in favour of Joseph Kabila before the election and Forces du renouveau joined the pro-Kabila coalition, Alliance pour la majorité présidentielle, with Mr Kamitatu becoming its leading spokesman.

International relations and defence

A pan-African war

The outbreak of fighting in the DRC in August 1998 resulted in the first pan-African war, involving eight sovereign states—Angola, Chad, Namibia, Rwanda, Sudan, Uganda and Zimbabwe, as well as the DRC—as direct combatants and at least ten separate guerrilla armies. At the height of the conflict, foreign forces supporting the government numbered roughly 15,000, nearly 80% of them from Zimbabwe. Ugandan and Rwandan forces numbered roughly 20,000. The government army, Forces armées congolaises (FAC), was an ill-equipped and badly led force which performed poorly during the war. The government relied heavily on foreign forces, the Interahamwe rebels of Rwanda, the nominally pro-government Mai Mai militias, and a Burundian rebel group, Forces pour la défense de la démocratie.

The DRC conflict began moving towards resolution in 2001, when all the parties to the war agreed to a ceasefire, and fighting between the main rebel groups gradually died down over the course of the year. This was largely the result of Joseph Kabila’s coming to power following his father’s assassination, and the fact that the government’s allies, Angola, Namibia and Zimbabwe, were growing tired of the war. In 2002 there was growing international pressure on the foreign parties to withdraw their forces, particularly after the publication of a UN report that accused foreign and government troops of being involved in looting the country’s natural resources.

Rwanda

In June 2003 Rwanda and the DRC reached agreement over the withdrawal of Rwandan troops within three months, the DRC government committing itself to disarming the Interahamwe, many of whom had joined the Forces démocratiques pour la libération du Rwanda (FDLR), a political-military grouping created in mid-2002 as a political platform for the Interahamwe and other Rwandan Hutu combatants. Rwanda completed its withdrawal on time, and the DRC government forcibly repatriated 20 FDLR leaders and attacked a military camp at which FDLR troops had been cantoned. However, since then there have been frequent reports of Rwandan forces operating in the DRC, and there is concrete evidence that it continues to interfere in Congolese affairs. Most of the 6,000-10,000 FDLR troops are based in North and South Kivu provinces. Relations with Rwanda remain delicate, and until the FDLR is disarmed and disbanded, the threat of a Rwandan intervention in eastern DRC remains.

Uganda

Uganda and the DRC signed an agreement on the withdrawal of Ugandan troops in 2002. Although they had earlier begun pulling out from the western areas of the country, where they had fought for the MLC, they maintained a strong presence in Ituri district, on the border with Uganda, where they had
encouraged the formation of rival armed groups and had been involved in exploiting natural resources. Uganda eventually withdrew its troops from Ituri in early 2003, although it is alleged that it continues to support various armed groups in the region. Although relations between Uganda and the DRC have improved in recent years, in 2006 the government accused Ugandan troops of entering Congolese territory in pursuit of Lord’s Resistance Army rebels and in August-September 2007 clashes occurred between Congolese and Ugandan military units in a disputed border area around Lake Albert, which has in recent years become a strategic location for oil exploration.

**Angola**

A border dispute between Angola and the DRC flared up in February 2007, when Angolan troops were alleged to have entered Congolese territory in the Kahemba district of Bandundu province. The Angolan government insisted that the territory was Angolan, but the DRC’s National Assembly produced a report asserting that the disputed territory was Congolese. At a meeting of the two countries’ presidents in July, it was agreed to request the assistance of Portugal and Belgium, their former colonial powers, to resolve the dispute.

**The end of isolation**

The DRC emerged from years of international isolation after the assassination of Laurent Kabila in 2001, and major donors are now actively engaged with the DRC including the IMF, the World Bank, the EU, the US, the UK and France. Since the inauguration of the transitional government a large number of international organisations have opened offices in Kinshasa and are working on a variety of development programmes. Both the US and the UK, which have been staunch supporters of Rwanda over the years, are now pressuring it to keep out of Congolese affairs. This is a welcome development and may lead to more open dialogue between the countries in the Great Lakes region.

Relations between the DRC and South Africa have strengthened since South Africa hosted the inter-Congolese dialogue, and there is strong South African business interest in the DRC. Angola, South Africa and the former colonial power, Belgium, are assisting with the restructuring and training of the country’s security forces.

After the inauguration of the transitional government, the FAC were renamed Forces armées de la République démocratique du Congo (FARDC), but the vital task of restructuring of the army to incorporate former rebel fighters or to demobilise and reintegrate them into society has made slow progress. Technically at least, all Congolese troops that fought during the war, as well as the Mai Mai, are part of, and paid by, the FARDC. However, only around one-third of the estimated 150,000 troops in the army have been properly trained, and many are still loyal to commanders that led them during the civil war. This has caused serious problems, and the failure to integrate all troops into a new, restructured and unified army will remain a threat to security.

**Military forces, 2006**

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<tr>
<td>Army</td>
<td>150,000</td>
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<tr>
<td>Navy</td>
<td>1,000</td>
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<tr>
<td>Air force</td>
<td>4,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>155,000</strong></td>
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Sources: International Institute for Strategic Studies, The Military Balance 2007; Economist Intelligence Unit.
Resources and infrastructure

Population

There has been no census in the Democratic Republic of Congo (DRC) since 1985, when the population was 34.7m. The IMF estimates the population in mid-2006 at 60.6m and the annual population growth rate at 3%. Such a high rate of population growth appears to contradict anecdotal evidence of a sharp deterioration in social indicators owing to the effects of war and economic collapse. The US-based International Rescue Committee estimates that 3.8m people died between August 1998 and April 2004 as a result of the civil war. The World Bank estimates that life expectancy at birth was 44 years in 2004, compared with 52 years in 1990. About half of the total population is of working age and some 13% are wage-earners. According to the UN, 32% of the population was urbanised in 2004.

The country's ethnic profile is heterogeneous, with an estimated 400 ethnic groups. All of Congo's rulers have promoted their own tribe and manipulated ethnic tensions. Mobutu Sese Seko, president from 1965 to 1997 favoured his own Ngbandi group and his home province of Equateur in military and security appointments; Laurent Kabila, president from 1997 to 2001 and a Baluba from Katanga, favoured the Katangese. His assassination was followed by a wave of arrests of civilians and military personnel from the Kivu provinces accused of involvement in a coup plot.

Ethnic conflict is apparent in several areas of the country: between the Hema and Lendu around Bunia in Orientale province, between Congolese Tutsis (Banyamulenge) and other groups in the Kivus, and between the Baluba of Kasai and the Lunda of Katanga.

Education

The formal education system is in a state of collapse and education continues with the help of private initiatives, including the direct payment of teachers by the communities they serve. The proportion of government expenditure allocated to education fell from 15.1% in 1972 to only 0.8% in 1995. Although education was officially nationalised in 1972, the Catholic Church remains responsible for an estimated 80% of primary schools and 60% of secondary schools, largely because of the collapse of the state sector. Despite the uptake from the private sector, fewer children are attending school. The net primary school enrolment ratio officially fell from 58% in 1985/87 to 35% in 1998/99 (according to the latest available data) and has undoubtedly fallen further since then. This trend compromises the future productivity of Congolese labour and threatens the country's long-term development prospects. The net secondary enrolment ratio was 12% in 1998/99. There are four national universities: two in the capital, Kinshasa, one in Kisangani and one in Lubumbashi. There are also a large number of institutes of higher education throughout the country.
Health

A public health disaster

A lack of recent statistical data makes an assessment of the state of public health in the DRC difficult. However, anecdotal evidence and partial data from humanitarian organisations suggest that, owing to the war and economic collapse, the country is now experiencing a public health disaster. The opening-up of some areas since the end of the civil war has revealed the extent of the disruption to social services: Many areas have not had medical supplies for several years. Of the country’s 306 health centres, less than 60% have vaccination facilities.

Hospitals and other health infrastructure face serious staffing, supply and payment problems, and many have largely ceased functioning. Patients must often provide or purchase their own medical supplies. Private clinics operate in most of the larger towns. Christian missionaries play a prominent role and, in many areas, provide the only health services available.

HIV/AIDS in the Democratic Republic of Congo

In its 2006 Report on the Global AIDS Epidemic, UNAIDS, the UN body co-ordinating the international campaign against HIV/AIDS, estimates the number of people living with HIV/AIDS in the Democratic Republic of Congo at 1m and the prevalence rate among adults aged 15-49 at 3.2%. Government data indicated a rate of 5.1% in 2000, based on samples taken in several of the country’s largest urban areas, such as Kinshasa, Lubumbashi, Mbuji-Mayi and Mbandaka. Both figures probably underestimate the extent of the problem as they are below those of many of the country’s neighbours. It is impossible to arrive at accurate figures for the extent of infection given the country’s vast territory and poor communications infrastructure. Statistical data from the east of the country are also lacking, although a study carried out in 1999 in Goma, the capital of North Kivu province, put the infection rate at over 20%. There are fears that the incidence of HIV/AIDS is vastly underestimated and that five years of war—and rape used as a weapon of war—and the continuing conflict in eastern areas will have led to an explosion of the infection rate. A report by a US non-governmental organisation, Human Rights Watch, on sexual violence in eastern DRC stated that in some areas the infection rate, primarily among young women, could be 40%.

Current public health strategies for combating the incidence of HIV/AIDS are based on the promotion of simple preventative methods including the use of condoms and public awareness. NGOs, both foreign and local, have been involved in public health programmes dealing with HIV/AIDS. The Ministry of Health has had an AIDS-prevention programme in place since the mid-1980s, but it has been chronically underfunded. HIV and AIDS still remain taboo subjects and people infected are frequently ostracised.

Natural resources and the environment

With territory of over 2.34m sq km, the DRC is the largest country in Sub-Saharan Africa, and it is rich in natural resources. Arable land is only 3% of the country’s area, and permanent pasture 7%. More than 74% of the country is forested, although the annual rate of deforestation was estimated by the World
Bank at 0.4% during the 1990s. Sustained deforestation could eventually threaten the DRC’s biodiversity: the country is claimed to be home to 415 species of mammal, 736 species of bird and about 11,000 plant species.

As well as extensive forests, the abundance of natural resources includes rivers and numerous minerals. Commercially exploited minerals are gold, diamonds, gem stones, copper, zinc, cobalt, iron ore and columbo-tantalite.

**Transport, communications and the Internet**

Transport and communications infrastructure has deteriorated steadily since independence, and the road network, 2,500 km of which was asphalted, is now in extremely poor condition. This imposes a heavy burden on the economy, as much of the country is cut off from outside commerce, resulting in weak market integration. Since 2001 the World Bank has been supporting a programme to rehabilitate some of the major roads and reduce the isolation of communities, and in September 2007, US$3bn of a massive US$5bn loan by the Chinese government was earmarked for transport development, including a road linking Kisangani in Orientale province with Kasumbalesa in southern Katanga, an important frontier post with Zambia.

