



# Public-Private Cooperation in Fragile States

*Country report: Democratic Republic of Congo*

*Working group: Public Private Cooperation in Fragile States*

*December 2009*

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# 1. Introduction and research background

**Research context:** This report is part of the larger research on 'Public-Private Cooperation (PPC) in Fragile States', which has been initiated under the 2007 Schokland Agreement on 'Network for Peace, Security and Development'.<sup>1</sup> The Network aims to support and encourage the sharing of expertise and cooperation between the different Dutch sectors and organisations involved in economic development in fragile states. The focus of this larger research is to explore the possibilities, drawbacks and advantages of tripartite (public and private and civil society) partnerships in contributing to fair and sustainable economic growth in fragile states.

**Research partners:** The fieldwork for this study was carried out by a team composed of representatives from the various stakeholders involved in tripartite partnerships, i.e. government representatives (Netherlands Ministry of Foreign Affairs, Ministry of Economic Affairs - Agency for International Business Cooperation 'EVD'), the Dutch private sector (the Netherlands African Business Council 'NABC' and Kadaster International) and civil society organisations (ICCO and Movingpeople) and consultants. The research was carried out in cooperation with the Netherlands Ministry of Foreign Affairs and was coordinated overall by ICCO, with the assistance of the Conflict Research Unit of the Clingendael Institute (CRU) and NABC (economic mission).

**Research objective:** The primary objective of the overall research was to identify key areas, local sectors, local needs and (im)possibilities where public-private cooperation can best or most efficiently contribute to pro-poor, just and sustainable economic growth. In light of the unstable character of the identified state, the aim of the field research was also to safeguard the conflict-sensitive character of the final policy recommendations. The field research thus aimed to identify local needs in terms of socio-economic development and how PPC can best contribute to such needs.

**Research design:** The research was designed to produce practical examples and to identify bottlenecks and opportunities for PPCs in the DRC and consisted of:

- **A field study** into the Congolese needs, circumstances and opportunities for economic development conducted by a team of international consultants and consultants from the DRC. The field study was carried out under the responsibility of ICCO in Eastern DRC (North Kivu and Ituri).<sup>2</sup>
- **A fact-finding mission and desk research** by research partners from the private sector (NABC), NGOs (ICCO, Movingpeople), Kadaster International and CRU Clingendael. The fact-finding mission (ICCO, NABC and CRU Clingendael) focused primarily on the enabling environment for economic development for which several private actors, NGOs, government representatives and international organisations were interviewed both in Kinshasa and Goma.
- **A round-table event on PPCs** in Goma. The preliminary results of the fact-finding mission and field study as well as potential PPC opportunities were presented to and discussed with representatives from Congolese stakeholders (government, private sector and civil society).

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<sup>1</sup><http://www.millenniumakkoorden.nl/agreements/00030-network-peace-security-and-development>, Schokland Agreement: "Knowledge Network for Peace, Security and Development", June 2007.

<sup>2</sup> A separate report of this field study is available: DRC PPC first phase field study, P Douma et al., <http://www.clingendael.nl/psdn/documents.html>

- **An economic Mission.** The first Dutch economic mission to the DRC since long time was organised by the NABC in close cooperation with the Royal Dutch Embassy in Kinshasa in order to identify concrete business opportunities and to introduce Dutch companies to the Congolese business environment. ICCO and EVD representatives joined the economic mission.<sup>3</sup>
- **Preparation of a pilot PPC project.** By means of a call for proposals, the most promising project proposal is invited to be further developed into a feasible project plan for a concrete PPC in the DRC.
- **The DRC Country report.** The current report presents the main findings from the research activities as well as a number of recommendations for tripartite cooperation in the DRC.

**Definition of a PPC:** In line with the research objectives, a PPC within this research has been defined as the involvement of three actors, i.e. government, private enterprises and civil society/NGOs, in the development of a commercial project with the aim of fair and sustainable socio-economic development. Such partnerships are also referred to as tripartite partnerships and are considered to be a sub-type of public-private partnerships. Practice has indicated that tripartite partnerships are less common than, for instance, public-private partnerships between government and private sector actors or private-non-profit partnerships in which the private sector partners only cooperate with a civil society actor. Within the research it was felt indispensable to *explore, identify* and *promote* practical examples of tripartite PPC partnerships in the DRC.<sup>4</sup>

**Intended audiences:** The primary audiences are Dutch government officials, Dutch civil society and the Dutch private sector. The objective of the report is to encourage potential partners to consider starting a tripartite partnership in the DRC and to inform the various stakeholders of the main opportunities, bottlenecks and the required steps to be taken. A second audience comprises the Congolese public and private sector actors and Congolese civil society organisations.

**Guiding questions of the research:**

- Can innovative ways of cooperation between Dutch public, civil society and private actors contribute to fair and sustainable economic growth in the DRC? If so:
- Which sectors in the DRC are, from a Congolese perspective, particularly interesting for PPCs in terms of a contribution to fair and sustainable economic growth? In other words, what are the Congolese needs?<sup>5</sup>
- Within this range of sectors, which country-specific opportunities for PPC can be identified for the DRC? In other words, are there PPC cases which potentially contribute to Congolese needs and which are at the same time economically interesting for investment?
- What are the main challenges and risks involved in these particular PPCs and which steps are required by the various stakeholders to overcome such challenges?

**Geographical focus and limitations of the study:** The main focus of the research has been Eastern DRC. As Kinshasa and its surroundings offered a potentially interesting environment for the economic mission in particular, the fact-finding mission has also carried out substantive field work in

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<sup>3</sup> A practical funding guide (market scan) for private sector activities in the DRC was developed by the EVD, which has been presented to the participants of the economic mission (available at: <http://www.clingendael.nl/psdn>).

<sup>4</sup> For a more detailed overview of different PPC models and the research definition of a PPC, please refer to the synthesis report of the research: How can Public-Private Cooperation contribute to sustainable economic growth in fragile states- from policy to practice, synthesis report, forthcoming 2010.

<sup>5</sup> See the separate report of the first-phase field study.

Kinshasa, apart from the fieldwork in Eastern DRC, also in preparation for the economic mission. The research team has duly considered having the economic mission visit Eastern DRC. However, as the field study identified only a few potential local private sector partners and significant logistical limitations, the research team decided that a trade mission to Eastern DRC was not feasible at this time and hence the economic mission has visited Kinshasa and its surroundings only. The research results as found in this report are therefore a mixture of findings from Eastern DRC (field study, fact-finding mission) and from Kinshasa (fact-finding mission and economic mission). This distinction is specified in the report where necessary.

The geographical focus of the study was also limited by time and the availability of resources. An all-encompassing study into the economic development possibilities of the entire DRC would have taken much more time and resources than were available.

#### **Abstract**

The report is part of the larger study on 'Public-Private Cooperation (PPC) in Fragile States', which has been initiated under the 2007 Schokland Agreement on 'Network for Peace, Security and Development'. The Network aims to support and encourage the sharing of expertise and cooperation between the different Dutch sectors and organisations involved in fragile states. The focus of this larger research is on tripartite partnerships (public and private sector and civil society) in order to contribute to fair and sustainable economic growth in fragile states.

The DRC country report describes the outcomes of the research conducted in East Congo and in Kinshasa, consisting of field and desk research by research partners and an economic mission with private sector representatives. Major findings were the difficult business-enabling environment in general – the DRC being nearly the worst country to do business in the world – and the serious insecurity in the East, hampering most private sector development per se. Solutions are, however, described in the synergetic cooperation between the three partners, where the private sector can benefit from and can even only develop in the close vicinity of and in cooperation with the public sector and civil society. The latter can provide a gateway and guidance to societies and potential markets, the public sector, including foreign donors, and governments in reducing investment risks with subsidies and providing economic governance. However, by way of precaution, the tripartite PPC should not be used as a means in itself, but rather as a tool.

Major sectors identified for private sector investment through PPC were infrastructure, agriculture, construction, transport and energy, whereas the agricultural sector in particular is preferred for the East, as it would contribute to conflict transformation by the demilitarisation of the economy. The report concludes with recommendations aimed at the various actors.

## 2. Background and context of the DRC

### a) Country Background and economic profile

In 2006 the first ever democratic parliamentary and presidential elections were held in the DRC, resulting in a coalition government, led by President Kabila.<sup>6</sup> Despite serious post-election disturbances, these elections have proved to be an important step in the stabilisation of the country. Overall, the intensity of the conflict has decreased in the past few years. Currently, the main conflict area is primarily in the eastern regions of the DRC, particularly in North and South Kivu. However, current trends suggest that even here the conflict is stabilizing. Nevertheless, the potential for increased ethnic conflict in the Kivu region is ever present and significant challenges to sustainable regional stability and peace building remain.<sup>7</sup>

According to the World Bank, the DRC has the third largest population and the second largest land area in Sub-Saharan Africa. Its population is estimated to be (in 2008) 66 million inhabitants, of which more than 70% live below or near the poverty line. Only a little over 10% have access to running water and electricity. Unemployment is high. The majority are employed by the government and the informal private sector. The DRC's Human Development Index has declined by more than 10 percent in the last ten years; it now ranks 167 out of 177 countries with an average life expectancy of 46 years.<sup>8</sup>

The DRC is very rich in natural resources and is endowed with the second largest rain forest and agricultural area in the world, with fertile soils, ample rainfall and considerable and varied mineral resources. Historically, mining (copper, cobalt, diamonds, gold, zinc, and other base metals) and petroleum extraction accounted for about 75 percent of total export revenues and about 25 percent of the country's GDP.<sup>9</sup>

#### i) East Congo (the Kivus)

North Kivu is a province of the DRC located in the east, along Lake Kivu and Lake Eduardo. North Kivu shares its borders with the provinces of South Kivu, Maniema and Province Orientale, and two

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<sup>6</sup> Ted Dagne (2009). *The Democratic Republic of Congo: background and current developments*. The conflict in the Democratic Republic of Congo (DRC) has its roots in the genocide in the neighbouring country Rwanda and related insurrections in Burundi in 1994. Following defeat by the Tutsis in Rwanda, over a million Hutu refugees (including some of the instigators of the genocide) fled into the DRC. To reciprocate the genocide and to prevent Hutu militias from counter-attacking, the Tutsi-led Rwandan army invaded eastern DRC. This changed the theatre of conflict between these two groups to the DRC, building upon ethnic hostilities already present in the DRC. The destabilisation that followed resulted in the end of a decades-long authoritarian regime in the DRC headed by Mobutu and brought subsequently Laurent Kabila to power.

In 1998, in a new phase of the conflict, the former allies Rwanda and Uganda, joined by several Congolese rebel armies, turned against Kabila. In the years that followed, the DRC formed the centre stage for a conflict fought by several central African countries. After the assassination of his father in 2001, Joseph Kabila became the new head of state. For the next five years violence persisted, despite the signing of two peace agreements and the inclusion of rebel army representatives in a transitional government headed by Joseph Kabila.

<sup>7</sup> International Crisis Group (2009). *Congo: Five priorities for a peacebuilding strategy*.

<sup>8</sup> <http://hdr.undp.org/en/reports/global/hdr2009/>

<sup>9</sup> African Economic Outlook, OECD, African Development Bank, 2008.

countries: Uganda and Rwanda. It covers a surface of nearly 60,000 square kilometres and its current population is estimated to be a mere 5.5 million inhabitants.<sup>10</sup>

Politically, the province of North Kivu has suffered greater harshness than any other province in the DRC and it has never had the capacity or opportunity to completely establish its administration. North Kivu was created in 1988 from the dismantling of the former Kivu province into three parts: Maniema, North Kivu and South Kivu. From the 1990s onwards, the province experienced various inter-ethnic conflicts (mostly with a regional character involving Rwanda, Burundi, Uganda and Angola) and large refugee influxes. The economy and the administration have been constantly disrupted.

Agriculture and farming are the main economic activities in North Kivu. Unlike South Kivu where soils are increasingly depleted, North Kivu is still fertile due to frequent volcanic eruptions and lava flows which help to rejuvenate its soils. According to the farmers interviewed, agricultural production in North Kivu is strategically important for the survival of Rwanda, particularly the neighbouring city of Gisenyi, South Kivu, Kisangani and even Kinshasa. North Kivu supplies, among others, meat, potatoes, legumes and beans to Kinshasa. There is a lingering conflict concerning land ownership among big farmers and small peasant producers and an increasing split over ethnic lines between the grand North Kivu and the South- North Kivu.

Mineral extraction mostly takes place illegally by various armed groups. Minerals in North Kivu include gold, diamonds, Colombo tantalite, wolfram, monazite, pyrochlore, cassiterite, zirconium, phosphate and tourmaline. Despite the abundance of raw materials, the country's formal economy has virtually collapsed in the last few decades due to mismanagement and conflict. The GDP per capita is one of the lowest in the world. In the 1980s it was only a third of that in 1962, and it declined even further in the 1990s. It dropped from US\$380 (in constant dollars) in 1960 to US\$224 in 1990 and to US\$139 in 2006. Recent figures, however, estimate that the average GDP per inhabitant increased up to 300 USD a year in 2008, following a probably recent trend growth.

