Democratic Republic of Congo

key figures

• Land area, thousands of km²	2 345
• Population, thousands (2006)	59 320
• GDP per capita, $ PPP valuation (2006)	856
• Life expectancy (2006)	44.4
• Illiteracy rate (2006)	32.8

Democratic Republic of Congo

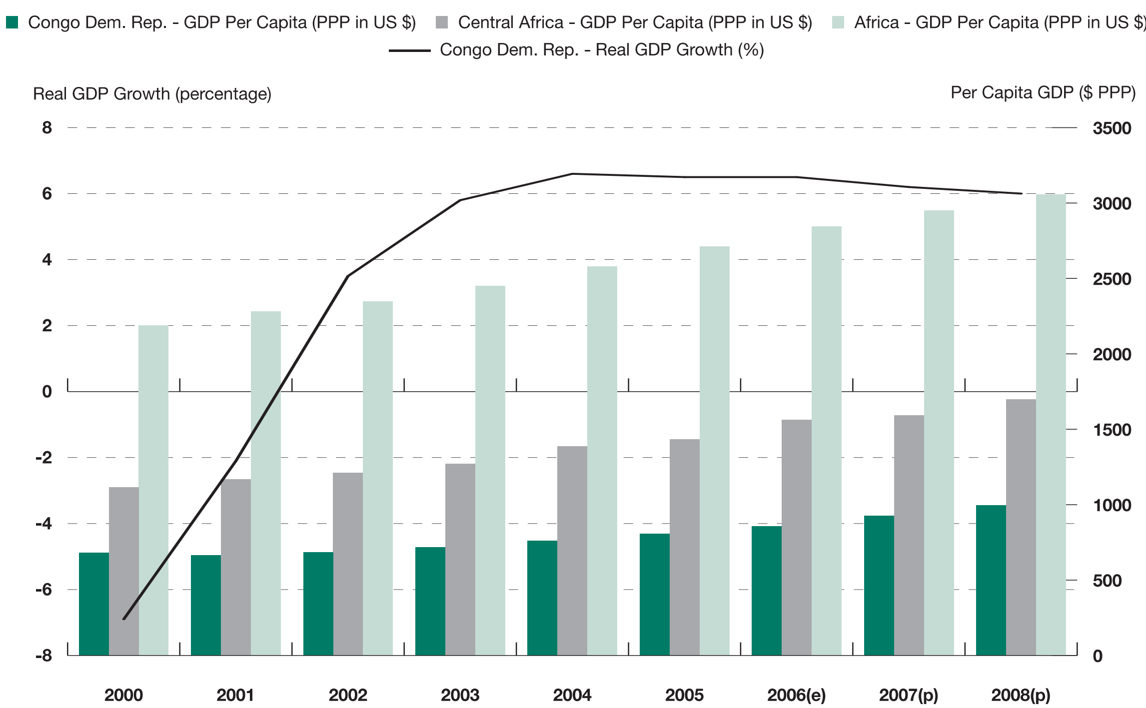
D.R. Congo

THE FIRST FREE ELECTIONS IN 40 YEARS (presidential, parliamentary and local) made 2006 a very important year, which also saw the adoption of the national constitution for the Third Republic. The elections mostly went well, but the Democratic Republic of Congo (DRC) struggled to maintain macroeconomic stability and suffered major conjunctural upsets. Public finances went off track in 2006, aggravating the nominal budget deficit, stepping up inflation and leading to a depreciating currency. The budget excesses, which were directly linked to the implementation of the various elections, to maintaining security in the country and to restoring civil servants' wages, reflected the vulnerability of the economy to external contingencies. The still very large external debt is a brake on the economy. The most optimistic forecasts indicate that the completion point for the Highly Indebted Poor Countries (HIPC) Initiative will be reached at the end of 2007, after application of a poverty reduction and growth strategy paper (DSCRP) and its assessment during 2007.

The elections went well, but the authorities are having difficulty maintaining macroeconomic stability and there is a risk of spiralling inflation and public spending.

Generally speaking, the DRC's new leaders face very great challenges in all economic, social and political spheres. The country is one of the world's poorest and years of war have destroyed most infrastructure and productive activity. Its inhabitants live in deplorable economic and sanitary

Figure 1 - Real GDP Growth and Per Capita GDP
($ PPP at current prices)



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

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conditions, especially in the east, where bands of rebels are still striking. Social indicators are so low that it will be virtually impossible for the country to reach even one of the Millennium Development Goals (MDGs). Only 22 per cent of the population have access to drinking water and only 9 per cent to sanitation, with wide regional and urban-rural disparities.