The once extensive railway system has now been reduced to a rump service, mostly concentrated in Katanga, for the export of minerals via Zambia and South Africa. The main line links Ilebo in West Kasai to Lubumbashi, from where there is service to the South African port of Durban. At Ilebo, cargo was formerly transferred to barges which travel down the Kasai and Congo rivers to Kinshasa, although this link now functions only sporadically. Part of China’s US$5bn loan will be used to restore the railway system, including the line from Kolwezi in Katanga to Dilolo on the border with Angola, where it will link up with the Benguela railway that runs to the Angolan coast. The railway is the shortest route from Katanga to the coast, which functioned during colonial times but later fell into disrepair. A Chinese-financed project to restore the Benguela railway is due for completion in 2010.

The Congo River and its tributaries are open to navigation over long distances, although the stretch between Kinshasa and the Atlantic Ocean is blocked by a series of rapids. There are passenger and freight services between Kinshasa and Kisangani. There is also vigorous trade between Kinshasa and Brazzaville, which lies just across the Congo River.

The country’s main port is Matadi, located around 150 km up the Congo River from the Atlantic. The port, whose infrastructure is in a state of disrepair, functions poorly, although administrative delays and bureaucratic obstruction are more serious obstacles. The clearing of goods through customs is slow and laborious. Matadi is linked to Kinshasa by rail, but the service is slow and unreliable. The 250-km road between Kinshasa and Matadi is still in poor condition, despite funding from the EU and World Bank for its repair. There is a smaller port, Boma, farther downriver.
Because of the poor state of ground transport, the long distances involved and the insecurity in much of the country, air transport is much used for both freight and passengers. It is also dangerous because of the collapse of government regulation. In May 2003 over 100 people died when the cargo door of a Russian-operated aeroplane opened in mid-flight, and in August 2007, 13 people died when an aircraft operated by the Great Lakes Business Company crashed in Katanga. There are around 50 private air transport companies, most with aircraft and air crews from the former Eastern bloc. There is a national airline, Hewa Bora, which was established through the merger of two other state companies and is now a joint venture with the privately owned Congo Air Lines (CAL). Hewa Bora operates domestic flights as well as flights to Johannesburg, South Africa, and Brussels, Belgium, and is the only company that is not banned from EU airspace. Air France resumed twice-weekly flights to Kinshasa from Paris in 2002, as did SN Air Brussels from Belgium. There are flights to a number of regional destinations throughout Africa, including Nairobi (Kenya Airways); Addis Ababa (Ethiopian Airways); Douala (Air Cameroon); and Luanda (Transportadora Aérea Angolana). Flights to Johannesburg, operated by South African Airways, are the most important of these regional links, and there is a growing volume of trade and air travel between the two countries.

Privately owned airlines that provide domestic and regional services include Katangair, WaltAir, Business Aviation, Wimbi Dira and Blue Air Lines. A number of air freight companies, including TMK and Simbaair, operate in the eastern part of the country. The UN peacekeeping operation, Mission de l'organisation des nations unies en République démocratique du Congo (MONUC), operates regular scheduled services to the major cities in the country.

The state-owned fixed-line telephone operator, Office congolais des postes et télécommunications, is close to collapse. As a result, the use of cellular services has surged since 1993, and the number of subscribers reached more than 2.7m in 2006. There are five companies providing these services, all with local partners, Starcel, Oasis, Congo Chine Telekom, Vodacom and Celtel; the latter two dominate the market. Vodacom, a South African company owned by Vodafone of the UK, launched its service in 2001 and has invested more than US$225m in its Congolese operation since then. Celtel, which started in 2000 and offers a pre-paid card system, is the next largest company but has been losing market share to Vodacom. There are several local Internet service providers.

There are many newspapers in Kinshasa, but only a handful are regularly printed and read. The main opposition newspapers are Le Potentiel, Le Phare, Tempête des tropiques and La Référence Plus. Le Palmarès and L'Avenir are the two main pro-government newspapers. Le Potentiel has the largest circulation, at 8,000 copies a day. There are few newspapers in the rest of the country. However, since the resumption of national air traffic, the Kinshasa newspapers are getting to cities elsewhere in the country, if only in small quantities.

Private radio and television stations thrive in Kinshasa; most are domestically owned and run. Raga-TV, Télé-Kin Malebo, Antenne-A and Tropicana-TV are the most widely watched broadcasters. There is a large number of religious radio
and television stations. The state-run radio and television network, Radio et télévision nationale congolaise (RTNC), broadcasts locally, having ceased national coverage over a decade ago. In 2002, MONUC launched Radio Okapi, a national radio network which broadcasts from Kinshasa. It has established local FM stations in Bukavu, Bunia, Goma, Kalemie, Kananga, Kindu, Kisangani and Mbandaka, and relays in Mbuji-Mayi, Butembo and Lubumbashi, gathering and broadcasting material from over 100 correspondents in these areas. The station provides the only truly national service and has won respect for competent and unbiased coverage.

**Energy provision**

The DRC has extensive energy resources, including hydroelectric potential estimated at 100,000 mw. The Inga dam alone, near the mouth of the Congo River, has a potential capacity of 40,000-45,000 mw, sufficient to supply all of Southern Africa’s electricity needs. Only a fraction of this amount has been developed at Inga. In 2007 the World Bank agreed to a loan of US$296m over the next three years to finance the rehabilitation of the turbines at Inga, which has installed capacity of over 1,700 mw but actual output, following years of neglect, of just 700 mw. The national electricity company, Société nationale d’électricité, exports hydroelectricity to its neighbour, Congo (Brazzaville), as well as to South Africa through the Southern African electricity grid. In October 2004 the electricity companies of five southern African countries—Angola, Botswana, DRC, Namibia and South Africa—launched the Western Power Corridor Project, the aim of which is to develop Inga III, intended to generate 2,000 mw of power. The project is provisionally costed at US$4.5bn, and financing will be sought when a prefeasibility study has been completed.

According to the UN Development Programme, electricity consumption per head was 86 kwh in 2003, compared with 161 kwh in 1980, and traditional fuel as a proportion of the country’s total energy use rose from 80.7% in 1980 to 97.2% in 2003. The DRC’s known oil reserves, estimated at 187m barrels, are concentrated in the Congo River estuary. Around 24,700 barrels/day were produced in 2006.

**The economy**

**Economic structure**

<table>
<thead>
<tr>
<th>Main economic indicators, 2006</th>
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<tbody>
<tr>
<td>Real GDP growth (%)</td>
<td>5.1</td>
</tr>
<tr>
<td>Consumer price inflation (av; %)</td>
<td>13.2</td>
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<tr>
<td>Current-account balance (US$ m)</td>
<td>-644</td>
</tr>
<tr>
<td>Exchange rate (av; FC:US$)</td>
<td>468</td>
</tr>
<tr>
<td>Population (m)</td>
<td>60.6</td>
</tr>
</tbody>
</table>

Sources: Banque centrale du Congo; IMF; Economist Intelligence Unit.
The economy of the Democratic Republic of Congo (DRC) is predominantly agricultural. Agriculture constitutes roughly half of recorded GDP, and most Congolese are subsistence farmers. The monetised sector of the economy is dominated by the exploitation and export of natural resources, including timber and an impressive range of minerals. Commercial agriculture, which played an important economic role during the colonial era, has almost entirely disappeared, although commercial cinchona (for quinine) and coffee plantations survive in the eastern Kivu provinces. In addition, the Congo River offers substantial possibilities for hydroelectricity, particularly in Bas-Congo province, where it is hoped that development of the existing Inga dam will one day supply electricity to industry in the whole of Southern Africa.

All sectors of the economy are still suffering from the state's systemic predation, which was rampant during the presidency of Mobutu Sese Seko (1965-97) and continued under the transitional government, and the effects of civil war since the late 1990s. Infrastructure of all kinds is dilapidated and in serious need of new investment. Millions of Congolese, especially in vast, sprawling Kinshasa and other urban areas, have been forced out of production and into petty trade and a whole range of informal service activities. Informalisation, lack of transparency and straightforward fraud have characterised economic activity at all levels for decades. Spurred by international intervention, including the scrutiny of government economic policy and its fiscal and monetary performance, as well as grant-funded infrastructural investment, a degree of formalisation is returning to some economic sectors—telecommunications in particular—but many investors find that old habits die hard.

<table>
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<tr>
<th>Comparative economic indicators, 2006</th>
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<tbody>
<tr>
<td>Democratic Republic of Congo</td>
</tr>
<tr>
<td>GDP (US$ bn)</td>
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<tr>
<td>GDP per head (US$)</td>
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<tr>
<td>Consumer price inflation (av; %)</td>
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<tr>
<td>Current-account balance (US$ m)</td>
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<tr>
<td>Exports of goods (US$ m)</td>
</tr>
<tr>
<td>Imports of goods (US$ m)</td>
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</table>

Source: Economist Intelligence Unit.

Economic policy

The essence of state economic policy in the colonial era was to facilitate the extraction of raw materials by an expatriate commercial elite through investment in infrastructure, particularly in the transport network, and violent, heavy-handed coercion of the population, forcing it to become the barely paid workforce for commercial agriculture, mining and industry. The coercion of the population in the colonial manner was impossible following independence, although vestiges remained, such as periods when people were ordered by the state to work one day a week unpaid, on pain of punishment, usually to maintain public infrastructure. The short-lived government of Patrice Lumumba planned wide-scale nationalisation but never had time to carry it out it. For the first ten years (1965-75) of his presidency, Mr Mobutu supported the expatriate
commercial elite, but only in return for ever-increasing kickbacks for himself and state personnel, and at the same time gradually discontinued investment in infrastructure and social services.

Mr Mobutu’s “Zaireanisation” policy of the early 1970s had a significant cultural and nation-building aspect, but in the economic sphere consisted mainly of the nationalisation of the mining sector and the expropriation of commercial enterprises by the state and their reallocation to politically well-connected Zaireans in return for loyalty to Mr Mobutu. The effect in most instances was a drastic decline in investment and output, resulting by the late 1980s in economic collapse.

This forced greater reliance on international donors, and economic policy, such as it was, consisted of little other than doing—or appearing to do—whatever was required to extract grant aid and fresh loans. Donor assistance eventually dried up in the early 1990s, and economic policy focused on the extraction by Mr Mobutu and other well-placed politicians of maximum rents for the minimum of investment from the few performing economic sectors that remained, of which the main one was diamond mining. It was at this stage that Zaire became a criminalised state, with connections established between the political-commercial elite and international organised crime.

When he became president in 1997, Laurent Kabila exhibited what appeared to be Lumumbist economic inclinations. However, after war resumed in 1998, Mr Kabila’s economic policy in the one-third of the country his government still controlled swiftly degenerated into that of Mr Mobutu, namely maximum rent for minimal investment from the still performing economic sectors, loose monetary and fiscal policy leading to hyperinflation, and almost no spending on social services. This time, however, the spoils of rent extraction were shared between well-placed politicians, their regional backers (Angola and Zimbabwe) and the war effort. Economic policy in the two rebel-held zones was the same, except that the rebel administrations had no control over monetary policy and their regional backers (Rwanda and Uganda) played a more active part in managing the economy and extracting rent from it.