There are limited communication structures available as well as markets and production facilities. Channels for employment are scarce, except for opportunities offered by civil society organizations providing humanitarian assistance. But those jobs are by their very nature short term. Most young people are employed in the informal sector, although most are hampered by a lack of professional training. The provincial government, which has carried out an important study on the problems of youth employment in North Kivu, and resource persons both indicate that professional training in basic crafts such as electricity, carpentry, building, driving, animal husbandry, gardening, car repairs, plumbing, and even agricultural farming, small business management, and the provision of short-term financial assistance as well as an operational toolkit is the best way to ensure youth employment both in North and South Kivu. However, solving this problem also requires the training of trainers, the supplying of training equipment, and following up trainees and their assistance after training has been completed.

Tourism is often mentioned as a potentially interesting sector with the presence of the Albert national park (now renamed as *parc de Virunga*), but this sector has been disrupted by cyclical wars and insecurity which has prevailed since 1960. North Kivu is also famous for its volcanic mountains which are still active: Nyiragongo, Nyamulagira and Mikeno, in the Virunga chain.

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<sup>10</sup> According to the 2008 annual bulletin of social indicators published by the provincial division of planning. See also Annex 1.

The main source of income in South Kivu, with a surface of over 64,000 square kilometres and an estimated population of 4.8 million inhabitants, is agriculture, using traditional methods to grow crops such as cassava, bananas, potatoes, sweet potatoes, beans, rice, etc. Yet, most of these activities have suffered a severe setback in terms of productivity due to low fertile soils, over-cultivation, insecurity and war, population density, and a lack of entrant farmers. South Kivu is also endowed with minerals like gold, cassiterite, coltan and wolfram. Unfortunately, they are only exploited on a small-scale basis and mostly in areas of persistent insecurity due to the presence of Interahamwe and other kinds of militias. The potential for tourism is high, particularly due to the fact that there are gorillas in the Kahuzi Biega Park and also in the high mountains.

#### *ii) Kinshasa and other provinces*

Kinshasa (formerly in French: *Léopoldville*, and in Dutch: *Leopoldstad*) is the capital and largest city of the Democratic Republic of the Congo (formerly Zaire) and is located on the Congo River. Once an area of fishing villages, Kinshasa is now an urban conglomerate with a population of over 10 million inhabitants in 2009. The city of Brazzaville (with around 1.5 million inhabitants in 2007 together with its suburbs), the capital of the Republic of Congo, lies just across the Congo River from Kinshasa. Kinshasa ties with Johannesburg for the status of the second largest city in Sub-Saharan Africa and the third largest on the whole continent after Lagos and Cairo. It is often considered to be the second largest francophone city in the world after Paris. If current demographic trends continue, Kinshasa will surpass Paris in population before 2020. Residents of Kinshasa are known as *Kinois* (in French) or *Kinshasans* (in English).<sup>11</sup>

Kinshasa is the most important consumer centre of the republic and the centre of its industrial, political and commercial activity. The city dominates the financial and commercial life of the republic and houses the head offices of the principal banks. Among Kinshasa's main industries are food processing and the production of consumer goods (e.g., beer, textiles, and footwear), generally for domestic markets. Construction and various service industries also contribute to the city's economy. However, the political turmoil that has gripped the country since the downfall of the Zairian regime in 1997 has had a debilitating effect for the city's economic activities.

The rapid expansion of Kinshasa's population has created serious problems in supplying the city with food; there is a constant threat of shortages, posing an implicit political problem as well. The situation has been exacerbated by the country's economic woes since the late 1990s. The region of Bas-Congo supplies at least half of the food consumed in the capital. Other foodstuffs come from more distant regions of Congo or are imported. For those who can afford it, South Africa has been an important source of meat as well as fruit and vegetables, which are flown in. For the poor, however, Kinshasa is in some ways like an overgrown village whose people forage at a considerable distance for firewood and keep gardens where they can find good soil. The demands of this vast urban population have caused extensive erosion in the surrounding countryside, as the soil has been exhausted from over-cultivation and trees cut for charcoal have not been replanted.

The characteristics of the other 11 provinces fell outside the scope of the current research, but can be found, for instance, on the UNDP's DRC website (*Profil Résumé des Provinces de DRC: Pauvreté et conditions de vie de ménages*).<sup>12</sup> According to its statistics, the province of Equateur is the hardest hit by poverty (93.6% of the population below the poverty line - compared to Kinshasa with 41.6% below the poverty line). The Kivus, Bandundu and Province Orientale make up the remainder of the top five poorest provinces.

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<sup>11</sup> <http://en.wikipedia.org/wiki/Kinshasa>

<sup>12</sup> [www.cg.undp.org](http://www.cg.undp.org)

Agriculture is still the sector with the most potential in the DRC (only 10% of arable land is actually cultivated) with coffee, cacao and manioc being the principal products.<sup>13</sup> Bandudu Province is considered the most profitable for agriculture, although nearly all provinces have high potential. Notwithstanding the potential and the need for agricultural development in these areas, most donor efforts are concentrated in East DRC. Resource persons have repeatedly suggested increasing support for safer, but poor areas such as Equateur.

Currently, however, artisanal and small-scale mining (ASM) presents one of the greatest sources of economic opportunity for millions of Congolese citizens. It is estimated that 2 million people work as artisanal miners across the country, producing 90% of the minerals exported from the country.<sup>14</sup> Together with their dependents, it is estimated that the ASM sector economically provides for 18% of the national population. Ironically, although this sector contributes to the livelihood of such a large proportion of the population, it consistently demonstrates some of the worst forms of labour and environmental and social practices found in the DRC today.

## **b) Security**

Although the DRC is currently more stable than it has been over the past decade, security remains a significant cause for concern. The largest United Nations peacekeeping operation in the world is based in the DRC (MONUC), with nearly 20,000 personnel deployed in the country, primarily in the eastern regions. Violence is ever present in the eastern regions due to the presence of several militias and foreign armed groups, particularly in North and South Kivu, and to a lesser extent in the northern Katanga provinces, the Ituri district of Orientale Province and Bas-Congo Province. Currently, the security situation in these regions can very cautiously be considered as stabilizing. However, the resumption of armed clashes can occur at any time and will have serious consequences. For example, the outburst of violence in North Kivu in August 2008 caused a humanitarian crisis, resulting in thousands of additional refugees and IDPs, as well as a deterioration of the security situation, leading to the forced suspension of international humanitarian operations.<sup>15</sup>

In addition, the poor macro-economic situation in the DRC, aggravated by the current global economic and financial crisis which hits the country disproportionately, contributes to crime and instability. The inability of the DRC government to enforce and administer laws and regulations preserves the present situation. Furthermore, civil servants, the military and the police are often themselves a source of insecurity, as the government is not able to control them and pays them irregularly and insufficiently. In addition, programmes focusing on the disarmament, demobilization and reintegration (DDR) of former ex-combatants have met with limited success, thereby constituting another source of instability.<sup>16</sup>

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<sup>13</sup> Other commodities are: palm oil, rubber, fish, livestock, rice, fruit.

<sup>14</sup> World Bank, *The Democratic Republic of Congo Growth with Governance in the Mining Sector*. Nov. 2007.

<sup>15</sup> International Crisis Group (2009).

<sup>16</sup> Kindornay, Shannon, Brandon Lum, Peter Sawyer (2009). *The Democratic Republic of Congo. Risk Assessment Brief*.

## c) (Economic) governance

### i) Governance

There is a general lack of (detailed) information on the level of governance in the DRC, at both national and provincial level. However, it is widely recognized that governance in the country is characterised by a lack of capacity, both in terms of resources and qualified staff. Despite this, the Government has been remarkably active in dealing with the current financial and economic crisis.<sup>17</sup> It has set up an inter-ministerial commission ('*Cellule de crise*') that has been assigned the dual task of monitoring the impact of the crisis and coming up with measures in order to stabilise the economy and sustain growth. This has resulted in a rescue plan to mitigate the impact of the crisis on the national economy.

Institutions have been established by the current government, even though conflicts in the East have persisted. The Government has undertaken efforts to ensure the rigorous management of public finances. Overall, poor macro-economic performance, slow reforms and the non-implementation of the Growth and Poverty Reduction Strategy Paper have prevented the DRC from attaining its goals in terms of poverty reduction. Economic governance remains generally weak because of two main factors: a difficult coexistence between the current government and the opposition at all levels and the inadequacy of the judicial system.

It should, however, be mentioned that most respondents indicated that the current macro-economic environment is relatively stable, primarily as a result of the well functioning Central Bank. The government and the Central Bank did manage to sustain a reasonably stable currency and control inflation, thereby increasing purchasing power. However, the continuing reforms have still not made sufficient progress to address the problems facing the Congolese economy. The government has indicated that the abolition of state monopolies, the repair of infrastructures, the development of an efficient intermodal transport system and the state's withdrawal from public enterprises remain priorities.

According to UNDP,<sup>18</sup> poor governance seems to be the key element in explaining poverty in the DRC. It has led to a serious gap between the population and its governing body and, as a consequence, has generated various anomalies such as:

- distrust and a fear of the state at all levels;
- a deterioration of social services and the degradation of the physical infrastructure;
- a decrease in agricultural production, leading to a further weakening of the capacity of the state to meet basic needs and to exercise power and sovereignty at all levels;
- plundering, rampant corruption and, above all, the pillaging of the country's natural resources.

### ii) Macro-economic aspects

The economy of the DRC can be characterised as being both very informal and relatively open. The magnitude of the informal economy far exceeds official economic activity, with agriculture constituting the mainstay of the economy. While the economy depends on a broad array of imports, its exports are only diversified to a very minor extent, largely concentrated on mineral exports. As a

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<sup>17</sup> Danny Cassimon and Karel Verbeke, (2009). *Development cooperation addresses the impact of the financial and economic crisis in low-income African countries. Case study Democratic Republic of the Congo.*

<sup>18</sup> <http://hdr.undp.org/en/reports/global/hdr2009/>.

result, the country depends heavily on the evolution of the international market. The relatively high degree of openness of the Congolese economy and its typical trade portfolio has proved to be both its strength and its weakness in recent years.

The current global crisis has revealed the vulnerability of the Congolese economy. Reduced global demand and lower prices have resulted in a slowing down of growth. Real GDP growth for 2009 is projected to be 2.7%. Although it signifies a serious deceleration of growth compared to recent years, it is still in tune with the historical average. Furthermore, the slowing down of the economy has been largely a result of a contraction in the mining sector and to a lesser extent in manufacturing. Notwithstanding the crisis, growth rates in other sectors of the economy are expected to be maintained<sup>19</sup>. However, other macro-economic indicators show that the DRC needs time to adjust to the crisis. Whether it concerns the real economy, the fiscal situation or the financial state of affairs, various indicators have deteriorated since the outset of the crisis, including the exchange rate, the government budget, external debt, official reserves and inflation. Yet, the increase in the private sector investment rate reported over the last couple of years reflects the rise in the investor confidence index. The attractiveness of the mining sector, the prospects for the country's reconstruction and the strengthening of macro-economic stability have also contributed to this trend.

It should also be mentioned that the DRC has a largely dollar-based economy. Exchange rate trends between the American dollar and the Congolese franc greatly influence the country's economic activity, conveying credible signs of the Congolese economy's health. Therefore, one of the monetary policy's objectives is to maintain the national currency's stability while mitigating budget overruns with the aim of preserving macro-economic stability.

Mining is one of the few remaining economic activities in eastern Congo, apart from subsistence farming and informal economic activities. Research indicates that in Congo and neighbouring countries, around 10 million people, including those directly involved in the trade as well as their dependents, are supported by mineral exports from eastern Congo.<sup>20</sup> Out of work miners, the report said, would become vulnerable targets for recruitment by armed groups, being one of the reasons why this research opposes global bans on mineral trading from the DRC.

Congo's copper, cobalt and diamond industries are already suffering from the impact of the global economic downturn, which has seen dozens of mining companies close and workers being laid off amid a drop in the world demand for mineral exports. Around 300,000 informal miners have already been left jobless by the economic downturn in southern mineral-rich Katanga province alone, according to the provincial authorities.

#### **d) Description of the private sector**

As said, the private sector in the DRC is largely informal, with the clear exception of Kinshasa. An estimated 25 percent of the private sector is formal and is characterized by the large involvement of Lebanese investors, especially in the construction sector. Larger Congolese companies are primarily state owned, with very few privately owned companies. There are only limited newcomers in the market, with the exception of the very recently incoming Chinese companies.

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<sup>19</sup> World Bank (2009), *Democratic Republic of Congo, Spring 2009. Economic report.*

<sup>20</sup> Harrison Mitchell and Nicholas Garrett: *Beyond Conflict: Reconfiguring approaches to the regional trade in minerals from eastern DRC*, September 2009, funded by DFID, the London School of Economics and Belgium's Ghent University.

### *i) Kinshasa and the DRC in general*

The foreign private sector is dominated by the Lebanese in which 'Lebanese' must be understood as a catch-all notion for Lebanese (the majority), Indians and Pakistanis. The Lebanese are primarily active in the middle segment between the small-scale Congolese entrepreneurs and the larger multinationals. A good example of such a company is the Ledy group which is active in several sectors (commerce, construction and services) and functions as a 'middleman', or a distributor for numerous foreign traders. The majority of these Lebanese have lived in the DRC for several decades and know the market very well.