However, potential for growth and economic development is immense. The country is literally brimming over with water, mineral, forest and oil resources. The domestic market serves more than 60 million people. The international community as a whole, with both foreign-aid donors and private investors, is watching the post-election period closely, as it will be decisive for reviving projects and programmes. If political stability and democracy manage to take root, with restoration of state authority, good governance and a fight against corruption, the DRC could well be posting excellent economic results in a few years time.

With the end of the fighting and with massive foreign aid, real GDP growth speeded up, from 3.5 per cent in 2002 to 6.5 per cent in 2005 and 2006. This excellent performance should continue, with growth expected to be 6.2 per cent in 2007 and 6 per cent in 2008. Growth in 2006 was boosted by copper, cement, wood, beverages (alcoholic and soft drinks) and electricity. However, more than 80 per cent of the economy is in the informal sector.

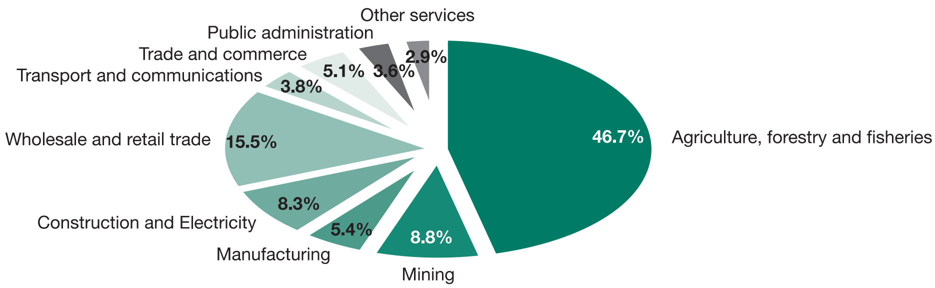
Recent Economic Developments

The agricultural sector grew at about the same rate as the population did in 2006 – around 3 per cent – because of the lack of major roads and agricultural service roads. Agriculture employed more than 70 per cent of the population and provided 46.7 per cent of GDP in 2005. Food crops (manioc, maize, rice and plantain) dominate the sector. The potential is huge because only 10 per cent of arable land is cultivated or used for livestock. Agricultural exports are mostly coffee, cocoa, wood and rubber, but yields of these items have collapsed in recent years and export revenues from them have slumped. The agricultural sector is a cornerstone of the DSCRP and of the multi-sector emergency programme for repair and reconstruction (*Programme multisectoriel d'urgence pour la réhabilitation et la reconstruction* – PMURR) due to its importance in boosting food security and reducing poverty.

The DRC has enormous mineral potential, but mining only accounted for 8.8 per cent of GDP in 2005 and its performance was far from that expected. The country has 34 per cent of the world's known reserves of coltan and 10 per cent of its copper, as well as uranium, cobalt, zinc, silver, diamonds, gold and oil. Growth of mining is hampered by overall bad management of resources, fraud and slow structural reform, and the country has not been able to benefit fully from the opportunities provided by rising world metal prices. The copper sector grew by 33.7 per cent in volume in 2005 due to higher production but only 4.4 per cent in 2006 because of a drop in output and problems in the state-owned mining enterprise Gécamines. Prospects for copper are quite good however. A mixed-capital enterprise, Kamoto Copper Company (KCC), revived copper and cobalt production in Katanga's mining centre of Kolwezi in mid-2006. After a five-year warm-up period, annual production should exceed 150 000 tonnes of copper and 5 000 tonnes of cobalt.

Oil output is declining and shrank 1.5 per cent in real terms in 2006 after a drop of 8.9 per cent in 2005 (9.2 million barrels in 2005, down from 10.1 million in 2004) because of delays in renovating wells. Also, only the coastal area is being tapped, though test-wells in the past have shown presence of oil in the centre and east of the country. Industrial output of diamonds has also been disappointing and fell 26.7 per cent in 2005, while artisanal production rose 33.1 per cent, though this rise seems to have peaked, with negative growth of 13.6 per cent in the first nine months of 2006. This fall in production was due to the depletion of mines, lack of capital to purchase spare parts and fierce rivalry between the state-owned mining enterprise Minière de Bakwanga (Miba) and about 10 000 illegal workers. Some $10 million worth of diamond-mining equipment could not be used in 2006 because of lawlessness at the

Figure 2 - **GDP by Sector in 2005** (percentage)



Source: Authors' estimates based on central-bank data.

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Miba mines. The resulting drop in production caused cash-flow problems, failure to pay Miba's 6 500 employees and increased unpaid debts to suppliers. Official figures show an 80 per cent fall in the volume of diamond exports in 2006.