There was a marked change in economic policy—towards neoliberalism—after the accession in 2001 of Joseph Kabila to the presidency, particularly after the war and the reunification of the country. Although rent-seeking by the political elite did not end, and remained rampant in some sectors, it was to some extent constrained both by greater international supervision and by new domestic legislation intended to protect investment and property rights. In addition, exchange controls ended, the currency was floated, parastatals were weakened, monetary growth was contained, fiscal discipline and transparency significantly improved, and there was at least a rhetorical commitment to boosting spending on social services.

Encouraged by Mr Kabila’s stance and under pressure to assist the DRC’s transition to democracy, international donors led by the World Bank and IMF strongly re-engaged with the government, supplying billions of dollars in assistance. The IMF approved an US$861m poverty reduction and growth

Economy begins to stabilise under the new government

The IMF and World Bank back the transition
facility (PRGF) in June 2002, which expired in 2006. The PRGF committed the
government to maintaining macroeconomic stability, directing resources
towards the rehabilitation of essential public infrastructure, restructuring
the civil service and banking sector, and promoting policies that would reduce
poverty.

Reform programme founders

The government broadly met its economic policy targets agreed with the IMF
during 2002-03, but it increasingly failed to meet them during 2004. Monetary
and fiscal policy became particularly loose in late 2004, apparently because of
a spending spree by the elite with freshly printed money, resulting in high
inflation and the heavy depreciation of the Congolese franc. This led the IMF to
threaten to terminate the PRGF in March 2005. This prompted drastic—though
temporary—corrective fiscal measures by the government, which resulted in the
subsequent appreciation of the value of the Congolese franc and a stabilisation
in consumer prices, and enabled the long-delayed conclusion of the IMF's fifth
review of economic performance under the PRGF in August 2005.

The economic reform programme went further adrift in late 2005, again mainly
owing to unbudgeted, untransparent overspending by the government, and
following an IMF mission to the DRC in January 2006 the IMF allowed the
PRGF to lapse in March 2006 without carrying out a sixth review. The 2006
budget was premised on donors providing over half of total revenue for the
year, but the lapse of the PRGF threatened much of this assistance. Keen
therefore to retain some kind of link with the IMF, the government proposed a
staff-monitored programme (SMP) to cover the second half of 2006. SMPs are
voluntary and come with no budget support from the IMF, but can enable
countries to re-establish a track record of economic reform and therefore qualify
for a new PRGF.

Staff-monitored programmes

in 2006 and 2007

However, the second half of 2006 was dominated by the series of elections that
were to bring the transitional government to an end, and again the government
failed to meet the SMP targets agreed with the IMF. Its overspending caused the
franc to depreciate, inflation to shoot up and foreign reserves to sink; in
addition, the government failed to service its bilateral foreign debt and GDP
growth slowed. The introduction of reforms in the mining sector, public
enterprises, the civil service, the social sectors, the customs administration and
the central bank was delayed. The situation continued to worsen in the first
three months of 2007: currency depreciation continued, inflation and reserves
deteriorated, bilateral debt was not serviced, and further domestic arrears may
have been incurred.

Since April 2007 the new government appears to have got a grip of its finances,
which has led to currency appreciation, a sharp drop in inflation and an
increase in reserves. The government and IMF agreed on a new SMP for 2007
in March, although in its report of their Article IV consultation, published in
September, the Fund expressed its disapproval of the government's
expansionary budget for 2007, which was promulgated in July and projects
expenditure and revenue around 30% higher than in the SMP. The increase in
revenue is not supported by specific tax proposals and one-third of it is to pay
for a higher public-sector wage bill, half of which is to fund a large pay increase
for members of parliament. The execution of budgeted spending, according to the Fund, would lead to a new round of currency depreciation and inflation. The IMF also complained of the government's slow progress in moving ahead with structural reforms.

Nevertheless, if the government satisfies the IMF with its execution of the SMP programme, there is the prospect of a new PRGF. Following a satisfactory review of the first six months' implementation of the PRGF, plus one year's implementation of the government's poverty reduction strategy, the country could reach completion point under the heavily indebted poor countries (HIPC) debt initiative and receive debt relief under the HIPC and multilateral debt-relief initiatives in excess of US$7bn. According to the Fund, completion point could theoretically be reached in June 2008.

**Economic performance**

**Decades of economic decline**

At independence, the DRC was the second most industrialised country in Africa, after South Africa, with a thriving mining sector, substantial commercial agriculture, and reasonably productive subsistence agriculture. The predatory economic policies of Mr Mobutu (see Economic policy), however, had a disastrous impact on every sector of the economy. GDP per head was US$380 at independence and only US$119 in 1990. From the late 1990s economic collapse accelerated as the country descended into war and economic chaos, and GDP per head is estimated at US$141 in 2006.

Real GDP shrank substantially during the 1970s and early 1980s. The 1990s ushered in a period of hyperinflation and economic and political collapse in which much of the country's capital stock was lost—riots and looting seriously affected productive capacity in 1991 and 1993—and real GDP contracted by a cumulative 43%. Following the outbreak of war in 1996 and a worsening policy environment, much economic activity ground to a halt. Real GDP contracted by an average of 5.2% between 1996 and 2001.

In 2001-03 government policies aimed at stabilisation and the reversal of this economic decline, supported by substantial inflows of foreign assistance, produced dramatic results. In 2002 the economy expanded for the first time for 13 years, with real GDP growth of 3.4%. Real GDP grew by 5.7% in 2003 and around 6.5% in 2004-05. Despite the worsening economic policy environment, real GDP growth was an estimated 5.1% in 2006. Real GDP is expected to grow by an average of 6.6% in 2007-08, owing to gradually increasing mining output.

**Most economic activity is in the informal sector**

It has been calculated that the economy would have to grow by 5% in real terms for 70 years to return to the 1960 level of real income per head. Yet it is already apparent that life is improving for many Congolese, at least judged by their disposable income. One good indicator of this is beer sales. Bralima, the country's biggest brewer, reports a steady increase in sales since 2003, which it expects to continue for the next few years. However, employment in the formal sector remains minimal, and most urban Congolese make their living in the informal sector.
There was a long period during the late 1980s and 1990s of massive price inflation in local-currency terms. One result of this was the increased dollarisation of the economy, to the point that the IMF has estimated that 70% of the total value of currency in circulation in the DRC is in US dollars. After the imposition of strict monetary control in 2001, annual average inflation fell from 550% in 2000 to 4% in 2004. Worsening fiscal indiscipline by the government, funded largely by money supply growth, pushed year-end-inflation to 21.3% in 2005 and 18.2% in 2006.

Regional trends

The sprawling and barely serviced city of Kinshasa, with an estimated population of over 7m people, is the commercial, industrial and administrative capital. Bas-Congo province to the west is home to the country’s main port, Matadi, through which most of the country’s imports and non-mineral exports pass, and to the Inga hydroelectric dam. Bandundu province, east of Kinshasa, is agriculturally rich and has traditionally fed the capital. Katanga in the southeast has traditionally been the mainstay of the national economy, owing to its once-powerful copper and cobalt mining industry, although recorded annual copper output fell from 500,000 tonnes in the late 1980s to just 16,000 tonnes in 2003. Katanga’s fortunes, however, are being turned around, and new foreign investment has started to boost output once more. The two Kasai provinces are home to most of the country’s substantial diamond production, particularly around Tshikapa in Western Kasai, and Mbuji-Mayi in Eastern Kasai.

The Congo River—once an important transport link

The railway from Katanga to Kindu, the capital of Maniema province, reopened in 2004 after being out of operation for seven years. From there goods and people disembark to take the boat on the Congo River to Kisangani in Orientale province. Kindu thus has an important economic role, though it is greatly diminished by the infrequency of the service. Kindu is also an important military base. Equateur and Orientale are the two main forest provinces, through which flows the Congo River. The DRC’s coffee production comes from these provinces, which are not only a source of forestry products, but also of diamonds and gold. North and South Kivu in the east were once the centre of the DRC’s commercial agricultural sector, but this has largely disappeared. There remain substantial mineral deposits, including gold, cassiterite and columbictantait. The two provinces have experienced huge social upheavals since the early 1990s, with an influx of about 2m Rwandan Hutu refugees in 1994-96 and constant conflict over the past decade.

Economic sectors

Agriculture

No agricultural revival yet

The Democratic Republic of Congo (DRC) has vast potential for both subsistence and commercial agriculture, which contributes around 40% of GDP. Large-scale commercial agriculture, which was concentrated in North and South
Kivu, largely collapsed in the 1970s and it is unclear whether it will ever substantially revive. Smaller-scale agriculture is hampered by poor to non-existent transport infrastructure, which prevents farmers accessing both agricultural inputs and markets for their crops. Banking credit for agriculture is almost non-existent.

Agricultural production stabilised after major hostilities subsided in 2000 but has barely grown, and may even have fallen, since. Recorded production of cassava, which is the staple food in most of the country, was 15m tonnes in 2004, marginally higher than in 2003, but 7% lower than in 2000. Recorded production of maize, the staple crop in much of the south, was 1.15m tonnes in 2004, the same as in 2003, but 3% lower than in 2000. However, accurate agricultural data-gathering is impossible in the DRC, and it is not clear what fraction of the actual total the statistics represent. All that the figures seem to make clear is that no agricultural revival is yet under way.

The DRC used to produce sugar and rice in large volumes, but production has long since ceased. The main remaining cash crops are cinchona and coffee, followed by palm oil, cotton, cocoa, rubber and tobacco. Coffee output (85% of which is robusta from Orientale and Equateur provinces, and 15% of which is arabica from Kivu) has fallen steadily since the 1980s, owing to disease, lack of maintenance and planting, and smuggling to neighbouring countries. Recorded green coffee bean production, according to the UN Food and Agriculture Organisation, was 32,000 tonnes in 2005, compared with 40,000 tonnes in 2000, 85,000 tonnes in 1995 and 102,000 tonnes in 1990. A similar picture emerges with recorded rubber output, which declined from 11,500 tonnes in 1989 to 2,307 tonnes in 2003, and palm oil output, which declined from 76,150 tonnes to 5,800 tonnes over the same period.

**Commercial agricultural production has plummeted**

**Recorded mining output is at last increasing**

Recorded mining output contributed 25% of GDP in the 1980s, but by 2001 this had shrunk to just 7%, owing to the collapse of formal mining activity and the rise of unrecorded artisanal mining. There has been a small but fairly steady recovery since 2001, with recorded artisanal diamond output rising substantially, and increases too in recorded base metal output—mining’s share of GDP had risen to an estimated 16% of GDP in 2006.