Besides the Lebanese, several other significant foreign companies are active in the DRC of which Heineken is the largest (see the next paragraph). In particular the banking industry (Ecobank and Procredit), logistics (SDV-Agetraf), and telecom (Zain, Vodacom and Tigo) are emerging, with the mining industry (e.g. Ashanti Gold, First Quantum Minerals Ltd and De Beers) having already been present for a longer period of time. Kinshasa is considered to be the economic centre of the DRC and all these companies have their head office in the capital. Other important commercial centres in the DRC are Lubumbashi, Kisangani and to a lesser extent Goma. The presence of large MNCs in the Kivus is limited to companies such as Heineken and SDV-Agetraf of which the latter has a small office at Goma airport. Several of the larger international banks (e.g. Rawbanks) have recently opened or are looking into the possibilities of opening branches in Goma.

The main player from the Netherlands in DRC is Heineken (Heineken operates under the brand Bralima in the DRC). The Dutch brewery is the largest foreign company in the DRC and has six branches throughout the country (both in the east and in the west) and employs around 2,500 people on a permanent basis. Heineken is a good example of a foreign company that successfully operates in the DRC. Even though the business climate is challenging, Heineken has managed to expand its market share in DR Congo, partly as a result of its historical ties with the country.

The brewery has operated in the DRC since 1923 and within the family tradition of Heineken the DRC has a special status. Even during the 1990s, when the country was in crisis and the company made severe losses, Heineken kept producing beer and soft drinks for the Congolese market as it believed that the company fulfils an important social role and in the long term conditions were expected to improve once again. With more than 60 million inhabitants, the DRC is a very important local market for Heineken. This strategy made Heineken the most successful company in the DRC, but its size and strategic importance in the country is also an obvious target for corruption and exploitation. At the same time, it gives the company a strong position in discussions with the government to actively improve the business climate in the country.

Vlisco is another example of a Dutch company that recognizes the long-term opportunities that the country has to offer. The company was active in the DRC during the Mobutu years, but it withdrew from the country at the beginning of the 1990s as a result of the political turmoil. The fashion company is now in the process of rebuilding its business in the country and its situation underlines the severe difficulties involved in starting operations in the country. Corruption is widespread, taxes are high and unclear and keeping up with the Chinese competition requires an innovative strategy. Nevertheless, Vlisco is determined to make its operations in the DRC a success as the demand for its products is high and examples of companies such as Heineken demonstrate that it is possible to be successful in the Congo. However, Vlisco does not have the political weight and size of Heineken and has more difficulties in coping with corruption. On the other hand, as a smaller company (currently with 10 employees), it is less visible and therefore less prone to corruptive charges.

Besides companies like Heineken and Vlisco, which are permanently based in the DRC, there are several Dutch companies that are exporting to the DRC. For example, Hoogwegt International (dairy products), Van Vliet Trucks and Philips Lighting are involved in exporting their products to the Congolese market. Those companies work with Congolese representatives and are not permanently based in the DRC. Most of them have stated that it is too difficult at this point in time to increase their market share in the Congo because of the uncertain future and the high level of corruption. They are continuing with their current strategy and supply the market through their local partners.

### *ii) Eastern Congo*

The private sector in Eastern Congo (with Goma as its centre) is underdeveloped, mainly as a result of the unstable security situation in Eastern Congo. The current situation severely increases the risks of investments and several interviewees<sup>21</sup> indicated that insecurity resulting from the conflict is still the most limiting factor for private sector development in Eastern Congo. Long-term investments in promising sectors such as agriculture and tourism are for that reason lacking. A secure business environment is key to the development of any private sector activity. As a result, private sector activities are mainly found in the informal sector.<sup>22</sup>

Doing business in Eastern Congo requires detailed knowledge of the region and the political and cultural forces as well as an excellent local network. Therefore, the majority of private sector actors in Eastern Congo are Congolese with foreign actors having little presence. SDV-Agetraf has a local office at Goma airport and there are several small-scale initiatives in Goma such as an importer of medicines and a bookshop for the expatriate community, but serious foreign investment is still lacking. The main activities in the formal sector are centred around micro-credit institutions, construction and trading. Mecreco is one of the institutions that provides micro-credit to local entrepreneurs. There is plenty of entrepreneurial spirit in Goma and institutions such as Mecreco play a crucial role in developing local private sector initiatives. However, they restrict the credit facilities to small-scale loans

#### **Box 1: Somers Seeds Company**

One of the examples of a successful foreign private business development in Eastern Congo is **Somers Seeds**, based in Belgium. Despite the difficult situation and the insecurity in the Congo it first started doing business in 2004 (Lubumbashi) and later (2007) in East Congo (Butembo). Its motives were based on a mixture of commercial and ideal principles, as the enterprise has sympathy for the underprivileged and keeps an open eye for extended Corporate Social Responsibility.

Seed production is carried out under licence through joint ventures with local companies and yield some 50 to 100 tons of seeds per year on average for export in North Kivu only. Seed varieties are constantly tested at different altitudes and include different varieties of tomatoes and beans. Net revenues are still small, but tend to increase every year.

The difficulties encountered, especially in the start-up phase, were: a lack of transport, an insufficient technical and managerial capacity on the part of local entrepreneurs and a net production which was too low (a substantial amount of the harvest was consumed!).

**Somers Seeds** intends to continue and expand its seed production and is principally interested in the PPC concept.

<sup>21</sup> E.g. Representatives of Asrames (import of medicines) and the Ihusi Group (hotels, transport, energy), both East-Congolese enterprises.

<sup>22</sup> An exception to this being the large humanitarian aid-driven economy stemming from INGOs and UN activities, with MONUC alone contributing an estimated 50% of the local economy through accommodation, retail outlets and the provision of services.

(USD 3,000 for individuals and USD 500 per person for groups) and it is not available for the agricultural sector because of the short-term return payment. As a result, micro-credit loans are mainly used for small-scale commercial activities such as the trading of goods. Significant long-term investments in, for example, agriculture or infrastructure have not occurred in recent years, because of the unstable security situation. Redeveloping agricultural productivity is, however, essential for improving food security and lessening the population's dependence on e.g. artisanal mineral production (and poaching) for survival.

Heineken has a brewery in South Kivu's capital Bukavu (one of the oldest in DR Congo), being one of the exceptions to a virtually non-existent foreign private sector presence in the eastern part of the Congo. Another exception is the Belgian seed producer Somers, active in North Kivu from 2004 (see box 1). These two companies expressed a genuine interest in adopting the PPC concept, as they see it as a viable opportunity to expand their business in an insecure environment.

It is important to note that business approaches in the Kivus can be made from Uganda and Rwanda/Burundi. The advantages are the economic ties between the countries (Rwanda, for instance, largely depends on agricultural supplies from East Congo) and the ease of exporting through these countries with their superior infrastructure. The main disadvantage, of course, is the border and the accompanying high corruption, tax levies and non-secure access. Supplies to Eastern Congo are mainly provided through Rwanda and Kenya (the port of Mombasa), whereas the economic zone centred around Lubumbashi uses the port of Dar es Salaam for importing and exporting goods and products or even South Africa. The exchange of goods and services between the East (Goma) and Kinshasa is practically non-existent due to a lack of infrastructure (only air transport).

## **e) Description of the civil society sector**

### *i) International NGOs*

The NGO community in the DRC consists of a large and wide range of NGOs (already some 25 Belgian and over 50 smaller and larger Dutch NGOs!). Most NGOs that are working in the DRC are primarily providing emergency aid and rehabilitation for the victims of the conflict in Eastern DRC. Apart from these humanitarian activities, INGOs are active in democratization, governance and peace building (including human rights), often through capacity building programmes (e.g. Oxfam Novib, ICCO) and the education and health sector (e.g. Cordaid). These sectors will not be further elaborated upon in this report, as they fall outside the scope of this research.

As a rule, the economic programmes in which NGOs are involved seek an integrated approach in e.g. increasing agricultural productivity or strengthening small and medium-sized enterprises in linking them to market opportunities. USAID-funded assistance for instance promotes a framework for sound economic management, including stabilizing inflation and exchange rates and increasing budgetary transparency and discipline. Their programmes aim to help in improving the environment for doing business through policy and regulatory reforms and promoting public and private investments in transportation and energy. In recognizing the value of the natural environment for the DRC's economic potential, most NGO-implemented economic programmes also have a vested interest in natural resource management and the protection of biodiversity.

Examples of Dutch NGOs that specifically support agricultural activities are Agriterra, Agri-Pro-Focus, Oxfam/Novib, SNV,<sup>23</sup> Solidaridad and De Zaaier. Most of these NGOs support the development of agriculture in Eastern Congo (SNV, based in Kinshasa, being the exception) so as to boost the local economy, to produce food and, at a micro level, to help families to fulfil their basic needs. Agriculture is a sector where many NGOs can be found in relation to the business sector (a noteworthy Belgian NGO in this respect is 11.11.11 (triple eleven).<sup>24</sup> The conflict in Eastern Congo has massively destroyed the production of agricultural products. Now, farmers are trying to recover from the conflict and to re-establish trade in their local products.

While the humanitarian community has been actively engaged in the East Congo crisis, it has failed to adequately address the humanitarian crisis in other parts of the country, or to have a more development-oriented approach in these areas.<sup>25</sup> Provinces that have not been affected by armed conflict for a number of years also have high recorded levels of need. According to an often cited IRC survey, between 2004 and 2007 mortality rates fell from 2.9/1,000/month to 2.6/1,000/month in the eastern provinces (North and South Kivu, Oriental, Maniema and Northern Katanga), while in parts of the country where there had been no conflict, mortality levels either increased slightly or stayed roughly the same.<sup>26</sup> In provinces such as Maniema, Katanga, Kasai Oriental and Kasai Occidental, for example, global acute malnutrition rates still often surpass 10%, a widely accepted threshold for humanitarian action. Although no sufficient data are available, there are indications that humanitarian aid and its actors (NGOs and donors) are somehow being misdirected.

#### *ii) Congolese NGOs*

Numerous national NGOs are present in the Congo as well, again most of them in the east as partners/implementers of international NGOs. The reasons for their existence are for a large number of these NGOs quite opportunistic as they almost completely depend on funding by international NGOs. The capacity to efficiently carry out humanitarian work is often lacking and motivation is regularly unsatisfactory, although there are exceptions of course. To name a few of these exceptions, without being exhaustive or complete: '*La Ligue des Organisations des Femmes Paysannes au Congo*' (LOFEPACO<sup>27</sup>) has undertaken activities concerning the processing of agricultural products in Butembo since May 2007. This activity is not only aimed at self-financing; it also and especially focuses on creating a market for (female) farmers to sell their products, as well as adding value to their products (including the conservation of food products in the event of a shortage). CRONGD, UGEAFI,<sup>28</sup> INERA and MULUNGU are organizations that positively distinguish themselves as well, again focusing mainly on improving agricultural production.

The coordination of the Congolese NGO community is shared by three major bodies: **CNONGD**, **FOLECO** and **CONOCO**. The *Conseil National des Organisations Non Gouvernementales de développement* is the largest representative of the Congolese NGO community. It has representations all over the

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<sup>23</sup> SNV was among other things involved in the drafting of the recently established *Conseil Agricole Rural de Gestion*, a tool to decentralize and democratise decision making in agricultural strategies in the provinces. Farmers' (cooperative) representative bodies such as FOPAC and SYDIP are members of this Counsel that for a large part (two-thirds) is composed of civil society, the remaining third being made up of government representatives.

<sup>24</sup> A national committee of some 90 Belgian organisations and 375 volunteer committees, strongly promoting agriculture as the key to economic development in the DRC.

<sup>25</sup> Humanitarian Exchange Magazine: Targeting humanitarian assistance in post-conflict DRC; Dec. 2008.

<sup>26</sup> Mortality in the Democratic Republic of Congo: An Ongoing Crisis, IRC, January 2008.

<sup>27</sup> <http://www.agriterra.org/en/stories/56881/from-fresh-tomato-into-tomato-sugar>

<sup>28</sup> <http://www.aboutus.org/Ugeafi.org>

country and has been in business since 1990. CNONGD<sup>29</sup> also speaks on behalf of the Congolese NGO community and is represented in various consultative bodies. It is also expected to play an important role in local assemblies and provincial and local development councils. FOLECO, or the federation of non-confessional NGOs, is more involved in the promotion of its members than in representation, whereas CONOCO is mostly a political machine that appears at election time or during the sharing of ministerial positions.

### *iii) Other Congolese Civil Society actors*

#### *- Churches*

As well as being the largest religious organisation in the country with about 30 million members (50% of the population), the Catholic Church of Congo is one of the largest churches in Africa (six archdioceses and 41 dioceses). Congo has more Catholics than any other African country and one of the highest proportions of Catholics. The Protestant Church (20% of the population) consists of a total of 62 denominations in the country, federated under the umbrella of the Church of Christ in Congo or CCC (in French, *Église du Christ au Congo* or ECC). A further 10% of the population is Christian-denominated Kimbanguist. Of the remaining 20% of the population, up to 10% are Muslim, and the rest follow traditional beliefs or syncretic sects.