The industrial sector supplied 13.7 per cent of GDP in 2005 and grew 9.3 per cent in volume, with construction and beverages taking the lead. Alcoholic beverages, especially beer, showed a 16.7 per cent growth rate in September 2006 (down from 18.9 per cent year-on-year). Cement production in volume was good in 2005 (up 26.2 per cent) and 2006 (up 9.7 per cent), mainly due to the country's reconstruction and huge needs. Log production increased substantially, by 16.8 per cent in 2005 and by 54 per cent in the first five months of 2006.

The tertiary sector was 27.9 per cent of GDP in 2005 and grew 7.8 per cent in real terms, largely thanks to transport, telecommunications and financial services. The DRC also has untapped potential for tourism.

Household demand in 2005 was in step with these sector increases, as was public consumption, helped by external funding. Public consumption grew strongly, by 22.5 per cent in volume, in 2006, an election year. Final consumption should grow more slowly in 2007 and 2008 (less than 4 per cent in volume) and its share of GDP is expected to fall, from 97.7 per cent in 2006 to 93.5 per cent in 2007 and then 88.7 per cent in 2008, while private savings should increase. Domestic savings rates, however, will probably not be enough to fund domestic investment and recourse to foreign savings seems inevitable in the next few years.

Table 1 - **Demand Composition** (percentage of GDP)

	1998	2005	2006(e)	2007(p)	2008(p)
	Percentage of GDP (current prices)		Percentage changes, volume		
Gross capital formation	**17.8**	**14.2**	**8.2**	**29.2**	**26.3**
Public	0.1	3.7	9.0	28.0	30.0
Private	17.7	10.5	7.9	30.0	25.0
Consumption	**83.3**	**93.5**	**9.2**	**3.8**	**3.4**
Public	8.2	8.3	22.5	6.8	6.9
Private	75.1	85.3	7.9	3.4	2.9
External sector	**-1.2**	**-7.7**			
Exports	27.3	31.6	13.8	7.5	7.8
Imports	-28.5	-39.3	25.1	4.0	4.3

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

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Fixed capital formation will have steadily risen during 2000-08, from 3.4 per cent of GDP in 2000 to an estimated 19.1 per cent in 2008. The investment rate fell slightly, from 14.2 per cent in 2005 to 13.6 per cent in 2006, because of low public investment. Money that should have gone to government capital expenditure was used in current expenditure during the election period. Both private and public investment in volume is expected to increase substantially, by 29.2 per cent in 2007 and 26.3 per cent in 2008, and suggest speedier economic growth.

Macroeconomic Policies

The aim of the government's three-year economic programme (*Programme économique de gouvernement* – PEG), is macroeconomic stability and renewal of growth. It was originally meant to last until the end of 2006 but results were unsatisfactory because of excessive government expenditure and the slow progress of structural reform. The sixth review by the International Monetary Fund (IMF) in late March 2006 resulted in a freeze on budgetary support and the country adopted a bridge consolidation programme (Programme relais de consolidation – PRC) in April that year, losing $40 million of IMF funding. A new three-year Poverty Reduction and Growth Facility (PRGF) is expected to be signed with the IMF for 2007-09.

Fiscal Policy

The 2005 budget deficit was 2.7 per cent of GDP (down from 4.1 per cent in 2004) and is estimated at 1.2 per cent in 2006. It should increase in 2007 to 1.4 per cent and in 2008 to 1.9 per cent. The deficit was reduced in 2005 and 2006 by a substantial increase in revenue, but especially by the international community's grants and budgetary support for the elections, peace-keeping and reconstruction. Grants were about one-third of government revenue in 2005 (5.2 per cent of GDP). External aid in 2006 was a huge 57 per cent of the government's budget ($2.2 billion, or 9.5 per cent of GDP) and should fall only slightly in 2007 (to 9.0 per cent) and 2008 (to 8.5 per cent). Tax revenue is expected to remain high (8.9 per cent of GDP in 2007 and 8.4 per cent in 2008) due to increased growth and resumption of productive activity. Oil revenue has also risen significantly thanks to higher world oil prices, which were raised five times in 2005 and three times in 2006, when they rose more than 11 per cent.

