Congo, Dem Rep.

2012

www.africaneconomicoutlook.org

Congo, Democratic Republic

- Gross Domestic Product (GDP) growth slowed in 2011 in the Democratic Republic of Congo (DRC) to 6.5%, as a result of global inflationary trends and a highly charged political atmosphere inside the country, and is expected to fall to 5.1% in 2012 before picking up again to 6% in 2013.
- The budget deficit increased in 2011 to 6.3% of GDP. Projected slower growth and the uncertain political situation mean that it is expected to reach 7.8% of GDP in 2012, while inflation is expected to rise to 15.1%.
- The country faces a major challenge in youth employment. More than 70% of those aged 15 to 24 have no jobs, with urban areas particularly affected. The DRC does not yet have a real policy to get young people into work. The shortage of jobs helps increase the size of the informal sector and the weakness of supportive structures leads many young people into a life of crime.

Overview

Economic growth in the DRC in 2011 reached 6.5%, a slight drop from the 2010 figure of 7.2%, as a result of global inflationary trends and caution on the part of businesses during a period of elections. Growth, dependent on agriculture, the extractive industries, trade, and construction and public works, may slow further in 2012 to 5.1% because of persisting political uncertainties.

In the light of this worrying economic state of affairs, the macroeconomic policies adopted in 2011 sought to limit the net credit to the state, to contain inflationary pressures and maintain the value of the currency. Inflation was brought down from 23.5% in 2010 to 14.8% in 2011. The US dollar (USD) was worth 919.4 Congolese francs (CDF) at the end of 2011 compared with CDF 915.1 at the end of 2010, a depreciation of only 0.5%. In addition, the country benefited from a cancellation of remaining debt after reaching completion point in the Heavily Indebted Poor Countries (HIPC) initiative in 2010. Nevertheless the public finances registered a deficit of 6.3% of GDP at the end of 2011 as a consequence of poor revenue mobilisation and overspending due to, among other factors, the financing of the elections. With the projected slowdown in growth and the fragile political context the budget deficit should amount to 7.8% of GDP in 2012, which should entail changes in inflation (15.1%) and the exchange rate (USD 1= CDF 942.5).

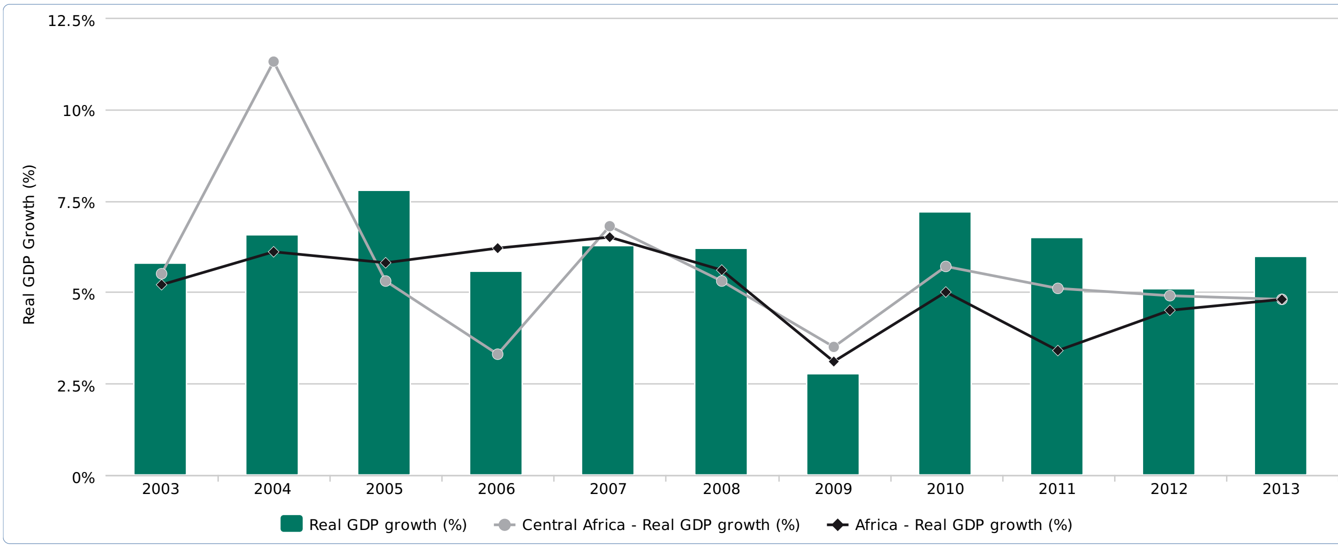
To improve governance the government has adopted planning instruments and budgetary programming in the provinces. Redundant taxes and illegal levies have been abolished in an effort to improve the business climate. But as a result of the poor results recorded in the area of property transfers, access to credit, investor protection and payment of taxes the DRC lost two places in the World Bank *Doing Business* 2012 report. Besides, the country's membership of OHADA (Organisation for Harmonisation of African Business Law) is not yet effective.