The impact of the Roman Catholic Church in the DRC is enormous; some have called it the country's "only truly national institution apart from the state". Besides involving over 40 percent of the population in its religious services, its schools have educated over 60 percent of the nation's primary school pupils and more than 40 percent of its secondary students. The church owns and manages an extensive network of hospitals, schools, and clinics, as well as many diocesan economic enterprises, including farms, ranches, stores, and artisan shops. Churches, Protestant or Catholic, are valued not only for the medical and educational services they provide, but also for serving as islands of integrity in a sea of corruption.<sup>30</sup> They are therefore a very good partner in potential PPCs, though their capacity and willingness to embark on larger-scale partnerships will often be limited.

#### *- Cooperatives*

Cooperatives can also be a valuable partner in PPCs, as they have a solid and durable link with their constituency. Many of them have fallen apart due to the various wars, especially in the east, and/or are small and not very powerful. Some exceptions are FOPAC (*Federations des organisations des producteurs agricoles du Congo*) and SYDIP (*Syndicat de defence des interets paysans*),<sup>31</sup> although they are more representatives or federations of farmers' organisations.

FOPAC, located in the eastern part of the Congo, is an organization that supports farmers in re-establishing the normal situation and improving the production of and trade in their products. Furthermore, they improve (trading) positions of farmers and exchange important trade information like prices etc. FOPAC typically represents farmers towards businesses and governmental organizations.

INGOs play an important role in setting up or reviving cooperatives.<sup>32</sup> Examples of these recovering cooperatives can be found in the agriculture sector (e.g. coffee,<sup>33</sup> livestock, fishing), small trade associations, micro finance and the artisanal mining industry.

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<sup>29</sup> [http://www.ong-ngo.org/spip.php?page=fiche\\_pn&id\\_rubrique=193&lang=en](http://www.ong-ngo.org/spip.php?page=fiche_pn&id_rubrique=193&lang=en)

<sup>30</sup> [http://en.wikipedia.org/wiki/Religion\\_in\\_the\\_Democratic\\_Republic\\_of\\_the\\_Congo](http://en.wikipedia.org/wiki/Religion_in_the_Democratic_Republic_of_the_Congo)

<sup>31</sup> <http://www.sydip.org/>

<sup>32</sup> E.g. "Restoration of the agricultural products distribution channels through the creation of marketing cooperatives in Tanganyika District, Katanga Province" by ACTED.

### 3. Business-enabling environment of DRC

In 2006, the Congo Business Federation (FEC, see below) initiated a process to identify the needs and to analyse solutions per sector and region in order to expand the private sector throughout the country. The Congolese authorities created a one-stop service to streamline the business creation process, to improve customs clearance and procedures, to eliminate bureaucratic obstructions and to contain the resulting fraudulent practices. A manual was distributed explaining customs clearance procedures as well as the decree establishing the one-stop service.

Yet, despite the vast investment opportunities in the DRC, the bottleneck for entrepreneurs is the challenging business environment of the DRC and exploring those opportunities. The 2010 *Doing Business Report* by the World Bank ranked the DRC as the world's most difficult place to do business after the Central African Republic (see also table 1).<sup>34,35</sup> In addition to that, the 2007 Transparency International report ranked the DRC 162<sup>nd</sup> out of 180 countries, based on the level of corruption in world business.<sup>36</sup> To expand the business sector, it will be necessary to further clean up business practices, to combat corruption and to install good corporate governance. Unfortunately, the DRC does not show tangible reforms in that respect either (see annex 2).

**Table 1: Some data indicating the "Ease of doing business" in various countries**

Country	Days needed to start up a business	Number of tax payments per year	Days needed to register property	Years needed to close a business	Ease of Doing Business Ranking	
					2010	2009
Angola	68	31	184	6,2	169	170
Australia	2	12	5	1.0	9	9
Burundi	32	32	94	no practice	176	177
DRC	149	32	57	5,2	182	182
Rwanda	3	34	60	no practice	67	143
Liberia	20	32	50	3.0	149	159
Netherlands	10	9	5	1.1	30	28
Sudan	36	42	9	no practice	154	149
US	6	10	12	1.5	4	4

From: the World Bank's *Doing Business Report 2010*

<sup>33</sup> The foundation Fair Trade Original has managed to sign an agreement between Sainsbury's and 1,300 farmers in the Sopacdi co-operative in the Lake Kuvu region to supply Sainsbury's with Fairtrade coffee (May 2009).

<sup>34</sup> *Doing Business 2010, Country Profile for DRC*, IBRD, World Bank, 2009.

<sup>35</sup> Although some consider the business-enabling environment in neighbouring Congo Brazzaville to be more favourable, it also ranks very low (179<sup>th</sup>) in the "Doing Business Report".

<sup>36</sup> [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009/cpi\\_2009\\_table](http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table)

Some respondents indicated that larger companies can play a significant role in influencing the government to improve the business climate. At this point in time, however, there is only limited overt contact between the government and the private sector. An initiative to bring them together at a more informal/personal level so as to provide insights into the needs and interests of both sectors is currently being explored. The FEC is at present one of the main institutions which aims to narrow this gap between the public and private sector in the DRC (see also page 23).

## **a) Physical infrastructure**

The lack of physical infrastructure in a land as vast as the DRC is one of the main constraints for investors and private sector development in general. Large areas are only accessible by aircraft and roads, if they exist,<sup>37</sup> are generally in a poor condition. Notwithstanding this, the transport and communications sectors are growing, the latter mainly as a result of the increased demand for mobile phones. The number of subscribers has reached now over 5 million. Over the past few years the communications segment has experienced strong growth, with an annual growth figure of approximately 67% per year.<sup>38</sup> On the other hand, the lack of reliable drinking water and electricity production and its poor distribution imposes significant economic costs on other sectors and has a negative impact on household conditions.<sup>39</sup>

Within this context, it is also interesting to mention that the construction sector recorded a recent drop in growth. This downturn stemmed from an insufficient supply of cement due to a quasi-monopolistic situation and the country's limited cement production capacity. Cement production did not meet construction needs, particularly for the Emergency Multi-Sector Programme for Rehabilitation and Reconstruction projects.

## **b) Regulatory framework**

### *i) Draft laws on the enabling environment*

By the end of 2007, the government had submitted four draft laws on: i) the transformation of public enterprises; ii) the state's disengagement; iii) the organisation and management of the state's portfolio; and iv) general provisions applicable to public enterprises. The reform advocates the state's withdrawal from certain business sectors, the liberalisation of certain sectors by abolishing state monopolies, the privatisation of certain enterprises with negative economic and financial rates of return and the restructuring of enterprises that do not have the resources to make the necessary investments in supporting growth.<sup>40</sup> The actual implementation of the laws remains to be seen, however.

The government has also adopted a draft law that has eased the tax burden somewhat so as to make the business climate more attractive and to stimulate investment. The tax law reform took into account the government's objective of introducing value added tax (VAT) in 2009.<sup>41</sup> However, the

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<sup>37</sup> DRC, a country the size of Western Europe, has less than 700 km of useable paved roads - compared with 398,000 km in the UK alone.

<sup>38</sup> African Economic Outlook, OECD, African Development Bank, 2008, p. 246.

<sup>39</sup> African Economic Outlook, OECD, African Development Bank, 2008, p. 244.

<sup>40</sup> African Economic Outlook page 250.

<sup>41</sup> African Economic Outlook page 251.

'informal' tax burden remains high according to several companies that were interviewed by the research team.

### *ii) Organisation for the Harmonisation of Business Law in Africa*

The DRC has expressed its interest in joining the Organisation for the Harmonisation of Business Law in Africa (OHADA), which will lead to a simplification of business legislation. Six commercial courts are to be established, two of which are to be set up in Kinshasa and Lubumbashi. In addition, three legal reform projects have been initiated. The first addresses the creation of enterprises. The second concerns the *Build, Operate and Transfer Programme*, with a view to facilitate private investment in the infrastructure sector. The third modifies the investment code to encourage long-term projects.

### *iii) Highlights of the current investment code*

Currently, there are two codes that are relevant for the business-enabling environment in which the private sector and civil society can operate: the investment code and the civil society/NGO law. The investment code determines relevant conditions, advantages, guarantees and general rules applicable to direct foreign and national investment. It addresses:

- the establishment of the national agency for the promotion of investment as the *guichet unique* (exclusive office) for the admission of and assistance to new investments;
- the division of the country into three geographical areas: Area A, B, and C;<sup>42</sup>

With regard to customs duties, new investments allowed under the new Investment Code have been given, among others, the following exonerations: lower administrative fees, a complete exoneration from importation customs taxes and rights to equipment for productive or public utility investments, a complete exoneration from tax on exports and duties, a complete exoneration from tax on income revenue (*contribution personnelle sur les revenus* - CPR), and an authorization to utilize quick decreasing depreciation in order to quickly retrieve investments. In addition, the code guarantees a just, fair and equal treatment, respect for property rights, a guarantee against nationalization, and freedom to transfer dividends and other funds generated from business activities. A number of sectors are, however, exempted from this law, i.e. mining and hydro-energy, banking, insurance, military armaments and related equipment, e.g. mostly activities with strong political ties.

Although the Investment Code contains important incentives, it is questionable to what extent these laws are also enforced. Even though the central government intends to combat corruption and to ease the administrative burden for businesses, little progress has so far been made. Resource persons from the private sector underlined the problems they encountered in relation to bureaucratic delays and corruption. Besides the limited physical infrastructure, other challenges are the multiplicity of services intervening in the control of businesses, administrative taxes, and the Labour Code.<sup>43</sup>

*More information on business registration can be found at the "Parquet" or the "tribunal de Grande Instance". These institutions have offices in provincial capitals like the city of Goma. In Congolese law, there is a difference between registering the licences of small and medium-sized enterprises and handicrafts that has to be submitted to the Division of the Congolese Ministry for Small and Medium-sized Enterprises and Trade (PMEA), and traders who have to be registered in the New Register of Commerce (NRC) held by the court.*

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<sup>42</sup> Area A includes the capital city of Kinshasa alone. Area B includes the entire province of Bas Congo and the cities of Lubumbashi and Kolwezi in Katanga. All other provinces and areas (Bandundu, Equateur, Kasai Oriental, Kasai occidental, Maniema, North + South Kivu, Province Orientale, Katanga) are categorized in zone C.

<sup>43</sup> On 16 Oct. 2002 President Kabila promulgated a new Labor Code, Law No. 015/2002 of October 2002.

#### *iv) Civil society / NGO law*

The Civil Society/NGO Law<sup>44</sup> applies to cultural, social and educational associations, non-governmental associations<sup>45</sup> involved in developmental activities and human rights advocacy and religion-based confessional associations. The state's policy encourages NGOs. It has taken a number of steps concerning these associations, for example easing procedures for the constitution of all associations of whatever kind (freedom of association), providing them with some administrative and fiscal facilities, including exoneration from import duties related to their mission, and simplifying control procedures by the national office of control (OCC).

These laws, regulating the civil society sector, are the counterpart of the Investment Code for the private sector, and are aimed at easing the environment for and the functioning of civil society in the DRC and collaboration with the public administration. Given the above-mentioned facilities, civil society organizations are flourishing in the DRC. Their number has been increasing over the years. They include a variety of domains and they have been encouraged by backing from the international community which consider them as the best channel for the implementation of foreign aid on the ground for various reasons.

### **c) Land registration**

Access to land is still a major limiting factor for private sector development. There is a weak functioning framework to support security of tenure and access to land. This framework should in theory include a coherent land policy, adequate legislation, functioning institutions, law enforcement capacity and supporting services. A reliable, sustainable and transparently functioning land administration and a land registration system is a critical enabling factor for private investment.

There is a Land Law in DR Congo and the Department of Land Affairs is responsible for all operations concerning land concessions and the sale of buildings belonging to the private domain of the State. Congolese representatives of the Department are the Registrar of Titles and Property (*Conservateur des Titres Fonciers et Immobiliers*) and the staff at the land registry.

Customary land management and registration is still in use in many parts of the country. There are traditional ways of securing the tenure of land, executed via the traditional leaders and elders. There is, however, discrepancy and tension between the traditional way of land tenure of the use of land and the new regulations and procedures as laid down in the existing law. There are examples where parcels of land in customary areas have been titled but not officially rectified.

The intervention by chiefs before any customary land concession certainly helps to reduce conflicts, but corruption at all levels of government significantly reduces the possibility of securing real estate.

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<sup>44</sup> The Constitution also takes into account the rights of civil society in general and the rights of workers in particular. Hence, the state guarantees the freedom of association (art. 37). It is clearly stated in this article that the public authorities shall cooperate with associations that contribute to the social, economic, intellectual, moral and spiritual development of the population and to the education of all citizens without gender discrimination (citizens of both gender alike). The Constitution even provides for subsidies to such civil society organizations.

<sup>45</sup> Civil society in the DRC is governed by a Decree – Law No. 195 promulgated on the 29th of January 1999, which organizes non-lucrative associations and public or social utility establishments (registered charities); and Law No. 004/2001 of July 20, 2001 setting the general framework for governing the operations of non-lucrative organizations and registered charities.

Despite vast and untapped land, land is an important subject of speculation that leads to conflict within the population, especially in areas with increased population pressure (north of North Kivu, Ituri).

The lack of a strong and well functioning land administration system both at the central and local levels is a key part of the problem facing land registration. Survey departments and Registration departments are functioning, but their quality, reliability, continuity, sustainability and transparency can be questioned. The capacity of these institutions is in any case far from sufficient. It is clear that land administration needs improvement. The Law, the regulations and the organizations responsible for a sustainable, reliable and transparent land registration system need to be redeveloped. Furthermore, the development of a land policy and a new land law, taking into account customary rights, is very much required.