The main minerals are copper, cobalt, zinc, diamonds and columbo-tantalite (coltan); cadmium, cassiterite (tin ore), gold, silver, wolframite and uranium (at least until 2004) are mined on a small scale. Most mining of base metals takes place in Katanga. Diamonds are chiefly mined in East Kasai, particularly around the town of Mbuji-Mayi, and West Kasai, around the town of Tshikapa. Smaller-scale production occurs in Equateur, and near Kisangani in Orientale province. Coltan and cassiterite have become important exports in Maniema, North and South Kivu, although a substantial portion of Congolese production is smuggled to Rwanda and fraudulently re-exported as being of Rwandan origin. There are vast gold deposits—said to be the richest undeveloped gold deposits in Africa—in the Kilomoto concessions of Orientale province and around Twangiza in South Kivu.
Most mining was nationalised in the 1970s. The state-owned company, Générale des carrières et des mines (Gécamines), inherited Katanga’s copper and cobalt mines, and Minière de Bakwanga (Miba)—in which the government has an 80% stake, and Sibeka, a subsidiary of Société générale de Belgique, has a 20% stake—took control of kimberlite diamond mining in Kasai. The Office des mines d’or de Kilo-Moto (Okimo) inherited the gold mines of Kilomoto, but Société minière et industrielle du Kivu (Sominki) which took over the gold and cassiterite deposits in Maniema and the Kivus remained in private hands.

A major development of recent years has been the return of international mining companies, which for decades had no access to the country’s fabulous mineral reserves, and their acquisition of most of the best existing projects and new prospecting rights, which they are now developing. This has been facilitated in part by a new mining code drafted with World Bank assistance and promulgated in 2002. The code opened up the industry to foreign investment by guaranteeing investors’ property rights and reducing direct state intervention, principally by weakening the hold of parastatals on the industry. Mining parastatals, although still in existence, no longer enjoy monopolies and instead struggle to survive mainly by forming joint ventures with foreign companies. At the same time, the code theoretically strengthened the state’s supervisory role through the establishment of a mines registry, Cadastre minier, and a new diamond-certification agency.

There has been intense domestic and international criticism of the terms of joint-venture contracts signed between international companies and Congolese mining parastatals, and especially those signed during the period of the political transition (2003-06). Most of the contracts give parastatals 25% or less of the joint venture, and the parastatal’s true stake has in some cases been weakened by the structuring of the relationship between international firms and their DRC-registered subsidiaries. International mining companies argue that the bankrupt Congolese parastatals have brought little if any value to the transaction, and that what is important is that the mines are working again. It is certainly true that once-moribund places like Lubumbashi, Likasi and Mbuji-Mayi are now buzzing with activity, but it is less clear that the Congolese state receives sufficient return for the sale of some of the country’s most valuable assets. In June 2007 the new government launched a complete review of all existing mining contracts, with the intention of addressing this criticism. The review, the process of which has been extremely opaque, was initially supposed to last two months but was subsequently extended to December 2007.

Since the late 1990s there has been enormous growth in artisanal mining, particularly of copper and cobalt, but also of diamonds, gold and coltan. Thousands of people, mostly young men and boys, pick over deposits by hand, many of which had been industrially mined until state-run mining collapsed. Working conditions can be dangerous and often lethal, and miners also have to pay a plethora of extorted payments to various security officials in return for access to the deposits. Much of the copper and cobalt ore mined this way has been exported as it is to booming Chinese and Indian markets, despite the official requirement that Congolese minerals are at least partly processed before

**Foreign mining companies move in**

**Artisanal mining**
export. In March 2007 the new governor of Katanga, Moïse Katumbi, imposed what he said was a permanent ban on the export of copper and cobalt ore from the province, and since then export of these ores has indeed declined markedly. Instead copper and cobalt ores are increasingly partly processed before being exported in a semi-concentrated state. Mr Katumbi has said that he wants exports of copper and cobalt concentrate to be banned too, to force companies to fully process ores in the DRC. However, because of the shortage of smelter capacity, export of concentrates will continue for a while to come. In eastern DRC, where there is almost no smelting capacity, the export of cassiterite and coltan ores, mined almost entirely by artisanal diggers, has continued unabated.

**Copper and cobalt**

Copper was the mainstay of the domestic economy until the 1970s, when domestic production crashed and international prices fell steeply. Recorded production by Gécamines averaged around 500,000 tonnes/year in 1980-87, but collapsed to only 16,400 tonnes in 2003. This has since begun to recover, reaching 36,388 tonnes in 2006. Based on their reporting, the production from international mining companies as well their joint ventures with Gécamines contributed at least another 70,000 tonnes of output in 2006, although this is not shown in official statistics. Also absent from the official tally is the large quantity of copper ore that is mined artisanally and either exported raw or partly processed as concentrates. Recorded cobalt production was 10,841 tonnes in 2006, 32% higher than in 2005, but again this covers output only of Gécamines, and excludes production from the parastatal’s joint ventures, international mining houses and artisanal mining.

Under a World Bank-sponsored restructuring programme, 10,500 Gécamines workers—about half the total workforce—were made redundant in 2004 and fresh management was appointed in late 2005. The new managing director, Paul Fortin, from a French consultancy firm, Sofreco (which fired him in early 2007, although Gécamines has retained his services), announced plans in mid-2006 to turn round Gécamines’ fortunes by restructuring its US$1.5bn debt and expanding production. There has been only limited success thus far in increasing output and revenue, and it will be a formidable challenge since the company has little access to significant fresh capital. In addition, as a result of the flurry of mining deals signed since 2000, the company has been left with sole ownership of only a few assets near Likasi and its stakes in joint ventures are typically only 12-25%.

Prospects for copper and cobalt mining as a whole are far brighter than those for Gécamines itself. Major investment by international mining houses is continuing and more is planned; production levels are rising and—barring unforeseen disasters such as renewed civil war—will continue to do so. With a strong chance that world prices for cobalt and copper will remain high, the DRC’s long-awaited golden era of post-colonial mining may indeed have begun.
Key copper and cobalt projects

Kolwezi tailings project
Kolwezi could become one of the world’s largest and lowest-cost producers of copper and cobalt: total reserves are estimated at 113m tonnes, with 1.49% copper content and 0.32% cobalt content. First Quantum Minerals (FQM) acquired the asset in mid-2006 from Adastra Minerals (formerly American Mineral Fields). Adastra had conceived of the Kolwezi tailings chiefly as a cobalt project, but FQM has indicated that it may reorientate the project more towards copper. FQM, which moved its main listing from Toronto to London in May 2007, said early in the year that it would seek several hundred million dollars of financing for Kolwezi in late 2007, once the government mining review is complete. A significant challenge for FQM is Kolwezi’s poor transport links with the other main Katangan towns of Likasi and Lubumbashi. FQM is therefore considering building a road from Kolwezi south to Zambia.

Lonshi
FQM obtained 30-year mining rights to the Lonshi copper deposit in August 2003, although it had been operating at Lonshi since 2000. Ore from the mine, which has an average 5% copper content, is treated at FQM’s solvent extraction facility located 35 km away at Bwana Mkubwa in Zambia, although this operation has become problematic since the March 2007 ban on ore exports from the DRC. 2006 was an exceptional year for Lonshi, with ore grades of over 10% copper, but this was mostly mined out in the year. Output has been considerably lower in 2007, and is estimated at 30,000 tonnes. Bwana Mkubwa produced 51,000 tonnes of copper in 2006 from Lonshi’s ores.

Société pour le traitement du terril de Lubumbashi (STL)
A joint venture between a US-owned company, Outokoumpo Mining Group (OMG), the local Entreprises minières George Forrest (EMGF) and Gécamines operates a tailings processing plant in Lubumbashi to process the city’s famous “big hill” of slag, with an investment of US$120m. OMG has a 55% stake, EMGF a 25% stake and Gécamines a 20% stake. STL says that it produces 5,000 tonnes/year (t/y) of cobalt, 3,500 t/y of copper and 15,000 t/y of zinc.

Tenke-Fungurume copper and cobalt project
The Tenke-Fungurume copper and cobalt deposit has a massive resource base, estimated at 547m tonnes at a grade of 3.5% copper and 0.27% cobalt, making it the largest in Katanga. Phelps Dodge of the US acquired a significant interest in 2003 through the acquisition of a stake in Canada’s Tenke Mining Corporation (TMC), but the precise shareholdings of TMC, the government of the Democratic Republic of Congo and Gécamines in Tenke-Fungurume were agreed only in mid-2005, enabling the project to move ahead. Phelps Dodge itself was taken over in November 2006 by Freeport-McMoRan Copper & Gold for US$25.9bn, in the world’s biggest ever mining takeover. Investment set to total US$650m is continuing at Tenke, and production is scheduled to start in 2009. Tenke forecasts eventual annual production of 115,000 tonnes of copper and 8,000 tonnes of cobalt.

Ruashi and Etoile stockpiles
In mid-2004 Metorex, a South African company, acquired the Ruashi and Etoile copper-cobalt stockpiles in south Katanga in conjunction with Sentinelle, an unlisted
South African company, which holds 35% of the stake, and Gécamines. Metorex started treating the Ruashi stockpiles in July 2006, sending the concentrates for further treatment in Kabwe, Zambia. Actual mining at the Ruashi mine is scheduled to start in early 2008, and the company hopes it will reach 45,000 t/y of copper and 5,000 t/y of cobalt. Metorex has a licence to export concentrates to Kabwe until December but expects to renew it thereafter.

**Dikulushi and Mutoshi**

Anvil Mining of Australia is the main shareholder in Dikulushi, some 400 km north of Lubumbashi, which started production in mid-2002. Dikulushi has an average copper grade of 8.7% and 9 oz per tonne of silver on an established resource base of 1.35m tonnes. Production at Dikulushi was 25,456 tonnes in 2006, but stopped in early 2007 to enable the transition from open-pit to underground mining, which is expected to be accomplished by the end of the year.

**Kamoto-Oliveira-Virgule (KOV)**

A joint venture between Gécamines, the Benny Steinmetz Group and Dan Gertler International named Nikanor is looking to develop these three copper and cobalt deposits in Kolwezi, as well as run the Kolwezi concentrator plant and part of the Luilo refinery. The company raised US$400m in a London Stock Exchange listing in mid-2006 and claimed in 2007 that production would begin in 2009, which would climb to 250,000 t/y of copper and 27,500 t/y of cobalt.

**Kamoto**

Kamoto is 75% owned by Kinross Forrest (in which EMGF holds a 40% stake), which is based in the British Virgin Islands, with the balance held by Gécamines. The joint venture was approved by the Congolese government in August 2005. In November 2005 Kinross Forrest was acquired by Canada’s Balloch Resources, which subsequently changed its name to Katanga Mining. Kamoto’s assets include cobalt and copper leases in Kolwezi, the Kamoto concentrator, the Kamoto underground mine and Luilo's hydrometallurgical facilities. Production is scheduled to begin in December 2007. Katanga Mining is aiming for full production of 150,000 t/y of copper and 8,000 t/y of cobalt by 2011. EMGF was accused by a parliamentary commission in 2006 of having acquired Kamoto too cheaply. Katanga Mining has indicated that it is “prepared to re-examine” the issue of Gécamines’ stake.