Along with all this, government expenditure was much greater than expected in the second half of 2005 and several times in 2006, especially in April, when it was more than CDF 13 billion ($29 million) in excess, in July (CDF 9 billion – $20 million) and in September (CDF 12 billion – $27 million). One reason was the lawlessness in the eastern part of the country, as well

Table 2 - **Public Finances** (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
Total revenue and grants[a]	**8.0**	**7.7**	**11.5**	**16.8**	**22.0**	**21.1**	**20.8**
Tax revenue	5.4	4.9	7.5	8.6	9.3	8.9	8.4
Other revenue	1.2	0.8	2.0	2.9	3.2	3.2	3.4
Grants	2.0	2.0	2.0	5.2	9.5	9.0	8.5
Total expenditure and net lending[a]	**10.9**	**13.6**	**15.6**	**19.5**	**23.2**	**22.5**	**22.8**
Current expenditure	10.6	10.9	12.8	16.1	20.1	18.8	18.3
Excluding interest	*10.3*	*7.5*	*9.2*	*12.7*	*16.9*	*16.4*	*16.3*
Wages and salaries	5.3	2.5	3.6	4.4	4.7	4.4	4.2
Interest	0.3	3.4	3.6	3.4	3.2	2.4	2.1
Capital expenditure	0.1	2.7	2.8	3.4	3.1	3.7	4.5
Primary balance	**-2.6**	**-2.5**	**-0.5**	**0.7**	**2.0**	**1.0**	**0.1**
Overall balance	**-2.8**	**-5.9**	**-4.1**	**-2.7**	**-1.2**	**-1.4**	**-1.9**

a. Only major items are reported.
Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

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as bonuses for police to ensure security during elections and extra expenditure connected with the voting. Another was the civil-servants census, which ended payments to non-existent officers but also led to payment of wage arrears to public servants who had not been paid for months. A third reason was that decentralisation led to a higher rate of surrender of the budget to provincial services and decentralised bodies. The large domestic debt also meant quite heavy debt service payments, aggravated by higher fees by the central bank (BCC). Debt servicing was 3.4 per cent of GDP in 2005 and is estimated to have been 3.2 per cent in 2006. It should be less in 2007 and 2008, as steps to relieve the debt are taken. Finally, the government's much higher operating expenditure was partly caused by a lot of travel and missions by ministry officials. All these expenditure excesses meant the budget execution rate was very uneven. In 2005, when the execution rate of operating expenditure was 243.9 per cent, capital expenditure, essential for reducing poverty, had an execution rate of only 12.1 per cent. Total government spending is expected to be a high 22.5 per cent of GDP in 2007 and 22.8 per cent in 2008. Capital expenditure should rise from 3.7 per cent of GDP in 2007 to 4.5 per cent in 2008 if the money freed up by debt relief is indeed reallocated to infrastructure and poverty reduction.

Monetary Policy

Monetary policy has been hit by this budget performance and to fund the extra expenditure in the absence of an effective financial system, the government has resorted to printing more money. The substantial issue of insufficiently secured currency by the BCC speeded up inflation and increased exchange rates, thus devaluating the local currency, the Congolese franc. To curb the inflation, the BCC tried to limit the money supply as much as it could. Bank refinancing rates rose several times in 2006 and from 28.5 to 45 per cent over the year. Reserve-requirement rates went up from 2 to 3 per cent, then to 4 per cent, doubling the amount of money immobilised. Inflation was kept to an annual 22 per cent in 2006 (against 21.4 per cent in 2005), far from the 8 per cent annual target of the PRC, which was revised to 9.5 and then 15 per cent. The goal is to bring inflation below 10 per cent in the next two years (7.4 per cent in 2007 and 7.1 per cent in 2008). The BCC also found it increasingly harder in 2006 to immediately honour in cash cheques it issued.

The Congolese franc is a floating currency and depreciated more than 18 per cent in 2006 in relation to the benchmark US dollar. The PRC had projected a rate of CDF 526 to the dollar at the end of 2006 but it had risen to more than 530 by November. The economy is highly dollarised as a result of successive devaluations and inflationary pressure and 99.5 per cent of quasi-money (the sum of time deposits and savings deposits) is in foreign currency.

The programme for monetary cooperation in Africa, PCMA, aims to set up a single monetary zone with a single African currency by 2021, which means countries will have to meet convergence criteria. The DRC had met only one of four primary convergence criteria by 2006 (public deficit as percentage of GDP, excluding grants) and only two of seven secondary ones (non accumulation of new domestic and foreign debt arrears and maintaining positive real interest rates).

Otherwise, commercial banks seem to be doing better, with increased deposits and liquidity in 2006 as well as 15.5 per cent more loans granted to the private sector. Banks have greatly relaxed their rules and expanded their range of products in a bid to attract more savings. For instance, the $10 000 minimum required to open a bank account has been abolished in a context of competition amongst the new banks. The Banque internationale pour l'Afrique au Congo (BIAC) introduced an "Ekonzo" savings account in 2005, without charges for opening and holding an account and with annual interest on the average balance. The BCC also received more requests to open new banks. Microfinance is flourishing and enables many Congolese to start small businesses.