## **d) Financial and business development services**

### *i) Banking sector and micro finance*

The country's banking sector remains relatively small. Since the restructuring process began, certain banks have been liquidated and others are in the process of doing so. To expand banking services, the Central Bank has recently approved the banking licence of a new bank, i.e. Ecobank, and is in discussion with five other groups. There were around 11 banks with total assets of around 1 billion USD in September 2007.<sup>46</sup> These assets, however, mainly comprise cash reserves.

In recent years, banks have become much more open to small and medium-sized enterprises as a result of the establishment of microfinance institutions, notably Procredit Bank in 2005 and Afriland First Bank, operational since 2007. In 2008, the African Development Bank and other partners financed the establishment of a new microfinance institution in the DRC.

To improve the business climate and to boost intermediary financing, the government, in partnership with the World Bank, has prepared studies on the country's microfinance, leasing and security needs. The World Bank has also recommended expanding the national finance system to Congolese banks. In March 2007, in order to develop a national policy for this sector and to provide it with a legal and regulatory framework, the government initiated a programme to support microfinance with the assistance of UNDP.

### *ii) Business support and trade promotion services*

A number of institutions have been set up to represent the private sector in the DRC, to coordinate their activities and to contribute to policy formulation and implementation. This section briefly presents a few of these institutions, particularly the Federation of National Enterprises (FEC) and the Association of Public Enterprises (ANEP) for the business community, COPEMECO and FENAPEC for small and medium-sized businesses, CNONGD and FOLECO for NGOs and the Agency for the Promotion of Investments (ANAPI). The latter is not an association, but is a public body established by the government to assist companies willing to invest in the DRC. COPIREP is the committee which has been set up by the government to assist in the disengagement of the state from public enterprises.

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<sup>46</sup> African Economic Outlook, page 248.

### Representation of private sector entities

**FEC and ANEP** originated from ANEZA, the *Association Nationale des Entreprises Zairoises*, the Congolese National Chamber of Commerce whose origins date back to 1972. The split between the FEC and ANEP was primarily a political decision initiated by President Laurent Kabila to circumvent the increasing power of the ANEZA.

**FEC** is the Congolese Chamber of Commerce and primarily represents **private sector entities**. FEC represents both formal and informal companies. Its main purpose is to protect and promote the interests of the business community, to lobby the government and its administration, to represent the business community in governmental consultative bodies and to advise its members on legal issues and to act as an arbitrator when requested.

With respect to foreign investors, the majority of FEC members are from French-speaking countries. FEC has its head office in Kinshasa, but is well represented in a large number of provinces. Also, respondents from various sectors have indicated the trustworthiness of the FEC and its added value in terms of its representation towards the government, even though it has thus far not been successful in persuading the government to make actual changes. The FEC is regularly consulted in the elaboration of laws and participates in numerous consultation bodies within the ministries. It is regularly consulted by the Central Bank concerning monetary matters, the World Bank and other international agencies.

### Representation of public enterprises

**ANEP** plays a similar role representing **public enterprises**. Respondents have repeatedly underlined the limited influence and representation of ANEP. Although public enterprises were the main contributors at ANEZA, this decreased significantly after ANEZA was split into the FEC and ANEP. ANEP is likely to be affected by the current disengagement policy followed by the government concerning public enterprises. ANEP is only represented in Kinshasa.

### Representation of small-scale enterprises

Small-scale Congolese enterprises often criticize that the FEC only promotes and defends the interests of larger enterprises. This led to the creation of **FENAPEC and COPEMECO** specifically aimed at the representation of smaller and medium-sized enterprises. COPEMECO was created with the help of GTZ (German Development Aid). Both organizations exist, but they are not major players in policy setting. Their representation is limited.

### Promotional and disengagement agencies (ANAPI and COPIREP)

The National Agency for the Promotion of Investments (**ANAPI**) was created in 2002. Its purpose is twofold: promoting and attracting national and foreign investment in the DRC, and the approval and agreement of investments subject to the advantages established by the investment code.

ANAPI is the gateway for new investors in the DRC. It helps new investors to become acquainted with the market and provides them with special services, i.e. to accompany them during the setting up of businesses and to provide support in terms of contacts with partners, the FEC, and the relevant ministries. ANAPI supports trade missions and organizes information campaigns to sensitize investors concerning business opportunities, the business environment, the legal framework and the business climate in the DRC. ANAPI seeks to build a positive image concerning the business climate and works to sensitize decision makers as to what to do in order to improve and consolidate this image.

From analyzing its records, ANAPI has been most successful in attracting businesses in the mining and telecommunications sectors. As a government institution it sometimes suffers from setbacks due to instability and a lack of political will. Despite its efforts in helping businesses to be established, some respondents, including representatives of FEC, indicated that it takes at least six months to get new projects started and that in general the business climate is presented as being too rosy.

### *iii) Other business support initiatives (multilateral, bilateral and governmental)*

#### Multilateral initiatives

Currently there is a project being financed by the World Bank called *Programme de Soutien aux Entreprises Congolaises*, PSEC. This programme was initiated by the World Bank, under the management of the *Bureau Central de Coordination* (BCECO) of the Ministry of Finance, to improve the business climate in the DRC and financial access. The *Projet de Compétitivité et de Développement du Secteur Privé* (PCDSP) is the most recent project. This competitiveness project is a 120 million USD programme approved in July 2003, which is due to end in 2010. It is housed at the Ministry of Portfolio and is managed by COPIREP, the guiding committee for the reform of public enterprises. The project seeks to improve the business climate, to sustain the ongoing reform of public enterprises and to improve the performance and competitiveness of new and old ventures in the mining sector in Katanga Province.

#### Governmental initiatives

Apart from ANAPI, there are also a number of institutions and projects which deal with technical, financial or managerial assistance to small and medium-sized and large enterprises which are registered in the DRC. The two best known institutions are **OPEC** and **FPI**.

**OPEC** provides technical, legal and managerial assistance and also helps businessmen to secure loans and collateral. Although its vocation does not limit itself to a particular group, it services mostly Congolese small businesses. OPEC suffers, however, from a lack of funding. The other institution which assists local businessmen in raising capital or securing loans from public institutions is the *Fonds de Promotion de l'Industrie* (**FPI**). Unfortunately, FPI only has offices in a very small number of cities, mainly concentrated in Lubumbashi. FPI is funded through an earmarked tax on imports and exports. This tax is collected by the agency in order to be transformed into credit on concessional terms to businessmen involved in activities in the industrial, agricultural and service sectors.

#### Bilateral donors' initiatives

There are also some bilateral initiatives from particular states. An example is the Belgian economic and commercial representation which publishes a special bulletin on a monthly basis called BELTRADE Contacts to foster contact between Congolese and Belgian businessmen from the three Belgian regions: Brussels, Wallonia and Flanders.<sup>47</sup>

Many foreign businessmen operating in the DRC also often develop informal or formalized organizations for their business community operating in the DRC as a channel for sharing experiences and supporting each other in cooperating and lobbying. The Lebanese and Greek communities are examples and they together develop strategies for survival on a market which is considered to be tough and competitive, yet profitable and promising.

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<sup>47</sup> [www.beltrade.com](http://www.beltrade.com)

## 4. Opportunities for public-private cooperation in the DRC

### a) Economic development opportunities

The following economic sectors have been identified in the Eastern provinces of North Kivu and Ituri as being particularly relevant for economic development:

- **Agriculture** - both for staple food (corn, cassava, rice, plantain) production and for cash crops (quinine, coffee, tea, palm oil); improved techniques and technical support needed.
- **Energy sector** - importation of fuel, some hydro-electric plants, charcoal;
- **Cattle breeding** - this has nearly disappeared in North Kivu's pastoral regions - Massisi and Rutshuru, but in Ituri one can find around half of the pre-war numbers of cattle;
- **Transportation** - by road with trucks and across Lake Kivu. Now done with old ferries and a few passenger boats; air transport is also undeveloped;
- **Mining** - the formal sector has practically ceased all operations and presently a large number of artisan miners extract minerals on the concessions of former state companies such as SOKIMA in North Kivu and OKIMO in Ituri;
- **Manufacturing Industry** - Only a few mattress, soap and furniture factories exist in Goma and around Butembo;
- **Trade** - many people are active in trade, ranging from cross-border to intercity trade, but this is mostly limited to petty trade in finished goods and selling agricultural products at small markets;
- **Tourism** - this sector has virtually disappeared. There are only a few organizations largely catering for a limited group of affluent people;
- **Communication** - a handful of telecommunications companies which operate a growing and flourishing mobile phone system;

Various economic sectors have been analyzed to see to what extent they contribute to fair and sustainable economic growth. It was found that **investing in the agricultural sector, both in the cash and food crops chains and in livestock production, will hugely benefit the majority of the citizens of North Kivu and Ituri.** This sector has therefore attracted the preference of the research team, although other forms of sector development are also needed and certain preconditions need to be met:

- **Infrastructure** - including access to land, access to credit, access to markets, the provision of reliable electricity so that products can be processed. The energy sector is not only instrumental in boosting agricultural processing and industrial production, but will also help to improve security. Improved transportation facilities and adequate road maintenance will help improve access to rural areas and increase trade between the various urban areas and rural hinterlands in the study area.

- **Improved access to drinking water** - The drinking water situation needs urgent improvement to ensure reliable drinking water distribution for the majority of the population. For both electricity and water a preferential tariff system needs to be developed, which will guarantee access for poor households.
- **Restocking with cattle and other livestock** - Assisting the cattle breeding sector, notably the disenfranchised herdsmen who were chased from the core conflict areas in Ituri, is a prerequisite for improving production and stimulating economic growth.
- **Reducing the production and consumption of charcoal** - Initiatives to help reduce the production and consumption of charcoal will alleviate pressure on the environment and help to fight erosion. Both diminished charcoal production and increased electricity production will help to reduce CO2 emissions, facilitate more rational timber production and promote environmentally sustainable development in eastern DRC.

The **timber** and **mining** sectors, though very important, cannot at present ensure pro poor growth or fair and equitable development, as these sectors are beset with numerous structural and political problems that first need to be resolved (an exception being the USAID / DFID initiative in Katanga, see box 4).

During the **Economic mission**, private sector representatives mentioned the following sectors which are of interest for private sector development in the DRC in general: infrastructure, agriculture, construction, transport and energy. The country has to be built up from scratch and investments in these sectors are in their opinion most needed. It was argued that investments in energy, construction, infrastructure and transport are key to the development of the private sector in the Congo. Specific examples that were mentioned are the development of the airport (Kinshasa) and harbour (Matadi), river transport, the renovation and expansion of the existing rail network and the reconstruction of the Inga Dam. At the time of writing, some of the participating companies are already exploring the possibility of delivering ships for river/sea transport in DRC.

## **b) Identified obstacles to economic development opportunities**

The majority of the respondents in the field research indicated that from a purely business perspective, the DRC has a lot to offer. It has a large population, which is very much underserved with only a limited supply in most market segments.<sup>48</sup> Most goods are imported and current prices are excessively high due to transport costs, import duties and limited competition among suppliers. It was also mentioned that the Congolese are known for their 'spending qualities' and hence offer a potentially interesting market (even though a large part of the country does not have a cash economy and is difficult to access). Kinshasa by itself is a very interesting market with around 10 million inhabitants. It is also interesting to mention that, among others, South Africa and Angola have repeatedly shown an interest in buying energy from the DRC. Yet the Congolese government currently lacks the capacity to handle such requests in an appropriate manner.

The key question is therefore whether investors are able and willing to further explore the highlighted business opportunities. The main constraints mentioned by potential private investors are:

- **The unreliability of the government and the political unpredictability** - the severe deficiency in governmental capacity, the overall short-term interest of government officials

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<sup>48</sup> One of the major reasons for e.g. Philips Lighting and Vlisco to (re)start doing business in the DRC.

(due to the high turnover of officials and the forthcoming elections in 2011) often result in corruptive activities and counterproductive governmental involvement in the private sector. Any investor should be aware that the political context prevails at all times.

Respondents indicated that doing business in the DRC still depends on the individuals involved, both at the company level as well as on the side of the local government. It was mentioned, for instance, that it is easier to work together with local government officials than with officials at the central level. The governor of Katanga and the vice governor of South Kivu are for instance recognised as government officials who understand the importance of private sector development and have been supportive of foreign investors in the past. Also, individuals within the companies need to be capable and flexible and willing to work in the high-risk, high-return environment which the DRC has to offer.

In addition, the lack of financial resources within the government means that private sector actors have to find other ways to guarantee that investments in semi-public works such as the construction of roads and the development of river/rail transport will generate profits. This is a serious constraint in the development of these sectors.