**Diamonds**

After donors stopped supporting Mobutu Sese Seko in the early 1990s, he and the rest of the Zairean political elite became increasingly reliant on income from illicit diamond sales, which led to the criminalisation of much of the domestic diamond industry. Arbitrary policies imposed by Laurent Kabila when he was president—such as imposing a monopoly buyer on the industry in 2000—made matters worse. The situation improved after 2001, when the new president, Joseph Kabila, re-liberalised the sector, and was also assisted by the introduction in 2002 of the Kimberley Process, which seeks to impose strict controls on the industry to prevent rebel groups from financing their activities by selling diamonds. Recorded artisanal diamond production rose from 19m carats in 2003 to 29m carats in 2005, but fell back to 26m carats in 2006. One factor contributing to this recorded increase was that after 2004, Congo (Brazzaville)—a country that produces very few diamonds but has historically exported a great many—lost its licence to export diamonds under the Kimberley Process, which reduced (but by no means ended) the smuggling of diamonds.
from the DRC and Angola. A factor contributing to the subsequent decrease in recorded DRC production is increased smuggling to Congo (Brazzaville) as well as the ongoing expulsion from Angola of tens of thousands of Congolese diamond diggers, which has reduced the volume of Angola’s alluvial diamond output that is exported via Kinshasa.

Privately exported alluvial diamonds must first be evaluated by Centre d’évaluation, d’expertise et de certification (CEEC), established in 2003. The CEEC has had some success in combating fraud, particularly with regard to under- and over-invoicing, but millions of dollars’ worth of diamonds are still smuggled out each year.

Miba’s industrially mined kimberlite diamond production rose during 2003-04 but fell back sharply in 2005 and then all but collapsed in 2006-07. Severe cash flow problems led the company to default on payments to its creditors, who in turn stopped supplying Miba, thus weakening production. Since 2004, despite opposition to the deal from then mines minister, Diomi Ndongala, an Israeli company, Emaxon (part of Dan Gertler International), has had the right to market 88% of Miba’s diamonds, which a parliamentary inquiry in 2006 blamed for Miba’s poor financial performance. Emaxon has strongly denied the allegation. Miba entered into several joint ventures with international diamond-mining companies during 2005-06, including Canada’s SouthernEra and South Africa’s De Beers, which is expected to lead to higher industrially mined kimberlite production in the medium term. In May 2007 the new government replaced Miba’s management, and in June the company borrowed US$11m from the DRC’s Rawbank, enough to pay the most pressing creditor demands but insufficient to relaunch production. Two mining rights were provided as collateral, prompting accusations—denied by the company—that Miba was being deliberately steered towards bankruptcy.

Other minerals
At only 657 kg in 2004, recorded gold production is low, although the industry is almost entirely unregulated and smuggling of artisanal production to Uganda and Burundi has been rampant for years. A range of international companies are exploring the rich Kilomoto gold concessions in Orientale province, including South Africa’s AngloGold Ashanti and Australia’s Moto Gold, but none has yet begun formal production. Canada’s Banro started exploring the Twangiza gold deposits in South Kivu in late 2004. The company aims to complete a feasibility study in 2007 and to begin production in 2010, although continued unrest in the province may delay this schedule. Production of coltan in Maniema, and North and South Kivu, much of which was smuggled to Rwanda, peaked in 2001, coinciding with high international prices, but has fallen back since. Attention has since then shifted to cassiterite, which has enjoyed steeply rising prices since 2004.

Oil
The DRC is a small oil producer. Output is located both onshore and offshore in the locality of the Congo River estuary. Total output was just 759 m barrels in 2006 (20,794 barrels/day), down from 77 m in 2005 and 10.1 m in 2004. 70% of production is offshore, and half of this is owned by Muanda International Oil Company, which is in turn owned by Perenco Oil of France. The remaining 50% of the offshore concession is owned by Union Oil of the US (a 32% share) and
Teikoku of Japan (an 18% share). Six offshore exploration licences held by Poland's Kings & Kings were taken away from the company by the government in late 2005, and have since been reallocated. Onshore production has been operated entirely by Perenco since the withdrawal of a Canadian company, Ocean Oil (formerly Ocelot), and comes from nine fields, the largest of which are Liawenda, Kinkasi and Tshiende.

**Manufacturing**

The DRC de-industrialised rapidly after independence, and its manufacturing base is a shadow of its former self. Most manufacturing, by value and volume, is in the food processing sector, but there is also limited production of industrial goods (mainly steel), chemical products, construction materials, textiles and light industrial goods. After years of decline, there has been a limited turnaround in most sectors since 2003, and overall output has been increasing steadily. Manufacturing accounted for just 4.4% of GDP in 2006—roughly the same share it has enjoyed for seven years. Industrial revival is likely to be dwarfed by the recovery in mining and services, and manufacturing's share of GDP will therefore probably decline further.

**Construction**

There is a small construction industry involving both local and foreign companies, which is receiving a massive boost from internationally funded reconstruction projects. Construction and public works' share of recorded GDP has consequently risen steadily, from just 4.2% in 2000 to 7.1% in 2006. At the same time, new private construction projects are mushrooming in many of the DRC's cities and towns, particularly the capital, Kinshasa.

**Financial services**

The financial sector is recovering after years of difficult, and at times impossible, operating conditions, which have seen banking intermediation in commercial transactions drop to an estimated 3% of the total. Compounding the sector's difficulties, an estimated 70% of the currency circulating in the DRC by value is in US dollars rather than Congolese francs, and almost all of this remains outside the banking system.

There are 11 functioning commercial banks, including five that are undergoing extensive restructuring; a further nine banks are in the process of liquidation. The biggest commercial banks are subsidiaries and associates of Western banks, although Rawbank, which is Congolese, is growing in importance. In 2006 it was proposed that the privately owned Banque congolaise take over the majority state-owned Union des banques congolaises (UBC). UBC is close to bankruptcy, but the government has been keen to prevent its failure because of its perceived strategic significance. The IMF is concerned to limit the cost of the merger to the government.
Commercial credit provision is low, and banks mostly act as financial agents for the government. Because of low lending levels, banks contribute little to money creation, and most money growth comes instead from the financing by Banque centrale du Congo (BCC; the central bank) of the government's fiscal deficits. Most businesses finance their operations from their own revenue or from the informal financial sector. However, the banks have maintained profitable operations by providing financial services to international institutions operating in the country and through expensive transaction fees, although increasing competition has driven fees down sharply since 2004.

The IMF has assisted the BCC in technical reforms since 2001. Some progress has been made, including the introduction in 2002 of central bank bills with maturities of 7-28 days to absorb excess liquidity in the banking system, and attempts by the BCC to make commercial bank interest rates more responsive to changes in its interest rates. However, much remains to be done. In a report released in late 2005, the IMF noted that for bank intermediation to increase and dollarisation to fall significantly, monetary policy needed to become more transparent; national payment systems needed strengthening; the financial position of commercial banks required improvement; and an improved judicial and legal framework for banking was needed. In all these areas, the IMF predicted that progress would be slow.

Other services

Tourism and retail trade

There is almost no tourism in the DRC, owing to the years of instability and civil conflict, although boat trips for tourists on the Congo River resumed on a small scale in 2006. Resident expatriates and wealthy Congolese tend to take their holidays abroad owing to the lack of local recreational facilities. Because of the country's vast wildlife resources, there is huge potential for ecotourism, although this still seems a long way off. There are a number of national parks, but they have not been maintained. Virunga national park in North Kivu and Kahuzi-Biega park in South Kivu are the best known, as they are home to mountain and lowland gorillas.

There is an active and diversified retail sector offering a relatively sophisticated range of goods and services. A high proportion of retail traders are Congolese of Lebanese descent and from other expatriate communities, including Greek Cypriots and Portuguese.

The external sector

Trade in goods

Economic recovery brings a surge in trade

The volume and value of both imports and exports of the Democratic Republic of Congo (DRC) have grown substantially over the past five years. In 2006 exports were worth more than double their US dollar value in 2000, and were an estimated 32% higher in volume terms; imports in 2006 were worth over four times their value in 2000, and were 227% higher in volume terms.
By far the most valuable recorded export commodity is diamonds. Recorded diamond exports were worth US$444m in 2000 and had grown to US$1.2bn in 2005, largely because of reduced fraud, though with lower production they fell back in 2006 to US$884m. Export volumes of crude oil have changed little over the past five years, but with the international price of oil so high, earnings have soared, from US$207m in 2000 to an estimated US$580m in 2006. Recorded earnings from copper and cobalt are rising, owing both to higher production and prices. In 2006 copper exports earned an estimated US$257m, compared with US$47m in 2000, and cobalt exports earned US$373m, compared with US$97m. Recorded coffee exports shrank to almost zero during the war, as coffee-producing areas were under the control of rebel administrations and most of the exports went to neighbouring countries, particularly Uganda. The end of the war and reunification of the country have changed this, and recorded coffee exports are now climbing once more. Timber and other forestry products are the main component of “other” exports in official statistics, and are the reason the value of this category has grown steadily in the last few years, from US$86m in 2000 to an estimated US$177m in 2006.

Capital goods have been the main component of the steadily increasing volume and value of imports over the past few years. Capital goods have been flowing into the DRC both as part of donor-funded public infrastructure investment, and imported by private companies expanding their businesses, particularly in mining and telecommunications. The rising price of oil has inevitably had an impact on the value of oil imports, which nearly trebled between 2000 and 2006, but the overall contribution of oil to the country’s import bill, at under 6%, remains modest.

Recorded foreign trade is predominantly with industrialised countries, which take over 80% of recorded exports. Belgium, the former colonial power, is still the largest export market, but its share is declining, down from 55% of exports in 2003 to 33% in 2006. The US has been the DRC’s second-largest export market, because of its purchases of crude oil, but it was overtaken by China in 2006 because of its growing purchases of copper and cobalt ores and concentrates. Zambia was the DRC’s main African export market in 2005-06, probably because of increased shipments of copper and cobalt ores and concentrates from Katanga to the Zambian Copperbelt for further processing. South Africa has established itself as the DRC’s main source of imports, which include a wide range of capital, manufactured and consumer goods, followed by Belgium.

Recorded exports to the DRC’s immediate neighbours were worth US$49m in 2006 (3.5% of the total) and imports US$214m (10.4%), yet there is significant unrecorded trade between the DRC and all of them. Congo (Brazzaville) is a major importer of basic foodstuffs from the DRC as well as a place to which millions of dollars’ worth of Congolese (and Angolan) diamonds are smuggled every year. There is thriving un- or under-recorded trade between the DRC and Zambia, involving the smuggling of a wide range of commodities including Congolese minerals, Zambian foodstuffs, South African manufactured goods and oil products. There is also substantial un- or under-recorded trade in goods and services in the east across the borders with Uganda, Rwanda,

Trade with China and South Africa has grown

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Burundi and Tanzania. Here, the DRC exports raw materials including gold, timber, columbo-tantalite and cassiterite, and imports everything else, from financial services such as insurance to manufactured goods, foodstuffs and pharmaceutical products, some of which originate from the region and some of which are re-exports.

**Invisibles and the current account**

The deficit in services was an estimated US$461m in 2006, 8% higher than the previous year largely because of the increased cost of freight and insurance owing to rising trade. Services receipts have been growing annually, however, owing partly to the activities of the UN mission in the DRC. Recorded services receipts from Mission de l’Organisation des nations unies en République démocratique du Congo (MONUC) in 2004 were US$33m, nearly 20% of the total. The income deficit was estimated at US$470m in 2006, 14% higher than in 2005. The main component of expenditure on the income account is interest payments on foreign debt, which were an estimated US$354m in 2006, 73% of the total. Once the DRC reaches completion point under the IMF-World Bank's heavily indebted poor countries (HIPC) debt-relief initiative, its interest payments will decline, though by then profit repatriation by new foreign-financed mining ventures will be rising fast.