External Position

The DRC belongs to four regional groupings: the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa

Table 3 - **Current Account** (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
Trade balance	6.6	-2.7	-3.7	-2.8	-5.6	-4.2	-2.4
Exports of good (f.o.b.)	19.2	23.6	27.6	28.9	28.1	28.2	29.2
Imports of goods (f.o.b.)	12.6	26.4	31.3	31.7	33.7	32.4	31.5
Services	-7.5	-4.5	-5.1	-4.9	-6.3	-5.5	-5.3
Factor income	-6.6	-3.0	-4.5	-4.8	-4.8	-4.1	-3.3
Current transfers	0.5	8.8	7.6	7.7	11.9	10.2	8.1
Current account balance	**-6.9**	**-1.5**	**-5.7**	**-4.9**	**-4.8**	**-3.6**	**-2.9**

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

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(COMESA), the Economic Community of Central African States (ECCAS) and the Economic Community of the Great Lakes Countries (ECGLC). It benefits very little from these agreements, however, because its exports are not very diversified. About 56 per cent of the country's $2.07 billion export earnings in 2005 were from diamonds and 22 per cent from oil. In addition, the DRC depends very heavily on developed countries for its imports.

Exports were 28.1 per cent of GDP in 2006 (28.9 per cent in 2005). Despite higher world oil and metal prices, the volume of exports slumped badly, especially of oil and diamonds, due to smaller production. About 26 million carats of diamonds (worth $624.7 million) were exported to Israel and Belgium in 2006, most of them industrially mined alluvial stones from the central region of Kasai. Apart from export duties, the government collects a 2 per cent tax on the value of all exports. The total value of exports was slightly down in 2006 and is expected to stagnate in 2007 at 28.2 per cent of GDP before improving to 29.2 per cent in 2008 as raw material production picks up and exports diversify. Copper and cobalt should boost export earnings in the next few years.

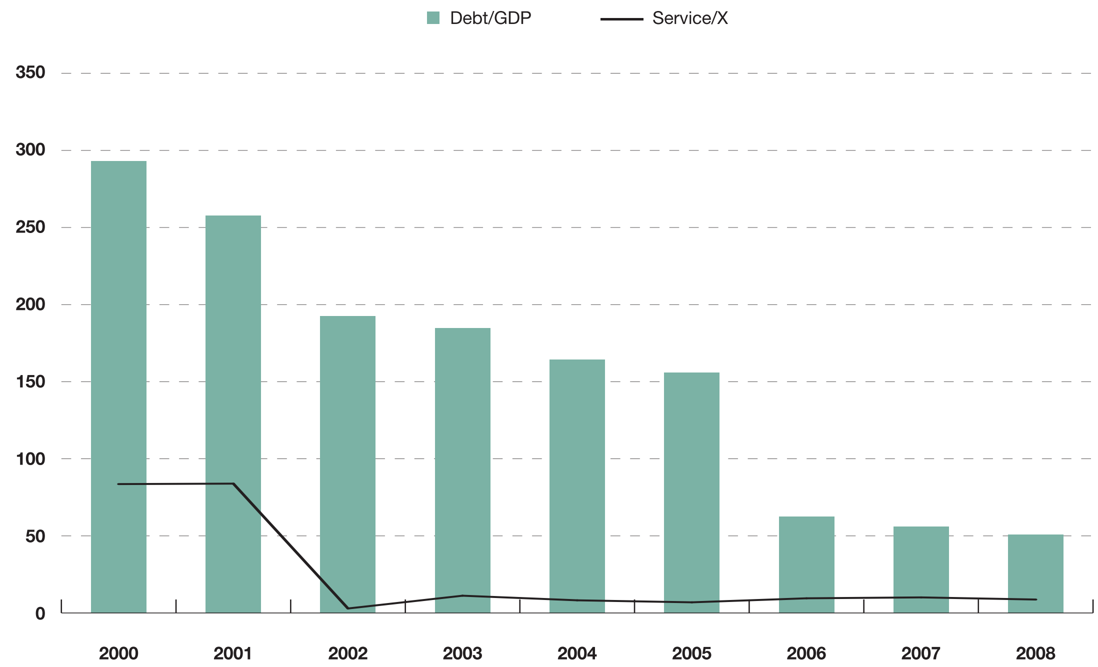
Economic growth and reconstruction increased the share of imports in GDP from 31.7 to 33.7 per cent in 2006. The trade deficit worsened, from 2.8 percent of GDP in 2005 to 5.6 per cent in 2006, when it was in the red by more than $468 million and the invisibles balance stood at more than $355 million in deficit. The revenues balance also showed a loss amounting to $293.7 million. Only current transfers produced a positive balance ($529.5 million), thanks to public transfers, the magnitude of which (11.9 per cent of GDP in 2006, up from 7.7 per cent in 2005) was able to bring about a slight improvement of the current-account deficit (from 4.9 to 4.8 per cent of GDP) despite the greater trade deficit. The trade balance is expected to improve in 2007 and 2008 and correspondingly reduce the current-account deficit from 4.8 per cent of GDP in 2006 to 3.6 per cent in 2007 and 2.9 per cent in 2008.