- **Insecurity:** The eastern part of the Congo is still encountering flare-ups of armed conflict. The accompanying social disturbances hamper most commercial sectors from durably developing. Although there are opportunities in certain sectors and areas, large-scale business opportunities in that part of the Congo will remain limited in the near future. In the rest of DR Congo this constraint is far less important.
- **Corruption.** Both the abovementioned factors and the corresponding national attitude of “looking after oneself” have led to a widely accepted and deeply in society inserted form of corruption. Although some respondents mention that this corruption is not worse than in other African countries, most acknowledged its serious disruptive character in doing business in the DRC.
- **A severe lack of physical infrastructure** - the lack of infrastructure (mainly physical, i.e. roads and electricity) in a country which is extremely vast. Large areas of the country are only accessible by air, if at all.
- **A shortage of qualified workers** - The underdevelopment of the Congolese economy partly stems from its ineffective management of human capital. The poor organisation of the education system in the DRC, which no longer addresses the country’s socio-economic needs is a clear sign. The government has allocated only limited funding to education in general and technical and vocational training in particular.
- **A weak banking sector** - Notwithstanding the improvement over the last few years (i.e. there has been, among other things, an increase in the number of banks involved in the provision of microcredit (see the section below)), the weak banking sector has resulted in an insignificant and insufficient amount of credit being provided. Related to this is the country’s notoriously low savings rate.
- **Limited capacity of local private sector partners** - Doing business in countries like the DRC requires a strong Congolese partner with an understanding of both the Western and the Congolese market. Such a partner is often very difficult to find and is most of the times

simply unavailable. **Language** can be a barrier as well. Even though French is the official language in the DRC, it is not widely spoken throughout the country.<sup>49</sup>

- **A lack of transparency among private sector actors** - the lack of transparency within the private sector is also considered to be a serious constraint. There are many middlemen operating within the private sector who are trying to get their share of the deal. This increases the operational costs in the DRC as well as it is limiting the possibilities for doing business on a sustainable/fair trade basis.

### c) Potential for Public-Private Cooperation in the DRC

This section offers a number of opportunities for PPCs in the DRC, as identified by the research team. Most resource persons consider building infrastructures and the supply of electricity to be a top priority for sustained growth and peace building in the DRC. Discussions with local representatives of all sectors in **Eastern Congo** indicated that the following sectors offer potential for PPCs, based on their likely positive effect on fair and sustainable economic growth and the possibilities to involve both public and private sector and civil society:

#### *i) Water and Energy*

- **Butembo** - the SENOKI Company indicated an interest in entering into a PPC in order to rehabilitate its hydro plant and to set up water production and distribution. Also the majority of civil society actors as well as local government actors active in Butembo would support such an initiative. In addition, the Saibu Company would like to enter into a PPC with a partner that is knowledgeable in the field of hydro power production, and can participate financially. With the involvement of an NGO as a watchdog and responsible for the distribution of power to villagers, this PPC can be a valuable pilot project for broad-based cooperation in this field.
- **Bunia** - the possible privatization or the splitting up of the OKIMO Company provides a possibility to take over its hydro plant and to start a PPC project in (hydro) power generation. Local business people such as *Pacifique* are interested, but contract conditions need to be clarified beforehand.
- **In all cities, but especially in Beni and Bunia**, there is the possibility to start a PPC project in drinking water production and distribution. The future role of the REGIDESO is an important issue to follow in order to discern whether or not cooperation with this organization is possible. Tariffs should be negotiated and in line with covering costs. The production of drinking water from various sources, including water from the permanent snow covering the Ruwenzori Mountain in Grand Nord Kivu is a realistic option.
- **North and South Kivu** - Exploitation of energy sources by building a dam on the Semliki River for the provision of electricity to Grand Nord Kivu, exploiting the methane gas in Lake Kivu, and building another dam and a power plant on the Ruzizi River are considered to be viable options. Various businessmen who already have their own (large) generators are interested in investing in this venture.

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<sup>49</sup> Lingala and Kituba being the other official languages of DR Congo. The number of individual languages listed for Congo is 62.

## *ii) Transport, road construction and maintenance*

Good infrastructure is indispensable for economic development. In Eastern Congo, as in the rest of the country, infrastructure is non-existent or in poor condition. In all the areas visited, there are civil society organizations and businessmen (or their organizations) which are willing to participate in PPC projects. The foreign INGO *Agro Action Allemand* as well as Congolese associations already have vast experience in road construction and maintenance, but lack a long-term vision and an organizational model to enable durable implementation. They are also challenged by the fact that the Provincial or Central Government may annex the toll taxes meant for maintenance, making a monitoring committee and the involvement of foreign donors essential. The World Bank and the European Commission have programmes focusing on larger infrastructure projects, but they have difficulties in finding companies that want to implement the projects.

### **Box 2: An example of private sector and civil society cooperation: Cordaid and Zain**

Cooperation between a Dutch NGO (Cordaid) and one of the largest telecom enterprises in the DRC (Zain) is a good example of cooperation opportunities in the informal sector: Some 2000 HIV/Aids-infected persons were selected in 2008 and trained as small-scale entrepreneurs. They were provided with the set-up material (a stand, publicity material etc..) and an initial stock of phone cards to start their own business.

The initiative turned out to be very successful as it responded to both the company's as well as NGOs' objectives. Because these people could be reached via Cordaid's network (dioceses) and traced by the selling of the phone cards, the phone company suddenly had a sales network in places that they could not normally have reached. At the same time these 'outcasts' managed to earn a decent and sustainable living for themselves and their dependants.

**Matadi, Kinshasa, Kisangani, Boma and Moanda** - A potential opportunity in this sector would be ONATRA, the National Transportation Company, which operates a multimodal chain of transportation, using boats on the Congo River from Kinshasa to Kisangani, and operating and managing ports in places like Matadi, Kinshasa, Kisangani, Boma and Moanda. The same applies to a certain extent to the SNCC (*Société Nationale des Chemins de Fer du Congo*), which operates the railway system in Katanga.

Improved lake transport can lower transport costs between Uganda and Congo (Lake Albert), between Rwanda and Congo (Lake Kivu) as well as between Goma and Bukavu. This can improve cooperation in the Great Lakes Region. Transport companies have indicated an interest in cooperation with Dutch shipyards so as to tap into their expertise, as well as with an institution like FMO to obtain loans for new ferries, warehouses, quay construction and river transport. Bralima currently uses the Congo River to supply its factory in Kisangani, but it is one of the few to use the river. During the colonial period, the river was used extensively for both the commercial transport of goods and passengers.

## *iii) Agricultural production and its processing*

For this sector, various possibilities for collaboration between the (Dutch) private and public sector and partners in the DRC have been identified:

- Congolese producers of for instance, coffee, quinine, cacao and vanilla actor could directly deal with entrepreneurs in the Netherlands. Dutch organizations like Agriterre (NGO) or Fair Trade

Original (private sector), could provide technical assistance to farmers' organizations for production, quality control and certification. The Dutch private sector could conclude contracts directly with farmers' organizations like SYDIP federations, while Dutch NGOs can ensure technical assistance and set up and maintain contacts;

- **Mahagi but also in the Butembo area** - In Mahagi alone some 6,000 tons of high quality Arabica coffee are produced but most of it crosses the Ugandan border illegally. Major issues to tackle here are to establish collaboration between traders and coffee producers, financial services, locally added value to the coffee in order to decrease transportation costs, quality control of the coffee beans exported (humidity), a certification system and the harmonization of the trans-border trade in coffee.
- One of the few promising industrial activities in Eastern Congo is the production of bars of **soap, using palm oil**. Two small factories were visited, one located close to Butembo (Saibu) and one close to Beni (at a lower altitude and the centre of the palm tree production). The (small) factories are important outlets for farmers who have palm trees. PPC for staple foods could aim at substituting imports and improving the asset base and incomes of smallholders, especially those who are operating at subsistence level and to sell any surpluses if possible.
- Other business partnerships in the agro-industrial sector could be explored in the dairy industry, the grinding industry, and value chain development for cash and food crops.

In addition to these opportunities that were identified specifically in Eastern Congo, some specific opportunities were identified during the economic and the fact-finding missions to **Kinshasa and the DRC in general**:

- An interesting opportunity could be cooperation with the Bralima factory and agricultural NGOs. One of the main raw materials for brewing – rice - is now produced by the brewery itself, but a **value chain of rice producers** controlled by an independent marketing company (NGO-induced) is very likely to become a success.<sup>50</sup>

**Box 3: Ambiguity in taking up public services by the private sector (the case of garbage collection)**

There is a precarious boundary between those activities that might be commercially interesting and very beneficial for society and the environment, but at the same time have a far-reaching social impact on the poorer segment of society. A garbage collection initiative is being developed by one of the participants of the economic mission, who has already brought together interested parties in the commercialisation of garbage collection in Kinshasa. Although it is widely acknowledged that such a project is very necessary and the actual situation is causing huge sanitary and environmental problems, the municipality is only partly interested in setting up a commercial garbage collection system. A large number of lower-off people are making a living out of collecting garbage and a professional garbage collection system could easily lead to social unrest and pressure from this particular group. Raising awareness concerning the sanitary and environmental problems and the gradual acceptance of such a project could be crucial and at the same time it would be a huge task for NGOs in the absence of a functioning government.

Interested parties are well aware of this necessity to involve and to cooperate both with public sector and civil society actors. They have even acknowledged that the success of such a profitable project would be completely dependant on long-term cooperation with NGOs like Cordaid, Oxfam or SNV.

<sup>50</sup> At the time of writing some initiatives in that direction are already underway between Bralima, Brarudi, Heineken (all brewers) and EUCORD (a Brussels-based non-profit organization).

#### *iv) Charcoal/ fuel saving*

There are possibilities in this sector to create PPC projects that aim to reduce the consumption of charcoal e.g. by the provision of cheaper energy-saving cooking devices. Major strategies are also to invest in (solar) electricity or to introduce new technologies at a reasonable price. The Dutch government is already collaborating with the Africa Conservation Fund to help stimulate the introduction of charcoal-saving cooking devices. A solar energy production company, a participant in the economic mission, was, however, hesitant to embark on such a project as the energy prices charged by SNEL (the Congolese energy company) were too competitive, at least for urban areas.

#### *v) Waste management*

This PPC opportunity was particularly explored by private sector actors during the economic mission. Kinshasa has serious problems concerning its waste management. Conversations with the governor of Kinshasa indicated real opportunities for a PPC project in waste management in Kinshasa, although such a case needs to be very well prepared together with all parties involved (see also box 3). In addition to these sectors which offer particular potential for PPCs, participating companies in the economic mission also identified a number of opportunities for purely **private sector investment**. These were to be found especially in infrastructure, construction, transport and energy (e.g. Kinshasa airport and Matadi harbour, the railway network and the reconstruction of the Inga Dam).

### **d) Challenges in establishing viable PPCs in the DRC**

#### *i) Relations between the public and private sector and civil society*

Generally speaking, the relationship between the three sectors is not overly warm and could be characterized by a lack of communication and a significant degree of mistrust. Hence, direct cooperation between the sectors is currently quite limited. The business community commonly criticizes the government for over-taxation, the multiplicity of taxes, the administrative burden, insecurity and the lack of protection, the lack of justice, the social costs imposed on enterprises under the Labour Code, the lack of infrastructure and trustworthiness, its fragility, sluggishness and rampant corruption, as well as a lack of transparency and accountability.

The government underlines that the private sector and civil society are often too quick to point the finger at the government for their problems and that they misuse some advantages accorded to them by the Investment Code and the NGDO/civil society laws. Companies are also often criticized for their involvement in lucrative businesses and a lack of social concern for the population and the environment.

Civil society often indicates the lack of a longer-term vision by the government and the absence of government control over its natural resources. NGOs have also repeatedly criticized the government's inability to deal with the level of income inequality, the marginalization of rural areas, military and police harassment, persistent insecurity and the lack of justice. But at the same time civil society is increasingly accused of not being effective and wasting time, resources and energy in carrying out activities that the private sector could take up much more efficiently.

*ii) The role which the different actors can play in a PPC*

Although it is increasingly acknowledged that especially civil society and the private sector could mutually benefit by providing services to each other, practice is different.

**NGOs** have to safeguard their corporate values and responsibilities towards their target group, the deprived and underprivileged, in line with their constitution and the funding they receive. At the same time they should have the knowledge, experience and stature to be a genuine discussion partner for the private sector, being critical as well as trustworthy and sufficiently open for a company to see the advantage of being affiliated with the specific NGO.

**Entrepreneurs'** core business is making profit - preferably in the short term if the environment is risky. The economic spin-offs of these entrepreneurial activities can be manifold for society and, unless companies are uncontrolled and act irresponsibly, benefits can spread quite evenly. Corporate Social Responsibility (CSR),<sup>51</sup> Sustainability and Due Dligence (DD)<sup>52</sup> are increasingly becoming 'facts of life' for a company and the long-term benefits of complying with international standards in this respect are beyond doubt. Being a front runner in a company's sector in this respect could even increase profits significantly. However, in fragile states like the DRC, CSR, sustainability and DD are easily set aside as control is minimal and many business hazards are looming. Not in the last place this can be the government itself, being ineffective and hardly functioning, as it is very dependant on the private sector for its income, where income taxing its civilians is virtually impossible. The private sector and the government can have adverse objectives in this respect, although **the government / public sector** still has responsibility for taking care of its civilian population and to protect them and the environment against calamities and criminal conduct.