The social situation remained precarious in 2011 in spite of the growth recorded and the easing of inflationary pressures. The country's progress towards realising the Millennium Development Goals (MDGs) is still very slow. Health conditions are worrying because of major dietary deficiencies and difficulties in access to drinking water and sewage. Poverty affects 70.5% of the population in a country which has no social protection policy.

With respect to politics the outgoing president was re-elected by a simple majority in November 2011. The security situation remains difficult especially in the regions in the east and west of the country.

More than 70% of the young have no jobs. Of the 9 000 university graduates from Congolese universities each year, fewer than 100 find work. The country does not yet have a real policy for youth employment. In the second Poverty Reduction Strategy Document (DSCRP 2), covering the period 2012-16, the creation of 900 000 jobs each year for the young is envisaged, but so ambitious a target appears hard to achieve. With the backing of development partners a pilot programme for young graduates was launched in 2011 with 54 participants.

Figure 1: Real GDP growth (Central)



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

StatLink http://dx.doi.org10.1787/888932618728

Table 1: Macroeconomic Indicators

	2010	2011	2012	2013
Real GDP growth	7.2	6.5	5.1	6
Real GDP per capita growth	4.5	3.8	2.5	3.4
CPI inflation	23.5	14.8	15.1	12.2
Budget balance % GDP	2.4	-6.3	-7.8	-11
Current account % GDP	-11.7	-10.3	-3	-3

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

StatLink http://dx.doi.org/10.1787/888932602084

Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2006	2011
Agriculture, forestry, fishing & hunting	47.7	39.4
Mining and quarrying	8.9	12.1
of which oil	-	-
Manufacturing	5.2	5.5
Electricity, gas and water	3.2	3.3
Construction	5.2	6.1
Wholesale and retail trade, hotels and restaurants	16.6	17.2
of which hotels and restaurants	-	-
Transport, storage and communication	4.2	5
Finance, real estate and business services	5.6	7.5
Financial intermediation, real estate services, business and other service activities	-	-
General government services	3.4	3.8
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Other community, social & personal service activities	-	-
Other services	0	0
Gross domestic product at basic prices / factor cost	100	100

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

StatLink http://dx.doi.org10.1787/888932620704

The DRC economy recorded growth of 6.5% in 2011 compared with 7.2% in 2010, propelled by agriculture, the extractive industries, trade and building and public works. It benefited from the increase in the overall volume of investment of 29.3% compared with 2010 and price rises of mining products such as cobalt, copper etc.

Agriculture in the DRC has great potential for growth but it is weakly exploited and does not meet the country’s food needs. Its contribution to growth remained limited in 2011 at 1.2%. A slight improvement over 2010 was recorded thanks to the positive effects of the upgrading of agricultural service roads and the implementation of plans for the development of export crops. While cocoa and wood production fell by 2.9% and 5.3% respectively, that of palm oil rose by 21.5%.

The extractive industries recorded weak growth of 0.9% in 2011 but nonetheless made a major contribution (almost 13%) to the change in GDP. Production of copper fell by 1.6%, but cobalt, zinc and diamonds registered growth respectively of 16.3%, 120.5% and 16 %. The increase in production of cobalt and zinc was attributable to the need for companies to compensate for the drop in prices. The rise in diamond production arose from the resumption of activities by the Minière de Bakwanga (Miba) company. Even with rising prices production of gold remained low, because of the small-scale nature of mining and fraud. Oil production dropped slightly to 7.83 million barrels in 2011 from 7.86 million in 2010 even though the Perenco company put some wells back into service.

Manufacturing industry grew by 2% in 2011 but contributed almost nothing to growth (0.07% compared with 0.06% in 2010). It remains at the mercy of disruptive interruptions in energy supply, outdated equipment, limited capacity to make use of new technologies and a low level of competitiveness *vis-à-vis* imported products.

The building and public works sector grew by 10% in 2011, compared with 12.1% in 2010, even though cement production fell by 19.6%. To lend the sector some help the government lifted taxes on the import of cement. Building and public works contributed 0.9% to growth in 2011. These good results flow from the continuation of the major building programme forming part of the agreement with China reached in 2007.

The energy situation has for many years been acting as a brake on growth in the DRC because of low levels of investment, poor exploitation of gas and the technical and financial problems facing the water distribution company *Régie de distribution des eaux (*Régideso*)* and the national electricity company the *Société nationale d'électricité* (Snel*)*. During the first 11 months of 2011 production by the two companies dropped by respectively 1.3% and 8.7% compared with the same period in 2010. Hydroelectric production at Inga also fell in 2011 by 350 MW because of the low water flows of the river which followed the failure to dredge the channel.

Trade expanded by 7% in 2011 with its contribution to growth rising to 1.4% against 0.99% in 2010. It benefited from the good health of the mining sector and the improvement in road infrastructure. The transport and communications sub-sector made only a small contribution to growth (0.4% against 0.3% in 2010). There was an improvement in handling activities in the ports of Boma and Matadi thanks to the recovery in world demand.