Net private transfers were positive in 2004-05 for the first time for many years. Congolese expatriates had previously been unwilling to invest their money in the DRC, and certainly not through the banking system, and Congolese residents have always wanted to get their money out of the country. Now the situation is reversing, as Congolese expatriates identify a widening range of investment opportunities for which the banking system is unavoidable; at the same time residents see less need to send their money abroad.

Public unrequited transfers have consisted entirely of official aid since 2000, and totalled US$686m in 2006—a 93% increase on 2005 owing mainly to the massive donor financing of the elections. Official aid was just US$131m in 1999. Improved governance from 2001-04 set the stage for the massive increase in foreign assistance, but with the government’s record on economic reform worsening in 2005-06, donor assistance was less than the government had hoped. The World Bank, however, continues with its assistance programme and the EU remains an important donor, as do Belgium, France, Germany, Japan, the Netherlands, the UK and the US.

The current account showed an estimated US$644m deficit in 2006, US$111m less than in 2005, when the country recorded its highest ever shortfall. At this stage, a deficit of this size may be considered a good sign for the country, despite the rising cost of its financing, as it is largely a result of the import of capital goods, which will increase the country’s productive capacity and lead to growth in both GDP and exports. Although lower debt-service payments after debt relief is obtained will be offset by rising profit repatriation, inflows of transfers—both public and private—should remain buoyant over the medium term, as long as political stability holds.
Foreign investment picks up, particularly in mining

Foreign direct investment (FDI) is rising steadily, particularly in the mining sector, after years during which there was almost none at all. FDI is set to increase substantially in the medium term, should the ambitious investment plans of foreign mining companies come to fruition (see Economic sectors, Mining and semi-processing). Fresh FDI is also expected in telecoms—although most of the required infrastructure is already in place—forestry exploitation and, to a lesser extent, in manufacturing. Manufacturers have been badly burned in the past, particularly during the government-sanctioned looting of the capital in 1991 and 1993, when many lost everything (and could get no insurance compensation) and are cautious of exposing themselves again.

According to figures published by the UN Conference on Trade and Development (UNCTAD) in its World Investment Report, FDI in the DRC reached US$1.3bn in 2005, compared with a total of US$290m in the three preceding years and an annual average between 1990 and 2000 of US$5m. This surge of foreign investment made the DRC one of the chief destinations of FDI in Sub-Saharan Africa, in the company of South Africa, Nigeria and Equatorial Guinea and well ahead even of other oil producers, such as Chad, Congo (Brazzaville), Gabon and other regional mineral producers, such as Tanzania and Zambia. According to UNCTAD, foreign investment in the DRC was highly diversified, going not just into mining but also into energy and banking; much came from other developing countries, particularly South Africa and China. UNCTAD expects FDI to increase in 2006, particularly in the mining sector.

Negotiations for a new PRGF likely in 2007

There were few new loan disbursements between the late 1990s and 2001, after which donors gradually began re-engaging with the government, providing assistance and a positive capital account to finance the current-account deficit. Assistance of US$2.5bn was pledged by donors in December 2003, mostly intended for reconstruction projects. Principal repayments on foreign debt were negligible throughout the 1990s, with the exception of a single payment of US$37m in 1996. Further repayments were interrupted by the war and the government made only one further monthly payment, of just US$1.5m, in June 1998. Total debt outstanding to the World Bank, the country’s main creditor, amounted to US$1.3bn in 1998. The clearance of arrears on multilateral debt was a condition for new lending to the DRC from the World Bank and IMF, and in May 2002 a complicated operation was undertaken in which Belgium and France provided a bridging loan to clear them. This allowed the World Bank to approve a US$450m loan to the DRC, the bulk of which—US$350m—was used to settle the government’s arrears. This led the IMF to approve US$750m in assistance under a three-year poverty reduction and growth facility (PRGF) in June 2002, the first such assistance to the country for over a decade. The PRGF lapsed in 2006, the IMF being dissatisfied with the government’s implementation of economic policy. It is unclear whether the government is doing any better at following the staff-monitored programmes that have succeeded the PRGF, but negotiations for a new PRGF are currently expected to begin in late 2007.
According to the latest data from the World Bank, at the end of 2005 the total debt stock stood at US$10.6bn—US$834m lower than at the end of 2004 owing to cross-currency valuation effects. Long-term debt accounted for 89% of total debt at the end of 2005, all of which was public and publicly guaranteed—46% of total debt was denominated in dollars and 30% in euros.

An analysis of the DRC’s debt profile by the IMF and World Bank in 2002 found that the country was debt-distressed, the net present value (NPV) of debt/exports ratio being well above the HIPC target of 150% (the Economist Intelligence Unit estimates that the debt/exports ratio in NPV terms is well over 600%). The DRC was declared eligible for entry to the HIPC initiative in June 2003. Reaching HIPC completion point, which is when the bulk of debts are cleared, including multilateral debt under the multilateral debt-relief initiative (MDRI), requires implementing the government’s poverty reduction strategy for a year. The poverty reduction strategy paper was completed in July 2006, it is therefore possible that completion point will be reached in mid-2008.

Foreign exchange reserves reached an estimated US$236m at the end of 2004, representing sufficient cover for 1.4 months of imports. The PRGF required the government to build reserves to cover six months of imports, but instead reserves fell back to an estimated US$131m at the end of 2005, less than the value of one month’s imports. By the end of 2006 they had risen slightly to US$162m, though import cover was only just over two and a half weeks. The main reason for the decline was rising government spending at a time when donor aid faltered owing to the government’s worsening implementation of the economic reform programme.

From independence until 1983, when it was floated, the national currency had a fixed exchange rate. After 1983 the currency collapsed, and by 1993 the zaire (Z), which was introduced in 1967 at an exchange rate of Z0.5:US$1, stood at Z7m:US$1. At this point the government introduced a new currency, the nouveau zaire (NZ), at a rate of NZ3:US$1, but with monetary and fiscal policy unchanged the reform swiftly failed, and by May 1997 the rate was NZ180,000:US$1. In July 1998 the government of Laurent Kabila introduced a new currency, the Congolese franc (FC). The value of the new currency was fixed by the Banque centrale du Congo (the central bank), which set the buying rate at FC1.45:US$1 and the selling rate at FC1.38:US$1. However, continued loose fiscal and monetary policy fuelled a rapid fall of the currency on the parallel market. The differential with the parallel rate ballooned despite six currency devaluations between October 1998 and late May 2001. By May 2001 the rate on the black market had depreciated to FC350:US$1, compared with an official rate of FC50:US$1. The government gave in to the inevitable in May 2002 and floated the franc, starting at FC315:US$1. Since then, the franc has continued to depreciate against major currencies, but generally more gently and with longer periods of currency stability in between. In September 2007 the currency was trading at around FC490:US$1.
Regional overview

Membership of organisations

The African Union (AU) is the successor to the Organisation of African Unity (OAU). The AU is modelled on the EU and has ambitious plans for a parliament, a central bank, a single currency, a court of justice and an investment bank. The most advanced of these is for the Pan-African Parliament, which was inaugurated in March 2004 and has since held a number of sessions, although it is unlikely to play a legislative role for some years. The AU also aims to have common defence, foreign and communications policies, based loosely on those of the EU. Even if these goals are not fulfilled, the organisation fills the need for a forum for discussing the continent's problems, and the idea of pan-African unity exerts a strong hold over member countries. The day-to-day affairs of the AU are managed by the AU commission, which is modelled on the EU commission. The commission is headed by the former Malian president, Alpha Konaré.

One of the main problems facing the AU is the cost of many of the proposed new institutions and policy co-ordination mechanisms. To help to counter this, at the July 2004 Annual Summit Mr Konaré presented a 2004-07 Strategic Framework for the AU. Under this, member states are supposed to pledge 0.5% of GDP to fund the AU, which would allow it to double the staff at its headquarters and to push ahead with the implementation of the New Partnership for Africa’s Development (Nepad). However, few states have kept to their funding commitments, and the involvement in Nepad remains a bone of contention with the South African government, which is keen for Nepad to remain in its South African headquarters. As such, the AU remains heavily dependent on donor support and the expansion plans remain unimplemented.

The main criticism levelled at the OAU in the last decade was that little real action resulted from its policy announcements. There are concerns that the AU, like its predecessor, will be undermined by a lack of real commitment to its initiatives among the 53 member states, many of which suffer from weak governance. This problem is further compounded by the fact that many member states are unlikely to give up the sovereignty required to make several of the proposed initiatives—such as a single currency or a court of justice—operate effectively. However, on a more positive note, the AU has shown a much greater willingness to overcome opposition to the principle of non-interference. However, its intervention has had a mixed success rate, particularly in Côte d’Ivoire, where little progress has been made, while it has avoided any wider involvement in more contentious political crises, such as that in Zimbabwe.

In 2003 the AU established a Peace and Security Council (PSC) modelled on the UN Security Council. It is envisaged that the PSC will sanction military intervention in member states in cases of genocide, unconstitutional changes of government and gross human rights abuse. The proposed military intervention by the AU is to be through a standing armed force. This is projected to comprise
five battalions by 2010 and will be part of a wider peacekeeping initiative proposed by the group of the world’s eight leading industrialised nations (G8) in 2004, which seeks a commitment to train and, where appropriate, equip some 75,000 troops by 2010 to take part in peace support operations worldwide “with a sustained focus on Africa”.

Common Market for Eastern and Southern Africa (Comesa)

Based in Lusaka, Zambia, the Common Market for Eastern and Southern Africa (Comesa) is the successor organisation to the regional Preferential Trading Area (PTA), and came into force on December 8th 1994 with 12 members. Comesa now has 20 members: Angola, Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. Comesa’s main focus is on the formation of a large economic and trading unit that is capable of overcoming some of the barriers that are faced by individual states. This aim is to be achieved through monetary union with a single currency and a common central bank; the creation of a Free Trade Area (FTA) on October 31st 2000 was to be a major step towards achieving these. By the end of 2006 13 of the 20 members had agreed to participate (Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Zambia and Zimbabwe). The 13 FTA members have removed all barriers to trade between themselves, granted trade preferences to the Comesa members that are not part of the FTA and retain tariffs on imports from outside Comesa. The reluctance of most of the remaining seven member countries outside the FTA to join, coupled with intense disagreements over a Common External Tariff (CET), caused the organisation to miss its objective of a customs union by December 2004. The proposed move by Comesa from the FTA to a customs union has now been set for 2008, but further delays are likely. The target of full monetary union by 2025 remains, but seems similarly improbable.