Foreign direct investment (FDI) in the DRC amounted to $500 million in 2006, up from $405 million in 2005 and from an average of only $5 million between 1990 and 2000. Foreign investors, especially from China and South Africa, diversified their capital spending into the mining sector, as well as into the energy and banking sectors. The return of peace and the successful elections should attract even more FDI. A South Korean enterprise, Bleu Tech Business Group, has announced that it will shortly build motorways and high-class hotels in the DRC.

The country is eligible for debt relief under the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI) and can expect its more than $14 billion of debt to the World Bank, the IMF and the African Development Bank (AfDB) to be entirely cancelled. Nonetheless, 2007 will be difficult for the external debt, as the adoption of the DSCRP in September 2006 ran into funding problems. It will be a year after its introduction and assessment before the HIPC completion point can be reached, so the DRC is unlikely to get any debt relief until 2008, when debt cancellation should amount to more than $7 billion.

The country's debt amounted to $12 billion at the

Figure 3 - **Stock of Total External Debt** (percentage of GDP) **and Debt Service** (percentage of exports of goods and services)



Source: IMF.

http://dx.doi.org/10.1787/360646183580

end of 2005, more than 150 per cent of gross domestic product. Servicing it absorbs about 7 per cent of goods-and-services exports. The DRC also uses the SYGADE debt-management system to produce reports on the public debt. The European Union announced at the end of 2006 that it would double its aid to the DRC.

Structural Issues

The elections period was not the time for introducing major structural reforms and the IMF noted that only minor and inadequate progress had been made in this domain. Only key sectors such as mining and energy were involved in major projects matching the country's huge resources. Corruption and mismanagement of natural resources is still a big problem, however, and Transparency International's 2006 report ranked the DRC as the sixth most corrupt of 163 countries. New investment and tax codes in the mining and forestry sectors should soon be approved by parliament in a bid to attract foreign capital and encourage projects and public-private partnerships.

Recent Developments

The revival of copper and cobalt production by the enterprise KCC is the country's biggest private investment since its independence. The state mining company Gécamines has a 25 per cent share in the enterprise, which is otherwise controlled by the private Belgian-Canadian company Kinross Forrest Ltd. Nonetheless, the establishment of KCC required Gécamines to yield its mining rights, whereas Kinross Forrest committed to investing $426 million to boost mining, as well as $257 million more to keep operations going for about 20 years. The government should get about $2.2 billion in royalties and income tax from the project, which is expected to generate 2 500 jobs (or 12 000 if sub-contractors are included) and support 240 000 people in the whole region. The contract does involve handing over a key part of the country to the private sector, and in June 2005 a parliamentary report called for the renegotiation or cancellation of mining contracts as about 30 joint ventures, drawn by big tax breaks, took over Gécamines' richest concessions. The IMF asked the transitional government in August 2006 to stop granting new mining licences pending installation of a new government. A report by the international NGO Global Witness in 2006 criticised the illegal export of minerals across the Zambian border as well as endemic corruption in Katanga's copper and cobalt mines.

Many electricity projects are under way, including a $262.3 million two-year rescue and recovery programme launched by the national power company (Snel) in 2005. The country has an enormous hydroelectric potential of about 100 000 megawatts, 44 000 of them at the Inga site alone, which has two power-stations of total installed capacity of 1 774 megawatts, although Inga's output was only 700 megawatts in 2006. Several projects are being considered to supply other (especially SADC) countries from the Inga dam. The cost of building a third plant at Inga (of 3 500-megawatt installed capacity) by 2010 has been put at $3.5 billion. The Great Inga project (13 500 megawatts) would cost $5.66 billion. If electricity is sold below the average rate of $0.035 kilowatt/hour for the region, the great Inga power station could generate largely sufficient profits to write off the investment.