So, the cooperation in a PPC project to enhance fair and sustainable socio-economic development is often less evident in practice than when seen purely from a beneficiary perspective. There are, however, now more and more indications that a tripartite cooperation between the public and private sector and CS actors can be synergistically beneficial for a

**Box 4: USAID/ DFID initiatives for a PPC in Katanga**

In October 2006 an Extractive Industries Network /Alliance was formed in the Province of Katanga, consisting of mining companies (both foreign such as AngloGold Ashanti and Congolese/governmental), the government of Katanga and USAID/DFID, with an implementing INGO (Pact). The overall goal of this Alliance was to promote sustainable and equitable social and economic recovery in Katanga Province. The budget for this ambitious Katanga Social Development Programme added up to some 6 million US\$ yearly, of which the companies provided nearly 75%!

The companies did not merely donate the funds, but had a vested interest in being closely involved in the social projects for the population, as they demonstrably gained more respect amongst their workers and their families and their reputation was enhanced. SMEs have been established, technical assistance provided in sectors like conflict management, human rights, self-governance, education, health and entrepreneurial skills and livelihoods have been restored.

The programme is a success and is now entering its second phase, expanding the target area. An MoU between the various partners, precisely describing respective tasks and responsibilities is about to be signed (mid 2009).

<sup>51</sup> The EC defines CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

<sup>52</sup> Due diligence is part of the concept of CSR, but is less well defined. It is commonly referred to as a "duty of care" and reflects the duty to adhere to an obligation, for instance chain responsibility in the case of mineral supplies.

rehabilitating society. Yet, the roles and responsibilities of these actors need to be very precisely defined, avoiding sensitive areas and building on a common interest rather than a common goal to become successful. Strong coordination, mutual respect and open communication are just as crucial in such a cooperation, in addition to a long-term perspective.

The disengagement of the state from public enterprises opens a venue for daring businessmen in capital sharing and the transformation of the public sector. Bigger enterprises could negotiate and express interest in joined ownership or participation in the ownership and financing of public enterprises in the process of privatizing various sectors (e.g. energy, water etc.). This is an opportunity that could be advantageous for all parties as public services are currently inadequate in the DRC. However, a special agreement should be signed between the government, the private sector and civil society clearly setting out the respective roles and responsibilities. Cooperation between the private sector, civil society and the state could be established at national, provincial, or at the local level, but the leading actor has to be defined and agreed upon beforehand. A special role in this respect is preserved for **donors** such as USAID and DFID that might counter the absence of a well functioning state (see box 4).

## **e) Dutch funding opportunities for Dutch private sector initiatives and PPCs**

This section aims to provide an overview – primarily for private sector actors - of the Dutch funding opportunities available for the DRC.<sup>53</sup> The main pilot investment programme from the Netherlands Ministry of Foreign Affairs, the **Private Sector Investment (PSI programme)**, managed by EVD, has been redesigned to better fit fragile environments (resulting in the PSI+ programme). The programme has not yet been made open for the DRC, however. Since the current research has noticed an increased interest by Dutch investors and the Royal Netherlands Embassy welcomes also the opening of the PSI+ programme to the DRC, the inclusion of the DRC in the PSI country list is highly recommended.

### *i) Matchmaking Facility*

The Development Cooperation Matchmaking facility is available to companies in more than 40 countries in Africa, Asia, Latin America and Eastern Europe, including the DRC. The facility brings companies in touch with Dutch businesses. Small and medium-sized companies (SME) from the DRC with a solid business plan that are looking for a Dutch business partner can apply for the facility through the Netherlands Embassy. The goal is to stimulate joint investment in the country. EVD will identify Dutch businesses that match the company's profile. If a suitable match is found, the company will receive a voucher worth EUR 5,000 for hiring a Dutch consultant who will explore the potential cooperation. The consultant's duties include arranging a visit for the company to the Netherlands and developing a joint action plan. At this moment there is no demand from the DRC.

### *ii) ORIO*

The Facility for Infrastructure Development (ORIO) is funded by the Dutch Minister for Development Cooperation to encourage public infrastructure development in developing countries, including the DRC. ORIO contributes to the development, implementation (construction and/or renovation), operation and maintenance of public infrastructure in developing countries. Grant applications are

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<sup>53</sup> A more elaborated document prepared by the EVD on Dutch financing possibilities is separately available.

submitted by the central government. The total budget for 2009 is € 180 million (two tenders per year). Governments can submit proposals for ORIO funding for the following DRC sectors: transport, the environment and energy. The DRC's Ministry of Health recently requested the inclusion of the health sector in ORIO's country list. A bottleneck in the implementation might be the lack of procurement capacity within the Congolese government.

### *iii) FMO*

FMO stimulates private investors to invest in the DRC through the LDC Infrastructure Fund and the Access to Energy Fund (AEF). Both funds are open to least developed countries. FMO has funded only one project in the DRC in recent years (in the telecom sector in 2007).

### *iv) MIGA/SIP*

Although MIGA/SIP is not a Dutch instrument, it is worth mentioning it in relation to the PSI+ programme. MIGA provides political risk guarantees for new investments in developing countries, including the DRC. Risks covered by MIGA are war and civil disturbance, expropriation, transfer restrictions and a breach of contract (by government bodies). The EVD facilitates companies in their application for MIGA.

### *v) Remarks from the private sector on Dutch funding opportunities*

Several participants in the economic mission to the DRC make regular use of the Dutch funding opportunities. Overall, they appreciated these instruments as the involvement of the Dutch government makes their business more official and creates a higher level of security and trust.

Financial support by the government also substantially lowers the risk of investment in fragile states and is therefore a direct stimulus for investing in these otherwise too risky regions. However, they also mentioned some shortcomings:

- PSI is limited to small projects only and ORIO mainly focuses on certain sectors such as infrastructure. Moreover, the approval process takes too much time and local companies in fragile states can often not fulfil the necessary requirements, in particular in providing all the requested information;
- The subsidy programmes in general and per country are not easily accessible and the application procedure is perceived as being time-consuming and cumbersome.

## **f) Multilateral and bilateral donor funding for private sector development**

In November 2007, the Congolese Government and its bilateral and multilateral partners met in Paris to discuss the economic performance achieved by the country in recent years and its prospects. The parties agreed to a new tri-annual programme (2008-2010) with a budget of USD 4 million. In December 2007 the World Bank decided to grant aid to the DRC, as defined by its Country Assistance Strategy for 2008-2011. The strategy aims, among other things, to expand the state's authority and restore security in the east. In response to the current economic crisis, the IMF and the World Bank have already pledged funds to enable the government to deal with the consequences of the crisis. The EU and the AfDB are at the stage of preparing emergency funds.

The **IFC**, part of the World Bank Group and based in Kinshasa, is one of the main actors in the DRC in terms of private sector development. In 2008, the IFC launched its so-called Conflict-Affected States in

Africa (CASA) Initiative, a five-year \$25 million multi-donor programme designed to support economic recovery in fragile and conflict-affected states in Africa, in close collaboration with the World Bank, other donors and other international financial institutions (IFIs). The CASA Initiative is funded by the IFC and the donor countries Ireland, Norway and the Netherlands, and is currently running in four African countries, including the DRC.<sup>54</sup>

In the DRC, the CASA programme focuses specifically on improving the general business climate and unlocking the growth potential of agri-business, oil, gas and mining, and other priority sectors like health, education and infrastructure. The IFC has been particularly successful in its support to business-supporting organisations like the Chamber of Commerce and the ANAPI, and especially with setting up Special Economic Zones (SEZs) in order to stimulate private sector development. Furthermore, from 2008 onwards the IFC is running a SME Development programme, in which it provides training to SMEs and improves their access to finance.<sup>55</sup>

For security reasons, the IFC has until now targeted mainly Kinshasa and its surroundings and those areas focusing on the hinterland of Mombasa (Kenya), e.g. Katanga. Nevertheless, the IFC is attempting to broaden its geographical working area as soon as the level of security allows it to do so, for example in the Kivus. In fact, in September 2009 a fact-finding mission was carried out in the Kivus to explore the opportunities in these areas.

The IFC has recently launched the SME Ventures fund for the DRC and the Central African Republic. IFC SME Ventures will provide risk capital and advisory services to small businesses. A project that is still in the pipeline, but might make a huge contribution to country's economic performance, is the Business Enabling Environment project, which will focus on diminishing the administrative burden of doing business in the DRC.

#### *i) Africa Enterprise Development Fund*

The Africa Enterprise Challenge Fund (AECF) is a US\$ 50-100m private sector fund, which is supported by the Netherlands. The AECF is a competition, open only to for-profit private companies that intend to start business enterprises in Sub-Saharan Africa in the field of agriculture, agri-business, rural financial services and media and information services. The Fund is open for proposals for the DRC.

#### *ii) Bilateral donor funding for private sector development*

In terms of European bilateral trading partners, France and Belgium are two of the main actors, as both countries have occasionally organised trade missions. French trade missions have particularly focussed on accommodating smaller companies. Belgium is one of the most active bilateral donors in terms of trade and it regularly organises trade missions centred around different sectors. Belgian respondents have underlined the large business potential of the DRC and have indicated that they are interested in cooperating and facilitating missions by Dutch companies. Germany organized a trade mission in May 2007. USAID is currently not active in encouraging companies to invest in the DRC, although the embassy occasionally hosts trade missions. At this moment in time predominantly US mining companies are present in the DRC.

In addition to the organization of economic missions, the French Embassy has also developed interesting initiatives in the DRC in support of private sector development. Most support is

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<sup>54</sup> Other (pilot) countries are: the Central African Republic, Liberia and Sierra Leone.

<sup>55</sup> The IFC aims to intervene in an integrated and coherent way, i.e. by making use of all the various instruments it possesses (both investment and technical assistance services with all business lines available).

channelled through two instruments: PROPACO, a fund managed by the *Agence Francaise de Développement* for the financing of the private sector in the DRC, and ARIZ, an insurance instrument geared towards bankers and other local financial institutions to back them and protect them against risks inherent in the financing of the private sector in the DRC.

Generally, respondents also indicated a lack of joint donor efforts to put political pressure on the DRC government in order to encourage the improvement of the business-enabling environment. This limited success at the political level is also a result of the largely unconditional involvement of new business partners in the DRC, such as China and Brazil. Some respondents, mainly from the private sector, indicated that the Dutch Embassy could play a larger role in offering to secure the assets of Dutch investors. The success of Belgian investors is partly a result of Belgium's involvement at the political level to push for the implementation of regulations and the protection of property.

## 5. Conclusions and recommendations on public-private cooperation in DRC

Overall, the study discovered ample opportunities for private sector development in the DRC, but the current political and security context (especially in Eastern DRC) as well as the difficult business-enabling environment make it difficult for investors to gain access to this potential. The study also concluded that in many cases economic development in fragile states such as the DRC could be strongly enhanced by cooperation between the main actors in society, being the government, the private sector and civil society. This tripartite cooperation might not only amount to a mere added value for working together, but could even be *required* for the private sector to successfully gain access to the market and to start up its business. The key factor in this success is clearly risk reduction in all aspects for the private sector. Contributions by NGOs can be of significant added value in terms of the working level information as well as supporting companies' acceptance within communities, whereas governmental subsidies and risk-covering packages can substantially reduce companies' investment risks. Civil society is also in a better position to look into the local needs of the population and to safeguard fair and sustainable economic growth. On the other hand, it is now widely acknowledged that revitalizing societies need private sector investment to kick-start economic recovery and long-term development.

**In conclusion, there is a great potential for Public-Private Cooperation projects in DRC**, although PPC projects are currently a rare phenomenon in the DRC. The local needs assessment, the fact-finding mission as well as the economic mission resulted in a common agreement among the research team that PPCs can truly facilitate and enhance pro-poor, fair and sustainable economic growth. Building on the specific knowledge, experience and networks of partners can be of mutual benefit to the private sector, civil society and the government. Many potential sectors for viable PPCs have been identified, without giving specific preference to one or another. From a development perspective, however, certain sectors such as energy, infrastructure, drinking water/sanitation and agriculture have high urgency. The research also learned that there are business cases where no NGO involvement is required, and that there are societal development projects where no involvement by the private sector is needed. Private sector actors emphasized that a viable business case is required for a PPC to succeed. Overall, tripartite PPC is thus considered a very useful instrument for fair and sustainable economic growth, especially in fragile states, as long as it is not used as a goal in itself.

The following section offers a number of recommendations made by the research team concerning economic development through public-private cooperation in the DRC:

1. **Consider opening up the PSI+ programme for the DRC.** The research demonstrated an increased interest by Dutch investors in the DRC, in Kinshasa and its surroundings in particular. The RNE Kinshasa has indicated that it will reconsider putting the DRC on the PSI+ list, in order to encourage and support private sector actors to invest in the DRC. The EVD supports this recommendation as well.
2. **Organize more small-scale business missions to and for SMEs in the DRC.** Such missions could help Dutch companies to obtain a better understanding of business opportunities and to accommodate potential business partners.
3. **Support improvements to the Business-Enabling Environment.** The major bottleneck for Dutch investors to come to the DRC does not seem to be the security environment (with the exception of the East), but rather the weak business-enabling environment and the high prevalence of

corruption. The Business-Enabling Environment project by the IFC will focus on diminishing the administrative burden of doing business in the DRC. The Netherlands could consider supporting this initiative even more than it is currently doing.