Overall, growth in 2011 benefited from robust demand. Consumption, both public and private, contributed 3.3% of growth and gross capital formation contributed 7%, though net exports were negatively affected, recording a contribution of -3.8%, a result of the dependence of internal production on imported capital goods.

Growth should slow to 5.1% in 2012 as a consequence of the political situation arising from the dispute over the elections held at the end of 2011. Even so, growth prospects in the primary sector are good, given the investment made in recent years, the rise in mineral prices and the expected effects of work on infrastructure. They will be better still if reforms under way are successfully pursued and if the country manages to attract more capital. The completion of the project to rehabilitate the power plant at Inga and of the plan for multimodal transport would reinforce these developments.

Macroeconomic Policy

Fiscal Policy

The macroeconomic policies pursued in 2011 were aimed at capping net credit to the state within the limits laid down by government's economic programme (PEG 2) to avoid monetisation of the public deficit, contain inflationary pressures and maintain the value of the Congolese franc. Audits of PEG 2 carried out by the International Monetary Fund (IMF) indicated overall success and made possible the disbursement of about USD 350 million. In 2012 if budgetary discipline is observed and monetary policy conducted prudently, that should ensure that inflationary tensions are kept under control and the pressures arising from the rise in world prices for food and energy eased. The pursuit of the reform of public finances should in the long run result in better macroeconomic management and make it possible to avoid internal and external arrears piling up.

In 2010 GDP recorded a surplus of 2.4%, thanks to debt relief, but the position deteriorated in 2011 to a deficit of 6.3% of GDP. Revenues fell to 27.8 % of GDP while spending rose by 3.4% to reach 34 % of GDP. Both internal and external factors contributed to this development.

On the revenue side the government granted tax exemptions to importers of consumer goods to reduce the inflationary pressures which were weighing heavily on household consumption. This step was justified by the international economic situation, characterised by a steep rise in food and energy prices. The government also granted tax exemptions for the import of cement to support the building and public works sector. Overall receipts from financial administrations were lower than forecast because of the failure by some mining and telecommunications companies to respect their commitments and because some tax payments were not made by public undertakings. Furthermore, the department responsible for administrative and land revenues (DGRAD) had several functions that generated revenues withdrawn from it under the terms of decentralisation legislation, while the provinces did not have effective financial administrations. In addition foreign aid fell in 2011 to 9% of GDP, compared with 14.1% in 2010.

On the expenditure side, the budget was not executed as planned in the legislation. Spending on staff (35.4 % of total expenditure), operating costs (24.6 %) and emergencies (11.2%) absorbed most of the total. They amounted to an overspend of 251 % of the initial budget because of costs related to the electoral process and security. Capital spending and debt service amounted to 6.9 % and 6.8% respectively of all public expenditure. It should be noted that there was a certain improvement in the amount set aside for education. Primary, secondary and professional education saw their budgets increased by around 58.9% between 2010 and 2011, while the sums allocated to higher and university education grew by 78.9%. On the other hand spending on health fell by 28.3%. In addition investment in this sector was for the most part financed by foreign contributions. To sum up, the effects of the debt relief of 2010 could not be observed in 2011 because of the weight of spending on emergencies.

The 2012 budget was only put before Parliament in October 2011 because of the delays encountered in the final drafting of DSCRP 2, as budgetary policy for the next five years was due to be guided by that document. The 2012 budget was balanced with a total of CDF 6 694 billion, or an increase of 6.3% over the 2011 figure. But the Parliament was unable to adopt it because of the election-related disputes which disrupted the September 2011 parliamentary session. The failure to adopt it had a negative impact on development aid and the framework of spending in 2012. The budget deficit could, as a result, deepen in 2012 to amount to 7.8% of GDP in 2012 when a possible drop in aid and pressures on the costs linked to the implementation of new institutions are taken into account.

Table 3: Public Finances (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Total revenue and grants	9.7	20.8	17	19.9	24.5	33	27.8	24.4	23.2
Tax revenue	7.7	8.6	13.5	18.1	16.9	18.9	18.8	17.9	17.9
Oil revenue	-	-	-	-	-	-	-	-	-
Grants	2	-	2.3	1.8	7.5	14.1	9	6.6	5.3
Total expenditure and net lending (a)	13.9	21.5	19.9	22.2	28.7	30.6	34	32.2	34.2
Current expenditure	11.2	18.2	17.2	18.5	20.9	16.5	18.5	18.2	18.8
Excluding interest	7.5	14.8	13.4	15.5	15.4	14.3	15.8	15.8	16.6
Wages and salaries	2.5	5.3	6.9	6.8	6.1	5.9	5.8	5.7	5.5
Interest	3.8	3.4	3.8	3.1	5.5	2.2	2.7	2.4	2.3
Primary balance	-0.4	2.7	0.9	0.8	1.3	4.6	-3.6	-5.4	-8.7
Overall balance	-4.2	-0.7	-2.9	-2.3	-4.2	2.4	-6.3	-7.8	-11