Much of the intra-Comesa trade has been concentrated within a few of its members. Reasons for the low level of intra-Comesa trade include a lack of political commitment and political stability in member countries and weak balance-of-payments and foreign-reserves positions. In some cases there are hardly any official trade links between member states. A further constraint has been the strict and cumbersome rules of origin, which are open to conflicting interpretations, and there have been some instances of member countries refusing to honour the relevant certificate of origin presented with Comesa imports. In addition to these impediments, progress towards free trade is hampered by political tensions between member states. Moreover, attempts at promoting crossborder investment and monetary harmonisation have been superseded by initiatives introduced by the East African Community and the Southern African Development Community.

Cotonou Agreement

The Cotonou Agreement, signed on June 23rd 2000 in Cotonou, Benin, established a new framework for co-operation over trade and aid between the EU and the 77 members of the African, Caribbean and Pacific (ACP) group of states. It replaced four successive Lomé conventions, the first of which was signed in 1975. The Cotonou Agreement runs until 2020 and is subject to
revision every five years. Although similar to the Lomé conventions, the new agreement has a stronger political dimension. Respect for human rights, democratic principles and the rule of law were essential components of the last Lomé convention. Under the Cotonou Agreement, the ACP countries also agree to promote good governance, combat corruption and try to prevent illegal immigration into the EU.

Under the Lomé conventions, the EU granted non-reciprocal trade preferences to the ACP countries. Their goods, whether agricultural or industrial, entered the EU duty free, although four agricultural products—beef, sugar, bananas and rum—were subject to a more restrictive system of tariff quotas. The Cotonou Agreement, on the other hand, envisages a system of separately negotiated regional free-trade agreements known as Economic Partnership Agreements (EPAs), under which the ACP countries, preferably within existing economic groupings, will in return for duty-free access to the EU market gradually open their domestic markets to European products. The EPAs are due to have been negotiated by the end of 2007. However, not all ACP countries will have to open their markets to EU products after 2008. The group of least developed countries (LDCs) will be able to continue under either the Lomé arrangements or the “Everything But Arms” regulation—an EU initiative of 2001, under which all imports into the EU from the LDCs, with the exception of armaments, are duty free and quota free. Non-LDCs that decide that they are unable to enter into an EPA can be transferred into the EU’s generalised system of preferences.

The European Development Fund (EDF) will continue to be the main source of multilateral European aid to the ACP countries. Under the Cotonou Agreement, EDF instruments have been regrouped and rationalised into two programmes: one to provide grants for long-term development schemes being carried out at either the national or the regional level, with additional support available in the event of a fall in export earnings, and the other to finance risk capital and loans to the private sector. The ninth EDF (2000-07) totals €13.5bn (US$12.9bn). In addition, about €10bn left undisbursed from previous EDFs will remain available until 2007, and the European Investment Bank will provide €1.7bn. In December 2005 the European Council established the tenth EDF (2008-13), to which it allocated €22.7bn.

The aim of the Southern African Development Community (SADC) is to promote economic integration as well as co-operation on political issues. Member states comprise Angola, Botswana, the Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The headquarters are based in Gaborone, Botswana. A major restructuring process, which aims to give SADC more focus and enhance its capacity to deliver on its policies, is under way. This involves the creation of four directorates within the SADC secretariat, each based on different sectors (trade, industry, finance and investment; food, agriculture and natural resources; infrastructure and services; and social and human development and special programmes).

SADC aims to achieve a Free Trade Area (FTA) by 2008, when all trade will be duty free. Although progress has been limited, member states confirmed their
intention to launch the FTA in 2008 at a summit in October 2006 but agreed that a renewed commitment would be required to speed up the process. At the summit, member states also reaffirmed their intention to form a customs union in 2010. Although there are long-term plans for a regional development bank, a common currency and a regional parliament, increased co-operation is more likely in specific sectors, particularly within the energy and transport sectors. There are relatively advanced plans for member countries to link their power grids to help to create a regional power pool, and further proposals to develop cross-country infrastructure projects are also expected.

Political co-operation within SADC includes a commitment by members to help to defend existing governments from foreign invasion and internal insurgency. However, despite agreement on a regional rapid-deployment peacekeeping force, only an embryonic "stand-by force" is in place. Members also cannot always agree on where to intervene: South Africa opposed the other members' decisions to send troops into the DRC to support the government of the former president, Laurent Kabila, but did agree to intervene in Lesotho in September 1998 in order to prevent a coup. In addition, SADC has failed to find a solution to the rapidly deteriorating political and economic situation in Zimbabwe. SADC's election observers failed to condemn the March 2005 parliamentary elections even though the Zimbabwe government had clearly breached SADC's guidelines. Although at the heads-of-state summit in Lesotho in mid-2006 members still gave no public criticism of Zimbabwe, they did take a step forward by singling Zimbabwe out in private for dragging down the region's economic growth and thereby hindering efforts towards economic integration. SADC is planning to launch a regional human rights body and electoral advisory body in 2007, but it is doubtful whether either will be effective in dealing with the issue of Zimbabwe.
Appendices

Sources of information

National statistical sources
The Banque centrale du Congo (the central bank) publishes a monthly statistical bulletin, Note de conjoncture, which is occasionally posted on its website. Publication of official data by government ministries and other state institutions is irregular. The opening of relations with the IMF and World Bank has led to more frequent and reliable data, and these are available on their websites. However, the accuracy and timeliness of Congolese data are still suspect and such data should be treated with caution.

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**Reference tables**

These reference tables provide the most up-to-date statistics available at the time of publication

**Government finances**

(FC bn)

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**Total revenue & grants**

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</tr>
<tr>
<td>Interest</td>
<td>61.2</td>
<td>86.4</td>
<td>93.6</td>
<td>125.0</td>
<td>139.0</td>
</tr>
<tr>
<td>Exceptional expenditure</td>
<td>0.0</td>
<td>0.0</td>
<td>0.4</td>
<td>97.1</td>
<td>171.7</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>10.4</td>
<td>61.8</td>
<td>72.1</td>
<td>113.9</td>
<td>134.1</td>
</tr>
<tr>
<td>Net lending</td>
<td>8.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total expenditure &amp; net lending</strong></td>
<td><strong>198.4</strong></td>
<td><strong>319.6</strong></td>
<td><strong>405.8</strong></td>
<td><strong>670.5</strong></td>
<td><strong>883.9</strong></td>
</tr>
<tr>
<td><strong>Overall balance</strong></td>
<td><strong>-38.8</strong></td>
<td><strong>-96.3</strong></td>
<td><strong>-106.4</strong></td>
<td><strong>-105.6</strong></td>
<td><strong>-27.1</strong></td>
</tr>
</tbody>
</table>

a Estimates. b Including off-budget.

Sources: IMF, *Democratic Republic of the Congo: Selected Issues and Statistical Appendix.*
Money supply (FC bn)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>M1</td>
<td>57.9</td>
<td>72.1</td>
<td>117.1</td>
<td>139.1</td>
<td>212.7</td>
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<tr>
<td>Currency in circulation</td>
<td>49.8</td>
<td>63.1</td>
<td>101.5</td>
<td>119.9</td>
<td>181.9</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>8.1</td>
<td>9.0</td>
<td>15.6</td>
<td>19.2</td>
<td>30.8</td>
</tr>
<tr>
<td>Quasi-money</td>
<td>36.2</td>
<td>52.4</td>
<td>98.2</td>
<td>131.0</td>
<td>216.1</td>
</tr>
<tr>
<td>Foreign-currency deposits</td>
<td>36.0</td>
<td>52.1</td>
<td>97.8</td>
<td>130.6</td>
<td>215.7</td>
</tr>
<tr>
<td>M2</td>
<td>94.1</td>
<td>124.5</td>
<td>215.3</td>
<td>270.1</td>
<td>428.8</td>
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<tr>
<td>Import deposits</td>
<td>4.7</td>
<td>5.6</td>
<td>7.0</td>
<td>9.8</td>
<td>11.4</td>
</tr>
<tr>
<td>Net domestic assets</td>
<td>321.2</td>
<td>389.1</td>
<td>504.0</td>
<td>551.0</td>
<td>744.9</td>
</tr>
<tr>
<td>Net foreign assets</td>
<td>-222.3</td>
<td>-259.0</td>
<td>-277.3</td>
<td>-264.0</td>
<td>-304.7</td>
</tr>
</tbody>
</table>


Gross domestic product

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (FC bn)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At current prices</td>
<td>1,922</td>
<td>2,299</td>
<td>2,601</td>
<td>3,366</td>
<td>4,001</td>
</tr>
<tr>
<td>% real change, year on year</td>
<td>3.4</td>
<td>5.7</td>
<td>6.6</td>
<td>6.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Per head (US$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At current prices</td>
<td>104</td>
<td>103</td>
<td>115</td>
<td>121</td>
<td>141</td>
</tr>
</tbody>
</table>

Source: IMF, Democratic Republic of the Congo: Selected Issues and Statistical Appendix.

Consumer prices (% change year on year unless otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual average</td>
<td>25.5</td>
<td>12.8</td>
<td>4.1</td>
<td>21.4</td>
<td>13.2</td>
</tr>
<tr>
<td>Year-end</td>
<td>15.0</td>
<td>4.8</td>
<td>9.5</td>
<td>21.3</td>
<td>18.2</td>
</tr>
<tr>
<td>GDP deflator at market prices (2000=100)</td>
<td>654</td>
<td>739</td>
<td>793</td>
<td>965</td>
<td>1,097</td>
</tr>
</tbody>
</table>

Source: IMF, Democratic Republic of the Congo: Selected Issues and Statistical Appendix; Economist Intelligence Unit.

Agricultural production ('000 tonnes unless otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>7</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Cocoa</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Palm oil</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rubber</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Timber ('000 cu metres)</td>
<td>(Logs: 17</td>
<td>61</td>
<td>93</td>
<td>108</td>
<td>134</td>
</tr>
<tr>
<td>Sawn timber</td>
<td>28</td>
<td>20</td>
<td>35</td>
<td>30</td>
<td>32</td>
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</table>

Source: IMF, Democratic Republic of the Congo: Selected Issues and Statistical Appendix.
Industrial production

('000 tonnes unless otherwise indicated)

<table>
<thead>
<tr>
<th>Year</th>
<th>Copper²</th>
<th>Cobalt²</th>
<th>Diamonds (m carats)</th>
<th>Industrial</th>
<th>Artisanal</th>
<th>Gold (kg)</th>
<th>Oil (m barrels)</th>
<th>Beer (m litres)</th>
<th>Soft drinks (m litres)</th>
<th>Cement</th>
<th>Electricity (m kwh)</th>
<th>Port traffic (cargo handling)</th>
<th>Loaded</th>
<th>Unloaded</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>27</td>
<td>12</td>
<td>22.5</td>
<td>6.3</td>
<td>16.2</td>
<td>2,154</td>
<td>8.4</td>
<td>135</td>
<td>76</td>
<td>265</td>
<td>5,937</td>
<td>1,313</td>
<td>n/a</td>
<td>1,257</td>
</tr>
<tr>
<td>2003</td>
<td>16</td>
<td>8</td>
<td>27.0</td>
<td>7.8</td>
<td>19.1</td>
<td>819</td>
<td>9.2</td>
<td>157</td>
<td>99</td>
<td>331</td>
<td>5,980</td>
<td>1,458</td>
<td>201</td>
<td>1,466</td>
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<tr>
<td>2004</td>
<td>19</td>
<td>10</td>
<td>29.5</td>
<td>7.9</td>
<td>21.6</td>
<td>1,202</td>
<td>10.1</td>
<td>203</td>
<td>130</td>
<td>402</td>
<td>6,922</td>
<td>1,811</td>
<td>345</td>
<td>1,446</td>
</tr>
<tr>
<td>2005</td>
<td>26</td>
<td>8</td>
<td>35.2</td>
<td>8.4</td>
<td>26.8</td>
<td>2,244</td>
<td>9.2</td>
<td>252</td>
<td>156</td>
<td>511</td>
<td>7,128</td>
<td>2,071</td>
<td>397</td>
<td>1,674</td>
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<tr>
<td>2006</td>
<td>36</td>
<td>11</td>
<td>28.5</td>
<td>2.5</td>
<td>26.0</td>
<td>230</td>
<td>9.0</td>
<td>301</td>
<td>162</td>
<td>530</td>
<td>7,633</td>
<td>2,183</td>
<td>429</td>
<td>1,753</td>
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</tbody>
</table>

² Excluding production by foreign mining companies.