Access to Drinking Water and Sanitation

The DRC is one of the few countries in Africa with no desertification or water-scarcity problems. Its extensive water resources include 30 or so rivers, 20 000 kilometres of river-banks and the 4 670-kilometre long Congo river (which has the world's second biggest estuary outflow – 40 000 m³ per second). The country has the continent's largest water supply, with internal renewable water resources averaging 900 km³ a year, nearly one-quarter of all Africa's fresh water. The potential is huge and almost entirely untapped. The DRC has been asked in recent years by its neighbours and by international organisations to channel fresh water from the Congo basin to other countries.

The DRC shares the Congo river basin with eight countries (Angola, Burundi, Cameroon, the Central African Republic, Congo, Rwanda, Tanzania and Zambia), and the Nile basin with nine (Burundi, Egypt, Eritrea, Ethiopia, Kenya, Rwanda, Sudan, Tanzania and Uganda). It belongs to the Nile Basin Initiative, launched in 1999, and to a regional management project called Pollution Control and Other Measures to Protect Biodiversity in Lake Tanganyika, along with Burundi, Tanzania and Zambia, which aims to institute regional management for the lake that is ecologically rational and sustainable.

Access to drinking water and sanitation is difficult, and badly organised and coordinated. Decision making and responsibility is hard to pin down because it is spread between a dozen ministries and public bodies. Urban water operations and distribution are the job of the state-owned water company Regideso, which is facing technical-management, commercial and financial problems. In the countryside, the national rural water service, SNHR, has very few resources and its institutional framework is inappropriate. As for the national sanitation programme, PNA, which handles domestic and industrial waste and produces drinking water under Regideso and the ministry of environment, it is practically non-existent. Water-borne sewage systems are only available in the centre of the biggest towns, and their networks are in very bad condition (cracked, destroyed or partly clogged). Wastewater flows untreated straight into the Congo river and its tributaries. The government recognises the need to rebuild and decentralise the sector covering access to drinking water and sanitation and to focus on the neediest people.

The fighting in recent years and the dilapidated state of the existing infrastructure have reduced access to drinking water from 37 per cent in 1990 to 22 per cent in 2004 and to sanitation from 10 to 9 per cent for the same period. The figures for sanitation need to be qualified, as only 46 per cent of the Congolese have "hygienic" toilets, while the rest use uncovered latrines or open pits, which are counted as sanitation. In view of such extensive needs, the MDGs have been reduced to 49 per cent coverage for drinking water (36 per cent in the countryside and 65 per cent in towns and cities) and to 45 per cent for sanitation. The total cost of reaching these targets is put at $217 million, but success is extremely unlikely because of the very small current investment and the vastness of the country, especially as aid donors would be the only source of money for this sector, at least for the next five years.

People in rural areas seem to have been abandoned many years ago and physical infrastructure there is crumbling, with 60 per cent of water facilities no longer working because of lack of maintenance, an inefficient participatory approach and the difficulty of getting spare parts. Drinking-water access problems feed epidemics and water-borne diseases such as cholera, typhoid and dysentery. Women, as traditional water-carriers, have a particularly heavy burden, as only 12 per cent of rural households had direct access to drinking water in 2004. Regional disparities are also very wide (only 3 per cent of people had access to drinking water in the Banalia area of the Orientale province). Water is not always drinkable because wells and other supply sources are not covered or protected. It is mostly NGOs and religious orders that share the responsibility for supplying drinking water in the countryside. The population has not managed to take charge of operating and maintaining the facilities. Despite the great need, only four drilling enterprises are active in the DRC. The average cost of a hand pump is about $14 000 and $50 000 for an industrial one.

In urban areas, 37 per cent of the population had access to drinking water in 2004. Only 65 per cent of the inhabitants of the capital, Kinshasa, were connected to the network, while more than 2 million people depended on springs or wells, often polluted and drilled less than a metre deep near latrines. The situation is much worse in other towns and cities. Regideso's laboratories are supposed to treat the water but the result is far from satisfactory due to frequent shortages of purifying chemicals, seepages of contaminated water into the distribution network and the collection of water close to pollution sources. When Regideso's taps run dry, water vendors take to the streets on bicycles offering 25-litre tins for CDF 100 ($0.25) each. In contrast, Regideso's price of around $0.65 per m^3 is not enough to cover production costs. The water metres are obsolete and only 30 per cent of sales points have any at all, which means most customers simply pay flat fees. At the height of the crisis in 2003, Regideso owed the government and other public bodies 85 months of arrears totalling more than $200 million. There is no mechanism for recovering costs for sanitation.