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

StatLink http://dx.doi.org10.1787/888932621692

Monetary Policy

The beginning of 2011 was marked by strong inflationary pressures arising from the steep rise in world prices for food and energy products. The Central Bank (BCC) raised its repo rate from 22% to 29.5% and kept its reserve requirement at 7%. In addition it injected foreign currency (USD 49.9 million) into the market to smooth out changes in the exchange rate. These steps eased the deterioration in the macroeconomic framework. Inflation was brought down to 14.8% from 23.5% in 2010. The chief factor was the rise in food prices, the result of the structural deficit in agricultural production, and a rise in the price of oil products of 18.2%. An easing of monetary policy took place in December 2011. The repo rate was cut to 20% to encourage the extension of credit to the private sector.

The chief component of money supply was quasi-money, the largest part of which was denominated in foreign currency. Foreign currency deposits represented on average 62.5% of the money supply in 2011 compared with 65% in 2010, evidence of the status quo in respect of the dollarisation of the economy. From 2010 to 2011, there was a slight depreciation of the CDF against the dollar (0.5%), as a result in particular of the level of international reserves (1.2 weeks of import cover in 2010 and 1.3 weeks in 2011) and interventions in the market by the Central Bank. In mid-November 2011 the exchange rate appreciated (850 CDF for USD 1) because of the growth in demand for the CDF during the election campaign.

The Central Bank set itself a target of inflation below 10% and a positive repo rate in real terms (around 15%) in 2012. But it is highly likely that the inflation target will not be met in view of the introduction of a value added tax (VAT) which should push up retail prices, a rise in international crude oil prices, and the consequences of the present political crisis which could lead to a cutback in investment and production. Inflation is likely to reach 15.1% by the end of 2012.

Economic Cooperation, Regional Integration & Trade

After shrinking in 2009, foreign trade picked up in 2010 and 2011. Exports grew by 12% in 2011 and imports by 16%. These increases are explained in the case of exports by the continuing high international price of some raw materials and by a rise in the volume of production on the part of the extractive industries. The growth in imports arose from the dependence of the country on capital goods and manufactured products. The current account deficit which was 11.7% of GDP in 2010 and 10.3% of GDP in 2011 could shrink in 2012.

The continuing high prices for the country’s chief exports, coupled with the increase in production which resulted, had a positive effect on the country's foreign currency reserves. At the beginning of June 2011, they amounted to USD 1.473 billion, or 8.3 weeks of import cover while at the end of 2010 they had stood at USD 1.297 billion, or 7.2 weeks of imports. In August 2011, they fell to USD 1.375 billion, or 7.5 weeks of import cover because of the high level of spending in foreign currency by the government to meet its commitments.

Flows of private capital from abroad increased in 2011 compared with the previous year. The recovery of the global economy impacted on the prices of raw materials and foreign direct investment (FDI) rose from USD 1.5 billion in 2010 to USD 1.649 billion in 2011. But the level may drop in 2012 in the light of the confused internal political situation. Development aid also fell, from 14.1% of GDP in 2010 to 8.9% in 2011, and is expected to drop further to 6.6% of GDP in 2012.

The DRC wants to improve its integration into world trade and in 2010 undertook with the aid of the World Bank a diagnostic study to draw up its trade policy. Drawing on the findings of the study it set up in 2011 a steering group to introduce a one-stop shop reform to simplify foreign trade operations, stimulate growth and increase the rate of mobilisation of public revenues linked to foreign trade. The reform should result in 2013 in a drop in the number of services involved at the frontier, a fall in the level of customs duties and the creation of a mixed public-private company to handle pre-customs operations.

The country is a member of the Common Market for Eastern and Southern Africa (COMESA), and in 2011 entered the capital of the COMESA trade and development bank ZEP (preferential exchange zone). At present it can call on a number of instruments to develop trade, in particular the agreement with the World Trade Organization (WTO) on customs valuation processes.

Table 4: Current Account (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Trade balance	2.5	0.4	8.9	-1	-5.2	6	3.8	9.4	7
Exports of goods (f.o.b.)	24.1	33.3	61.6	55.2	39.2	63.8	63.7	61.5	60.5
Imports of goods (f.o.b.)	21.6	32.9	52.7	56.2	44.4	57.8	59.9	52.1	53.5
Services	-4.3	-5.2	-12.3	-13.6	-10.5	-16.1	-13.2	-10.6	-8.3
Factor income	-4	-5.3	-6.4	-11.1	-7	-8	-7.3	-7	-6.2
Current transfers	6.7	8.1	8.2	8.8	12.2	6.4	6.4	5.3	4.5
Current account balance	0.9	-2.1	-1.5	-17	-10.5	-11.7	-10.3	-3	-3