4. **Create a business incubator in the DRC.** Many investment opportunities are unknown to Dutch companies. For a better understanding of local business opportunities, a person or company residing in the DRC could act as a 'business incubator', thereby bringing opportunities in the DRC to the attention of Dutch companies. Certain NGOs (i.e. ICCO, Cordaid, SNV) as well as residing companies could play this role in cooperation with The Royal Netherlands Embassy in Kinshasa.
5. **Enhance the accessibility of Dutch subsidy programmes for private sector development and make them less restrictive,** for instance by making all (potential) projects and subsidies per country easily available online, so that companies can have a better overview of the actual and future funding/subsidy opportunities.
6. **Link up with other PSD initiatives in the DRC.** There are many PSD initiatives which are underway in the DRC. The IFC's CASA programme, bilateral donor initiatives, especially the Belgian and French, EC and USAID funding opportunities to name but a few. Although these sources are sometimes difficult to access, a lack of knowledge and the right network are more often the bottlenecks in linking up than anything else.
7. **The Royal Netherlands Embassy in Kinshasa should continue its initiatives to encourage PSD,** including the implementation of the PSI+ and ORIO programmes. The establishment of a small base in Goma so as to have direct information about the political situation and its impact on society and the (business) environment is very much welcomed. This representation is also very well placed to serve the NGO community and to promote open dialogue between them and the private sector.
8. **Long-term cooperation between the administrative entities in (Eastern) DRC and Kadaster International** with regard to land registration and Land Register issues could be considered (government to government support). This type of cooperation could contribute to strengthening the management of land issues in the DRC as well as finding solutions for the more operational issues involved in capacity building.
9. **NGOs are encouraged to adopt a more business-oriented approach.** Most NGOs in the DRC are currently not linked to or working together with the private sector, generally as a result of a lack of trust between the actors as well as a lack of knowledge about their respective capabilities and expertise. NGOs are encouraged to increase their level of knowledge concerning local business activities and to extend their local network to include contacts within the private sector from the outset (i.e. during assessments or early stages of project planning/involvement) of their programmes.<sup>56</sup> Contacts with the (local) private sector are often not included when projects are started. Additionally, NGOs will need to start working on changing their role from mere humanitarian service providers to more empowering local authorities and communities. Working together with the private sector and supporting private sector development is one way to support that process.
10. **Companies are encouraged to genuinely express their commitment to cooperate with civil society and the public sector.** This cooperation, if adopted, is very often only regarded as a temporary solution to gain market access or to obtain, for example, the necessary licences to start a business. A genuine interest in the society in which the company is involved, a strong stand

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<sup>56</sup> ICCO will proactively pursue in its current and future programmes to adopt this business-oriented approach by making resources available to encourage and contribute PPC projects in the context described here.

against corruption in any form and a long-term perspective are indispensable characteristics of a company that will succeed in making profit over time. PPC partners should continue to recognize the value of each others expertise and hence the added values of each actor within the partnership.

11. **Tripartite cooperation in fragile states requires strong coordination.** The research has demonstrated the importance of strong guidance and coordination throughout the entire process of public-private cooperation. Partnership agreements should pay considerable attention to specifying which partner will play what particular role, including sufficient budgets for managing overhead costs. Although the private sector does take the risk of investing proper means in the business it is not automatically the private sector that needs to take the lead (cf. for instance the USAID/DFID initiative in Katanga, box 4).
12. **Tripartite PPC cooperation needs to have a very clear, commercially viable and common objective.** The mission concluded that no subsidies or contributions from NGOs can substitute for the absence of a good business case. It is therefore essential to agree beforehand on the expected outcomes of the project and the partnership. Most stakeholders may differ in the reasons as to why they participate in a partnership and the goals they thereby want to achieve. Partners do not necessarily need to strive to attain the same goal, but instead should aim to formulate early on in the process what the expected outcome of the process will be, i.e. the modes of synergy.
13. **Partners in a PPC project should be flexible, innovative and versatile.** Although these characteristics are often more present in small to medium-sized companies and organisations, larger companies can be excellent partners as well (cf. the Bralima and the Zain/Cordaid case). However, personal contact and open communication, so necessary for a PPC to succeed, are more easily established in smaller business environments.
14. **In Eastern Congo: Promote PPCs in agriculture in particular,** to increase the productivity of labour and land and to contribute to conflict transformation. In pre-conflict times the Eastern DRC economy (specifically North and South Kivu) were already based on agricultural production. Redeveloping agricultural productivity is essential for improving food security and lessening the population's dependence on artisan mineral production (and poaching) for survival. This is also in line with local people's perception of mining as a marginal activity compared with agriculture and diminishes the militarisation of the economy.<sup>57</sup>

*The research team would like to emphasize that this research, the conclusions and recommendations presented here are the outcomes of the intensive dialogue and cooperation between public, private and civil society sector as represented in the DRC PPC research team itself. This cooperation was never self-evident and many misunderstandings and differences of opinion occurred. However, a genuine drive to succeed and open communication moved the team forward in the right direction and contributed to an increased understanding between the various partners. The research team would like to see that every possible PPC that emerges as a result of this research will have the same cooperative and mutually inspiring spirit.*

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<sup>57</sup> Harrison Mitchell and Nicholas Garrett: *Beyond Conflict: Reconfiguring approaches to the regional trade in minerals from eastern DRC*; Sept. 2009

# Annex 1: Map of DR Congo



## Annex 2: Extracts from the WB Doing Business Report DRC 2009<sup>58</sup>

<b>CONGO, DEM. REP.</b>		Sub-Saharan Africa	GNI per capita (US\$)	140	
Ease of doing business (rank)	181	Low income	Population (m)	62.4	
<b>Starting a business</b> (rank)	154	<b>Registering property</b> (rank)	152	<b>Trading across borders</b> (rank)	160
Procedures (number)	13	Procedures (number)	8	Documents to export (number)	8
Time (days)	155	Time (days)	57	Time to export (days)	46
Cost (% of income per capita)	435.4	Cost (% of property value)	9.2	Cost to export (US\$ per container)	2,607
Minimum capital (% of income per capita)	0.0			Documents to import (number)	9
		<b>Getting credit</b> (rank)	163	Time to import (days)	66
<b>Dealing with construction permits</b> (rank)	141	Strength of legal rights index (0-10)	3	Cost to import (US\$ per container)	2,483
Procedures (number)	14	Depth of credit information index (0-6)	0		
Time (days)	322	Public registry coverage (% of adults)	0.0	<b>Enforcing contracts</b> (rank)	173
Cost (% of income per capita)	1,725.8	Private bureau coverage (% of adults)	0.0	Procedures (number)	43
				Time (days)	645
<b>Employing workers</b> (rank)	175	<b>Protecting investors</b> (rank)	150	Cost (% of claim)	151.8
Difficulty of hiring index (0-100)	72	Extent of disclosure index (0-10)	3		
Rigidity of hours index (0-100)	80	Extent of director liability index (0-10)	3	<b>Closing a business</b> (rank)	150
Difficulty of firing index (0-100)	70	Ease of shareholder suits index (0-10)	4	Time (years)	5.2
Rigidity of employment index (0-100)	74	Strength of investor protection index (0-10)	3.3	Cost (% of estate)	29
Firing cost (weeks of salary)	31			Recovery rate (cents on the dollar)	5.4
		<b>Paying taxes</b> (rank)	153		
		Payments (number per year)	32		
		Time (hours per year)	308		
		Total tax rate (% of profit)	229.8		

### Number of reforms in Doing Business 2010

Rank	Economy	Reforms										Total number of reforms
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	
1	Rwanda	✓		✓	✓	✓	✓		✓		✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓			7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓				7
4	Belarus	✓	✓	✓	✓			✓	✓			6
5	United Arab Emirates	✓	✓						✓			3
6	Moldova	✓			✓			✓				3
7	Colombia	✓	✓		✓	✓	✓	✓	✓		✓	8
8	Tajikistan	✓	✓		✗	✓	✓				✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓			4
10	Liberia	✓	✓					✓	✓			3
	<b>Congo, Dem. Rep.</b>							✗	✓			1
	Burundi											
	Namibia											
	Tanzania		✗									0
	Malawi							✓		✓		2

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

<sup>58</sup> The complete report can be accessed at <http://www.doingbusiness.org/ExploreEconomies/?economyid=48>

## Annex 3: Call for Proposals

### Formulation of a Public Private Cooperation project in the DR Congo

**Deadline for concept note:** 29 January 2010

**Budget for full business plan:** EUR 10.000 lump sum grant (one applicant only)

**Objective of the Call for Proposals:** to encourage the formulation and preparation of a viable business plan using Public Private Cooperation in the DR Congo.

#### **Background:**

This Call for Proposals has been issued by a consortium<sup>59</sup> researching the possibilities for Public Private Cooperation in Fragile States. This research is part of the larger project 'Public Private Cooperation (PPC) in Fragile States', which has been initiated under the 2007 Schokland Agreement 'Network for Peace, Security and Development' and is coordinated by the Conflict Research Unit of Clingendael Institute and the EVD (overall), and ICCO (DRC). Three countries were selected to be researched: Afghanistan, Southern Sudan and DR Congo.

The primary objective of the research was to identify key areas, local sectors, local needs and (im)possibilities where public private cooperation can best or most efficiently contribute to pro-poor, just and sustainable economic growth. This resulted in a local needs assessment field study, a fact-finding mission, an economic mission and a country report on PPC in the DRC. This Call for Proposals is the last part of the research and is meant to generate real business proposals for PPC projects. A PPC in this research is defined as the involvement of government, private enterprises and civil society/NGOs in a commercial project.

#### **Deliverables:**

1. A concept note, describing the following issues:
  - The business case / feasibility of the project (commercial plan);
  - The various partners: company, NGO and government (e.g. setting up a business/capacity building staff/granting licenses) and their role in the proposed PPC project, including the way the PPC will contribute to the fair and sustainable economic development of DRC;
  - The relevance of the project to the needs of the country

The concept note will not exceed 3 pages (no format and no budget requirements). The concept note will be assessed according to the assessment criteria described below;

2. A full business plan (**Only one applicant will be invited to submit a full business plan**), which will include:
  - Further elaboration of the concept note
  - Description on the actual implementation of the project (operational plan);
  - Suggestions for project financing (financial plan).

The full business plan for a feasible Public Private Cooperation project in the DRC (max 20 pages) could be used as a submission for further financing of the project, however

**No guarantees for further funding after formulation of the PPC project proposal can be provided**

<sup>59</sup> CRU Clingendael, EVD, ICCO, Movingpeople, Kadaster International, NABC.

### ***Assessment criteria:***

- The capacity of the company or NGO to implement the project (max 30 points);
- Contribution to the PPC concept (max 30 points);
- Feasibility of the project (max 30 points);
- Overall impression (max 10 points).

### ***Application procedure***

- all registered companies and NGO's can apply with one or more concept notes, as long as at least one Dutch partner is involved;
- The concept note, together with the project application form, should be sent by email in Word or PDF before **29 January 2010, 17.00** to:

Email: [lspecker@clingendael.nl](mailto:lspecker@clingendael.nl)

CRU Clingendael Institute, the co-coordinator of the research consortium

The winning applicant will be informed before 15 February 2010, after which the full business plan has to be submitted **within 2 months**.

### ***Financial allocation provided by the contracting agency:***

The winning applicant will sign a non-negotiable contract with the Conflict Research Unit of Clingendael Institute to draft a full business plan on the basis of the submitted concept note.

Payment: 50% at contract signing and 50% after delivery of the business plan.

### ***Information:***

Background material can be requested from Leontine Specker ([lspecker@clingendael.nl](mailto:lspecker@clingendael.nl)) and can be downloaded from : [www.clingendael.nl/psdn/documents.html](http://www.clingendael.nl/psdn/documents.html)

For further information: Mike Timmermans (EVD): +31 (0)70-7788624

### ***Indicative time table***

	<b>DATE</b>
<b>Deadline for submission of Concept Notes</b>	29 January 2010
<b>Information to applicants on the evaluation of the Concept Notes</b>	15 February 2010
<b>Invitation for submission of Full Business Plan and Contract signature</b>	20 February 2010
<b>Deadline for submission of Full Business Plan</b>	20 April 2010 <sup>60</sup>

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<sup>60</sup> Provisional date

## Project application form

Applicants name, status (NGO, private or public sector) and legal structure (BV, Ltd. etc)	
Address	
Postal code and town/city	
Country	
P.O. Box	
City code and city	
Name of contact person	
Position	
Telephone number	
Fax number	
E-mail address	
Website	
Registration number Chamber of Commerce	<i>Give registration number, name and address of the Chamber of Commerce or other designated Registration Authority and date of registration</i>
BIK (SBI) code (to be obtained through Chamber of Commerce, Dutch companies only)	
Main activity	
Number of employees	
Programmes EVD, FMO and SenterNovem	<p><i>Is or was this company or a subsidiary, sister or mother company involved as consortium member in a Dutch Government programme implemented by EVD, FMO or SenterNovem?</i></p> <p><i>No</i></p> <p><i>Yes, please give title(s) and project number(s)</i></p>
Corporate Social Responsibility	<p><i>Are the Applicant and the Recipient familiar with the OECD guidelines for multinational corporations and will they make an effort to apply them, to the best of their ability, in their companies? (See <a href="http://www.oecd.org">www.oecd.org</a>)</i></p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

International Labour Organisation Principles	<p><i>The applicant and recipient will follow the ILO principles and rights. (see <a href="http://www.ilo.org">www.ilo.org</a>)</i></p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>
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