Political Context and Human Resources Development

The various elections held in 2006 involved an astronishing 282 registered political parties, 50 000 polling stations opened up and 33 million ballots printed for a total cost estimated at more than $500 million, virtually all of it paid by the international community. Eleven elections were held, including presidential, local and a one-round poll amongst 9 707 candidates for 500 seats in parliament. President Joseph Kabila won 58 per cent of the votes cast by 25.6 million people, but his party and its allies only control 44.8 per cent of the seats in the national assembly.

The delicate transition period is now over. The new national constitution has instituted a Third Republic and a strongly decentralised unitary state, and laid the foundations for a democratic regime by balancing executive and legislative authority. The president, elected by direct universal suffrage for five years (with a right to one extra term), appoints a prime minister who reflects the parliamentary majority. The national assembly can censure the government and the president can dissolve the assembly. The judiciary is independent and gender equality is written into the public institutions. Only 42 women, however, were elected to parliament (8 per cent of its members). The country's provinces, which will be increased from 11 to 26 by 2009, have wide autonomy and levy directly 40 per cent of the tax revenue allocated to them in the national budget. This point is one of the main concerns of international observers, as it supposes that local officials should be responsible and a vigorous fight against corruption.

Another political challenge will be to make progress with economic and legal issues now that they are subject to parliamentary approval and will require political alliances to win majority approval. Central government authority will also have to be re-established nationwide. The eastern provinces of Ituri, Nord-Kivu and Sud-Kivu, which have twice been the seat of rebellions that have plunged the DRC into war, are still the scene of ethnic tension and daily violence against civilians despite a July 2006 amnesty for all rebels laying down their weapons. The United Nations (UN) World Food Programme has announced resumption of its airlifts to help more than 8 800 people in these areas. The UN put the country's humanitarian needs in 2007 at $686.5 million, and at the end of 2006, there were still 1.6 million displaced persons.

Despite its immense natural resources, the DRC is still one of Africa's poorest countries, with more than three-quarters of its population living on less than one dollar a day in 2005 and fewer than 20 per cent with regular access to water and electricity. The UN Development Programme's 2006 worldwide Human Development Report ranked the country 167 out of 177, with annual per capita income (at purchasing power parity) of $705, far behind neighbouring Congo (ranked 140) even though it, too, recently suffered from war. About 1 200 people, half of them children, die every day in the DRC from violence, disease or malnutrition. The DRC is also thought to have more child soldiers than any other country in the world – about 30 000 fighting or living with armed groups, some 12 500 of them girls.

On the gender front, Congolese women are increasingly heads of large families as their men either die of HIV/AIDS or in wars. According to surveys, as many as 90 per cent of them have informal or unstructured jobs, or a subsistence activity such as prostitution. Women's rights are generally ignored on a daily basis and gender disparity in access to education, health care and resources is large. In the eastern provinces they are subjected to violence, abuse and rape by armed men.

The health situation remains dramatic. The health ministry's reform and reconstruction strategy, backed by international aid donors, planned to spend $3 annually per inhabitant in 2005, far below the $15 to $26 recommended by the World Bank. About 20 million Congolese were under-nourished in 2005, and 4 million died between 1998 and 2004 of common curable diseases for lack of public services, infrastructure, equipment and access to health care, especially in the countryside, where there was only one doctor for every 56 000 people in 2005. Infant mortality was 205 per thousand live births in 2005 and more than 1 million children had lost one or both parents to HIV/AIDS. According to the UN, the steadily rising prevalence of the disease was 4.5 per cent in 2005. At least 2.6 million people are thought to be infected, including 120 000 children. Only about 5 000 people have access to retroviral treatment out of the more than 400 000 who need it. The DRC is also one of the countries in the world most affected by cholera, with 65 000 cases declared to the World Health Organisation between 2002 and 2004, including 3 200 deaths.

In the field of education, the primary-school enrolment rate fell from 54 per cent in 1990/91 to 33 per cent in 2000/01 and was only 12 per cent at secondary level in 2000/01. According to Amnesty International, only 29 per cent of children complete primary school and 4.7 million (including 2.5 million girls) do not go to school at all. The Catholic Church runs 80 per cent of primary and 60 per cent of secondary schools, mainly because of the collapse of the state education system. Teachers are still waiting for a pay rise granted after February 2004 talks between civil-service unions and the government that set the minimum monthly salary at $208 (a Congolese teacher currently gets an average $67 a month). Higher education is provided by four national universities – two in Kinshasa, one in Lubumbashi and one in Kisangani – and by many colleges.