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

StatLink http://dx.doi.org10.1787/888932622680

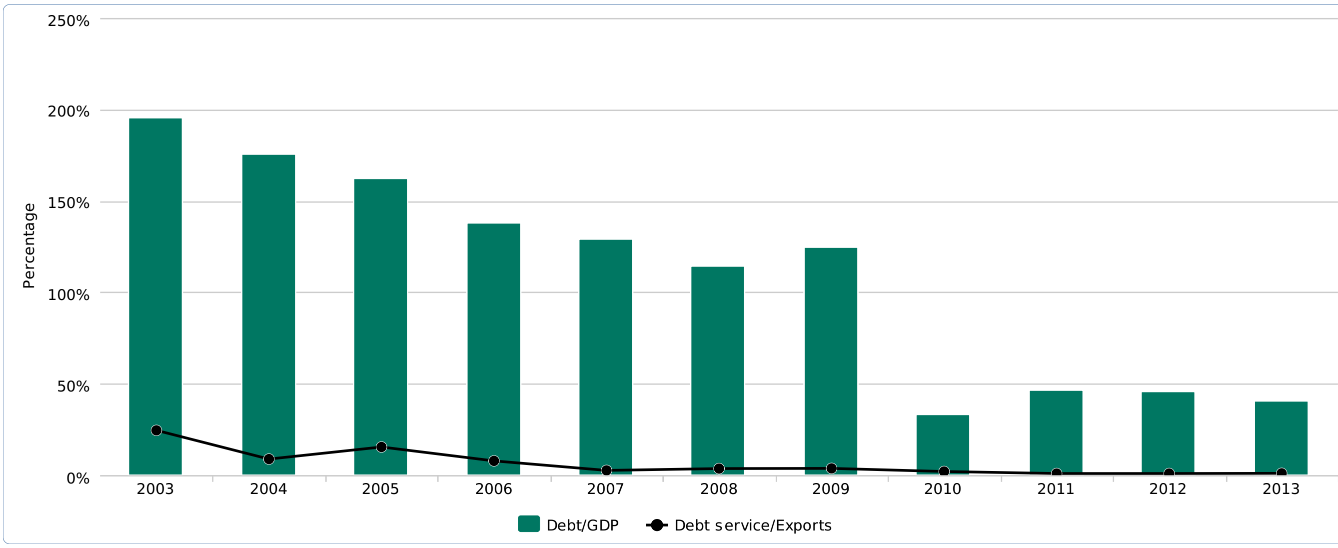
Debt Policy

Achieving completion point in the Heavily Indebted Poor Countries initiative in June 2010 and the continuation of reforms in the fields of economic and political governance made possible the cancellation of a large part of foreign debt (USD 12.3 billion), in particular after bilateral negotiations with some creditor countries (Belgium, the United States, France, Italy and the Netherlands). The savings made by this cancellation both reduced the cost of external debt and made possible the financing of projects in the education and health fields.

Debt service, which amounted to 6.4% of public revenues in 2010, fell to 2.6% in 2011, creating extra room for manoeuvre in the budget. The cancellation agreed by France should finance a fund aimed at environmental protection. There were no plans for reimbursing service of the debt owed to the IMF in 2011. Only interest of USD 2.7 million was planned against USD 1.8 million envisaged. The African Development Bank (AfDB) reduced in 2011 service on its credit to the DRC in a sum of USD 1 billion.

Interest on domestic debt grew sharply between June 2010 and June 2011, rising from CDF 10.7 billion to CDF 68.2 billion. This growth was the result of carrying over arrears from 2007. In September 2011, following talks between the government and the Kinshasa Club on possible alleviations of the debts owed to it by the DRC, the payment of arrears of the Club's debt were restructured. A danger of further indebtedness remains since the country has recourse to outside support to finance several projects and does not pay its internal bills inside the agreed period.

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



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

StatLink http://dx.doi.org10.1787/888932618728

Economic & Political Governance

Private Sector

Reforms aimed at improving economic and political governance, and in particular measures to stabilise the business climate, facilitate trade, and improve management of the public finances, should in the long term have a positive effect on economic activity and people's living standards. In conjunction with a policy of infrastructure building they could help speed up growth.

The DRC slipped back two places, from 176th to 178th, in the World Bank *Doing Business* 2012 Report because of its bad results in the areas of property transfers, access to credit and investor protection. The government has taken steps to introduce improvements: a cut in the cost of obtaining a national identification number, introduction of regulations governing leases, creation of a register of moveable assets, introduction of value added tax (VAT) in 2012, together with filing instruments of ratification of the membership protocols of OHADA. Some 20 illegal levies were abolished in 2011 and legislation is being prepared to cut the tax on business profits from 40% to 30% from 2012.

Helped by the US government the DRC plans to introduce a partnership between the public and private sectors for a responsible management of mineral resources. This initiative has several aims: *(i)* to help the development of a supply chain pilot scheme allowing companies to obtain supplies of minerals from mines which, after audit, will have been certified as having no connection with armed conflicts in progress : *(ii)* to provide a co-ordination platform for governmental, industrial and civil society stakeholders who want to support a process of supplying minerals not linked to conflicts; and *(iii)* to improve information about responsible minerals supply. The process of joining the New York Convention on the Enforcement of Arbitration Awards is under way.