Sources: Banque centrale du Congo; IMF, Democratic Republic of the Congo: Selected Issues and Statistical Appendix.

Exports

(US$ m; fob)

<table>
<thead>
<tr>
<th>Year</th>
<th>Diamonds</th>
<th>Crude oil</th>
<th>Cobalt</th>
<th>Copper</th>
<th>Exports incl others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>653</td>
<td>205</td>
<td>175</td>
<td>44</td>
<td>1,076</td>
</tr>
<tr>
<td>2003</td>
<td>957</td>
<td>251</td>
<td>102</td>
<td>19</td>
<td>1,340</td>
</tr>
<tr>
<td>2004</td>
<td>1,009</td>
<td>360</td>
<td>407</td>
<td>57</td>
<td>1,813</td>
</tr>
<tr>
<td>2005</td>
<td>1,158</td>
<td>453</td>
<td>260</td>
<td>113</td>
<td>2,071</td>
</tr>
<tr>
<td>2006</td>
<td>884</td>
<td>580</td>
<td>373</td>
<td>257</td>
<td>2,319</td>
</tr>
</tbody>
</table>

³ Estimates.

Sources: IMF, Democratic Republic of the Congo: Selected Issues and Statistical Appendix.

Main trading partners

(US$ m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Belgium</th>
<th>China</th>
<th>Finland</th>
<th>US</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>911</td>
<td>11</td>
<td>69</td>
<td>190</td>
<td>34</td>
</tr>
<tr>
<td>2003</td>
<td>596</td>
<td>25</td>
<td>53</td>
<td>167</td>
<td>27</td>
</tr>
<tr>
<td>2004</td>
<td>525</td>
<td>83</td>
<td>230</td>
<td>120</td>
<td>13</td>
</tr>
<tr>
<td>2005</td>
<td>523</td>
<td>160</td>
<td>230</td>
<td>245</td>
<td>109</td>
</tr>
<tr>
<td>2006</td>
<td>463</td>
<td>335</td>
<td>106</td>
<td>78</td>
<td>30</td>
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</tbody>
</table>

Imports from:

<table>
<thead>
<tr>
<th>Year</th>
<th>South Africa</th>
<th>Belgium</th>
<th>France</th>
<th>Kenya</th>
<th>Zambia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>128</td>
<td>132</td>
<td>86</td>
<td>53</td>
<td>33</td>
</tr>
<tr>
<td>2003</td>
<td>179</td>
<td>157</td>
<td>133</td>
<td>67</td>
<td>40</td>
</tr>
<tr>
<td>2004</td>
<td>227</td>
<td>191</td>
<td>133</td>
<td>88</td>
<td>116</td>
</tr>
<tr>
<td>2005</td>
<td>292</td>
<td>253</td>
<td>143</td>
<td>100</td>
<td>116</td>
</tr>
<tr>
<td>2006</td>
<td>400</td>
<td>243</td>
<td>193</td>
<td>154</td>
<td>135</td>
</tr>
</tbody>
</table>

Note. Based on partners’ trade returns; subject to a wide margin of error.

Source: IMF, Direction of Trade Statistics.
### Balance of payments

**(US$ m)**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006^a</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Merchandise trade balance</strong></td>
<td>-17</td>
<td>-156</td>
<td>60</td>
<td>-402</td>
<td>-421</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>1,076</td>
<td>1,340</td>
<td>1,813</td>
<td>2,071</td>
<td>2,319</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>-1,093</td>
<td>-1,496</td>
<td>-1,753</td>
<td>-2,473</td>
<td>-2,740</td>
</tr>
<tr>
<td><strong>Services balance</strong></td>
<td>-255</td>
<td>-253</td>
<td>-322</td>
<td>-427</td>
<td>-461</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td>99</td>
<td>144</td>
<td>172</td>
<td>343</td>
<td>390</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td>-354</td>
<td>-398</td>
<td>-494</td>
<td>-770</td>
<td>-851</td>
</tr>
<tr>
<td><strong>Income balance</strong></td>
<td>-297</td>
<td>-170</td>
<td>-286</td>
<td>-413</td>
<td>-470</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td>20</td>
<td>73</td>
<td>91</td>
<td>105</td>
<td>18</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td>-318</td>
<td>-243</td>
<td>-377</td>
<td>-518</td>
<td>-487</td>
</tr>
<tr>
<td><strong>Current transfers (net)</strong></td>
<td>417</td>
<td>497</td>
<td>392</td>
<td>487</td>
<td>708</td>
</tr>
<tr>
<td><strong>Current-account balance</strong></td>
<td>-152</td>
<td>-83</td>
<td>-157</td>
<td>-755</td>
<td>-644</td>
</tr>
<tr>
<td><strong>Capital &amp; financial account balance</strong></td>
<td>150</td>
<td>-113</td>
<td>-129</td>
<td>218</td>
<td>143</td>
</tr>
<tr>
<td><strong>Foreign direct investment</strong></td>
<td>117</td>
<td>391</td>
<td>435</td>
<td>257</td>
<td>263</td>
</tr>
<tr>
<td><strong>Errors &amp; omissions</strong></td>
<td>-159</td>
<td>-257</td>
<td>29</td>
<td>168</td>
<td>70</td>
</tr>
<tr>
<td><strong>Overall balance</strong></td>
<td>-161</td>
<td>-452</td>
<td>-257</td>
<td>-368</td>
<td>-431</td>
</tr>
</tbody>
</table>

^a Estimates.

Source: IMF, Selected Issues and Statistical Appendix.

### External debt

**(US$ m unless otherwise indicated)**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public &amp; publicly guaranteed long-term debt</strong></td>
<td>7,587</td>
<td>8,845</td>
<td>10,161</td>
<td>10,125</td>
<td>9,412</td>
</tr>
<tr>
<td>Official creditors</td>
<td>7,098</td>
<td>8,504</td>
<td>9,789</td>
<td>9,749</td>
<td>9,042</td>
</tr>
<tr>
<td>Bilateral</td>
<td>5,033</td>
<td>6,058</td>
<td>6,993</td>
<td>6,651</td>
<td>5,992</td>
</tr>
<tr>
<td>Multilateral</td>
<td>2,065</td>
<td>2,446</td>
<td>2,796</td>
<td>3,098</td>
<td>3,050</td>
</tr>
<tr>
<td>Private creditors</td>
<td>488</td>
<td>341</td>
<td>372</td>
<td>376</td>
<td>370</td>
</tr>
<tr>
<td><strong>Short-term debt</strong></td>
<td>3,555</td>
<td>643</td>
<td>390</td>
<td>491</td>
<td>397</td>
</tr>
<tr>
<td>Interest arrears on long-term debt</td>
<td>3,174</td>
<td>340</td>
<td>363</td>
<td>372</td>
<td>359</td>
</tr>
<tr>
<td><strong>Use of IMF credit</strong></td>
<td>377</td>
<td>571</td>
<td>703</td>
<td>818</td>
<td>791</td>
</tr>
<tr>
<td><strong>Total debt stock</strong></td>
<td>11,519</td>
<td>10,060</td>
<td>11,254</td>
<td>11,434</td>
<td>10,600</td>
</tr>
<tr>
<td><strong>Debt service paid</strong></td>
<td>0</td>
<td>927</td>
<td>146</td>
<td>139</td>
<td>210</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>0</td>
<td>412</td>
<td>141</td>
<td>135</td>
<td>207</td>
</tr>
<tr>
<td>Principal repayments</td>
<td>0</td>
<td>248</td>
<td>56</td>
<td>67</td>
<td>112</td>
</tr>
<tr>
<td>Interest payments</td>
<td>0</td>
<td>164</td>
<td>85</td>
<td>68</td>
<td>95</td>
</tr>
<tr>
<td>IMF repurchases &amp; charges</td>
<td>0</td>
<td>501</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Short-term debt (interest only)</strong></td>
<td>17</td>
<td>14</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

**Ratios (%)**

<table>
<thead>
<tr>
<th></th>
<th>269.1</th>
<th>191.6</th>
<th>204.5</th>
<th>181.6</th>
<th>156.0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total external debt/GNI</strong></td>
<td>30.9</td>
<td>6.4</td>
<td>3.5</td>
<td>4.3</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Concessional long-term debt/total long-term debt</strong></td>
<td>26.2</td>
<td>61.5</td>
<td>63.5</td>
<td>61.2</td>
<td>62.3</td>
</tr>
</tbody>
</table>

**Memorandum item**

<table>
<thead>
<tr>
<th></th>
<th>5,279</th>
<th>721</th>
<th>907</th>
<th>938</th>
<th>1,186</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal arrears on long-term debt</td>
<td>0</td>
<td>412</td>
<td>141</td>
<td>135</td>
<td>207</td>
</tr>
</tbody>
</table>

Note. Long-term debt is defined as having original maturity of more than one year.


---

**Country Profile 2007**

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### Net official development assistance\(^a\) (US$ m)

<table>
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<tr>
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<td><strong>Total</strong></td>
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<td>1,175</td>
<td>5,416</td>
<td>1,824</td>
<td>1,828</td>
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</table>

\(^a\) Disbursements, excluding private. Official development assistance is defined as grants and loans with at least a 25% grant element, provided by OECD and OPEC member countries and multilateral agencies, and administered with the aim of promoting development and welfare in the recipient country.

Source: OECD Development Assistance Committee, Geographical Distribution of Financial Flows to Aid Recipients.

### Exchange rates

<table>
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<tr>
<th>Exchange Rate</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tbody>
<tr>
<td>FC:US$ (end-period)</td>
<td>382.1</td>
<td>372.5</td>
<td>444.1</td>
<td>431.3</td>
<td>503.4</td>
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<tr>
<td>FC:US$ (annual average)</td>
<td>346.5</td>
<td>405.2</td>
<td>395.9</td>
<td>473.9</td>
<td>468.3</td>
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<tr>
<td>Real effective exchange rate (2000=100)</td>
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<td>31.7</td>
<td>30.1</td>
<td>29.4</td>
<td>32.8</td>
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