Financial Sector

The banking sector is made up of 20 approved and operating establishments. Their assets amount to USD 2.64 billion and the sector offers several new products: bank cards, automatic teller machines, special accounts and so on. Even so, the country suffers from an inadequate level of banking, with 650 000 accounts, up from 450 000 on 2010, most in US dollars. The audit conducted in 2010 into the quality of the commercial banks' loan books and the need to recapitalise or restructure them led to a drop in actionable debts, which fell from CDF 35.4 billion in December 2010 to CDF 23.3 billion in September 2011, a drop from 4.5% of total private sector debt to 2.7%. The solvency rate was 26% in the first three months of 2011, compared with 15% in 2009. The proportion of non-performing loans in the total of loans issued dropped from 20% to 6% in the same period.

The financing of the economy is structurally concentrated in the short term: 75.5 % of credits disbursed are short-term. The political context, the weaknesses of the legal system, and the business environment do not in general encourage banks to provide long-term loans although the country needs them to rejuvenate its production capacity. Furthermore, these loans are generally in contracts denominated in foreign currencies, which diminishes still further what little confidence the economic operators have in the national currency. There are only limited possibilities for the banks to finance major projects, given the comparison between the level of their own funding (on average USD 12 million per bank) and foreign currency overnight deposits which account for on average 70.3% of their commitments.

Microfinance institutions and savings and loans co-operatives are developing rapidly. To encourage these institutions the government established in 2011 a national microfinance fund (FNM) to strengthen their regulatory framework. In addition the Central Bank is negotiating with some development partners and the microfinance institutions with a view to setting up a central credit register in the microfinance sector. Insurance companies and pension funds enjoy a virtual monopoly but the insurance sector is undergoing a process of liberalisation. Seeking to fall into line with international standards of financial information the Central Bank has set in motion the reform of the general accounting plan. New accounting principles for commercial banks, the microfinance institutions and non-governmental organisations (NGOs) will have to be used during the coming years. Finally the Central Bank acquired in 2011 BSA computer software to improve the supervision and traceability of the operations of financial institutions.

Public Sector Management, Institutions & Reform

To improve economic governance the government, helped by outside partners, organised in 2011 support missions to all provinces to draw up planning instruments and budgetary programmes (macroeconomic framing and medium-term sectoral spending frameworks). It also undertook to institute effective and up-to-date tax and customs administrations. Among the major reforms embarked upon in 2011 worth noting are: the preparation of the legal and regulatory instruments for the implementation of VAT in January 2012; the publication of a new customs code which awaits ratification; the promulgation of a decree relating to the improvement in tax collection of the share of crude oil due to the state and the signing of a standing instruction on the tracking of receipts from the natural resource centres. Planned for 2012 are a rationalisation of tax exemptions, the introduction of a tax identity number, the progressive elimination of low-yielding taxes, and the decentralisation of the tax administration by the creation of provincial tax centres.

But legislation on the public procurement code which was adopted and promulgated in 2010 is not being scrupulously respected. The central co-ordination office (BCECO) is continuing its public procurement activities instead of, and in the place of, the project and public procurement management units. A scale of sanctions to suppress breaches and violations of this kind and encourage transparency was suggested in 2011 by the public finances reform committee (COREF). Promulgation of the decrees on the organisation of procurement services at a deconcentrated level is planned for 2012.

With the same aim of consolidating the economic sector the government has continued with its programme of reforming public enterprises. The liberalisation of the electricity sector was initiated with the presentation to the Parliament of draft legislation to privatise Snel, and thus to end the monopoly hitherto enjoyed by the company. The legislation put forward by the government imposes the obligation to promote rural electrification and the introduction of the principle that management of public electricity services should be delegated to public or private legal entities that can be trusted and can provide fresh capital. The authorities say that the country needs USD 6.5 billion between now and 2015 to provide electricity to 19% of the country, compared with the 9% served at present.

At the same time the government is pursuing reform of the public sector with a national programme to strengthen the basic functions capability of public administration between 2011 and 2015. The aim is to ensure that a public administration is created that is modern, organised and able to carry out its functions in an institutional and structured framework. This framework should take into account decentralisation, to improve the efficiency of central and provincial government structures in the effective provision of services.

Governance in the transport sector suffers from serious shortcomings. Dysfunctions in organisation and the lack of railway infrastructure and airport maintenance have caused serious accidents. In February 2011 a train derailed on the Kananga-Lubumbashi line. In April another derailed on the Lubumbashi–Mwene-Ditu line and in July a Boeing 727 belonging to the Hewa Bora company crashed at Kisangani.

Natural Resource Management & Environment

With a view to promoting sustainable development of forests and wild animals and increasing their contribution to development the government has put forward a number of ideas. These include:

1. combatting desertification by sustainable management of land and woodland;
2. publicising the forestry code;
3. cutting back emissions due to deforestation and to damage to the environment;
4. improving the system of information about forestry management;
5. conducting a national action programme of adaptation to climate change.

In March 2011 a governance matrix for the natural resources sector was adopted.

The first report by the Extractive Industries Transparency Initiative (EITI) in the DRC was published in 2010. The country is the victim of fraudulent exports of minerals and governance and transparency in the extractive industries have been, and still are, a serious problem. The mining companies Géca**mines and Sodimico have sold shares to foreign companies in obscure conditions and at abnormally low prices. The product of these transactions has, furthermore, not benefited the public purse, in contradiction of the principles laid down in** PEG 2**.** Gécamines has commissioned a financial audit of its joint ventures to assess the production problems experienced by its partners and to ensure that its rights as a shareholder are respected.

The management plan for the Garamba national park, which has witnessed disasters arising from the war conducted by the Lord's Resistance Army (LRA), was validated in 2011 by the International Union for Conservation of Nature (IUCN). It seeks to improve protection of the Garamaba complex by an effective surveillance system, to install suitably adapted infrastructure and equipment, and to ensure the effective and transparent administrative and financial management of the park. The Senate considered in its September 2011 session draft legislation on nature conservation.

Political Context

The political climate was turbulent in 2011. The central and provincial governments finally reached agreement on retrocession of revenues of a national character which had proved a stumbling block in the management of the public finances. The deal put an end to the conflict between the central government and provincial parliaments over their respective prerogatives.

Conflicts over land were responsible for a surge of violence in both the east and west of the country. In Nord-Kivu, the situation deteriorated with clashes between rebel groups. Movements of displaced people followed with all their consequences in terms of security and the provision of food. Continuing fighting in Nord-Kivu and Sud-Kivu seriously obstructed the work of humanitarian agencies. Repeated attacks on organisations of this kind, such as hold-ups and the hi-jackings of vehicles, were recorded in 2011 and compromised the distribution of humanitarian aid. On September 2011 the regular armed forces and the United Nations stabilisation mission in the country (Monusco) launched operation Dog Bite to help people living in the Dungu region under threat from rebel groups.

In spite of the delays in revising the electoral register, in promulgating the organic law establishing the national independent electoral commission and in designating its members, the country was able to organise presidential and parliamentary elections on 28 November 2011. President Kabila was returned by a simple majority, in conformity with the constitutional revision adopted by the Parliament in January 2011. The opposition, which had been hostile to the process since the revision of the electoral register had got under way, challenged the result of the presidential election, thereby exacerbating tensions within the DRC.

Social Context & Human Development

Building Human Resources

The social context remained difficult in 2011. Living conditions in respect of food, jobs and the cost of living continue to cause worry. Many places suffer from a limited access to markets, whether for buying or selling, and public services. Delays in paying the wages of public employees and rises in food prices had a seriously damaging impact on household living standards. Even if it is the case that overall security has improved in recent years there is still a humanitarian crisis in the east of the country.

Just as in 2010, the new school year got off to a bad start in 2011. Delays in payments made it impossible for public sector workers to prepare for it properly. The government has laid down that basic education is free but many children are still excluded from the educational system. Enrolment was lower in secondary schools (32%) in 2011 than in primary education (75%). In higher and university education gross enrolment fell by 11% because several institutions were forced to close for lack of material and human resources.

Although some hospital centres are being modernised or built the health system remains inoperative because of its very poor reach. In some hospitals access to primary care always runs into major problems. Morbidity and mortality rates are showing major increases in several provinces (Équateur, Province orientale, Kasaï oriental, Kasaï occidental, Katanga and Maniema) because of malaria and typhoid. In 2010 the United Nations Children's Fund Unicef carried out a multiple indicator cluster survey which found that there had been progress in the area of health but that health conditions remained worrying in 2011 because of major food shortages and difficulty in accessing drinking water and sanitation. In July 2011 the government banned the import and sale of cattle and poultry products of South African origin to protect people against epidemics of foot and mouth disease and avian flu.

Malaria is a major cause of death. The extensive spread of typhoid can be explained by the limited access to drinking water. In the countryside three quarters of households have to rely on untreated and surface water sources. The lack of public lavatories in some regions leads people to pollute the environment which encourages epidemics, among them cholera (5 724 cases identified in 2011 with 334 deaths). In 2011 there was an upsurge in poliomyelitis. The government launched several campaigns which made it possible to contain the epidemic. In December a campaign of vaccination against measles was organised. Rates of HIV/AIDS remain very high because of prostitution and violence against women in provinces in the east of the country. In 83% of cases HIV is transmitted sexually. About three million people in the DRC are living with HIV and the 20 to 49 age group is the worst affected, among whom most are women.

Poverty Reduction, Social Protection & Labour

More than 70% of Congolese live on less than USD 1 a day. The impact of economic growth on living standards, therefore, has been very limited. Per capita income in 2011 was USD 104.1 whereas in 1960 it was USD 324.5. There is no social protection provision. Initiatives by the state, NGOs, churches and base communities directed at the most vulnerable groups are conducted in disparate ways and without any co-ordination. Even so, a common discussion framework involving the government and development partners has been established and the overall national fund for welfare revived. Draft legislation on social and humanitarian action has been tabled in parliament. These efforts should result in a more effective coordination of activity within the sector and the formulation of a social protection strategy.

Almost 75% of the nation's people suffer from food insecurity. A million women between the ages of 15 and 49 are undernourished and 700 children under the age of five die each day. There is a shortage of around 3 million housing units. While the average household has five or six members, two thirds live in accommodation with fewer than three rooms. In practically every town waste and unusable ground is occupied although there are no amenities and no infrastructure. Only 47% of the population have access to drinking water and only 9% access to electricity, with consequent effects on living standards. The government has set targets of 49% and 27% respectively for 2015.

This level of insecurity has been responsible for several public sector strikes, in particular among teachers, doctors, state employees and legal staff. In October 2011 small shopkeepers organised a protest march against the involvement of foreigners in their business in spite of recent moves by the government to regulate the sector in favour of Congolese citizens.

Gender Equality

In spite of the different national legislative provisions and international conventions which the DRC has adopted, the level of female representation in public decision making positions is put at less than 10% for the country at large and 5% for Kinshasa. Draft legislation relating to gender equality was adopted by the Parliament in April

2011 but has yet to be promulgated. The electoral law of 2011 did not take into account the provisions of the constitution in respect of gender parity.

Inequalities between boys and girls and men and women can be seen in terms of schooling and access to work. About 7.1 million children do not attend school. Girls, especially in the countryside, are the chief victims of this exclusion (54% of those not attending school). The balance between girls and boys in primary and secondary education recorded a slight improvement between 2010 and 2011. The proportion of women unable to undertake an economic activity for lack of resources is put at 44% against 22% for men. The distribution of jobs is marked by deep disparities between the sexes. Women occupy only 2.8% of waged jobs, which are concentrated in farming, the informal sector and commerce.

Thematic analysis: Promoting Youth Employment

The country's labour market is badly out of balance. Demographic pressures mean that the demand for jobs is rapidly increasing while since 1990 supply has been falling steeply as a result of looting, wars and other shocks to the economy. This state of affairs has favoured the emergence of the informal sector. About 80% of the active population operate outside the labour market and the unemployment rate is 73%.

Young people face huge problems in finding work. Given the limited number of jobs on offer, the mismatch between training and the skills sought by employers, and the slow rate of retirement among public employees, more than 70% of the young are jobless. Those hardest hit are young people aged between 15 and 24 living in towns and cities. The brain drain and the crisis in the educational system mean that there is a strong demand for expertise in human resources in the country. But foreign qualifications are more highly regarded than local ones and open the door more widely to the labour market and in particular jobs with responsibility.

Connections play a major role in finding a job in the DRC. But of the 9 000 young people leaving Congolese universities each year fewer than 100 find a job. It often happens that young graduates become street vendors, money changers, traders, operators of public telephones or security staff, for lack of any other job opportunity. The lack of work and the absence of effective supervisory structures also push many young people into a life of crime. In Kinshasa since 2008 organised crime has developed at an alarming rate (the "Kuluna phenomenon" of serious gangster activity). In the east young unemployed people are exploited by rebel groups.

In the absence of any real employment policy to help the young, various bodies concerned by the problem have launched initiatives, but not in a co-ordinated manner, which makes it hard to assess their influence on job creation. With the help of development partners a pilot programme for the recruitment of young graduates has been launched. The first 54 participants recruited in 2011 were assigned to government agencies tasked with carrying out projects and programmes financed by donors. The total number of young people to be recruited should reach 500 by the end of 2012. The International Labour Organization has drawn up a programme that seeks to create 100 000 job openings by 2012 in rural and periurban areas through entrepreneurial co-operation. The peace consolidation programme which the government plans to put into effect from 2012, with the help of Monusco, includes an element devoted to youth employment in the countryside complementary to the recommendations and aims of DSCRP 2.

If the government is to meet these challenges it will have to put into effect sectoral and macroeconomic policies with a high degree of labour-intensiveness. It will also require encouragement of self-employment through training; more access to credit; the integration of expatriate Congolese and the use of their skills and resources; reform of the education system; and improvement of the business climate. The aim must be to expand the private sector and make possible the emergence of a middle class able to give the economy a boost.

The World Bank calculates that the DRC needs to create between 2 million and 4 million jobs every year to absorb those arriving on the labour market and to reduce poverty. The country will need a strong commitment to fostering youth employment if it is to be in a position to answer the international appeal made in 2003 to draw up and execute policies that give the young a real chance to find a decent job. In this context the general secretariat of the United Nations has created the *Réseau pour l'emploi des jeunes* (youth employment network) which seeks to achieve the MDGs. The establishment of the network has yet to take place in the DRC in spite of the recommendations of NGOs. Nevertheless, in its DSCRP 2 covering the period 2012-16, the government says it aims to achieve a very ambitious target of 900 000 new jobs a year for young people.