Democratic Republic of Congo

key figures

- Land area, thousands of km² 2 345
- Population, thousands (2004) 54 417
- GDP per capita, $ (2003) 108
- Life expectancy (2000-2005) 41.8
- Illiteracy rate (2004) 33.2

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D.R. Congo

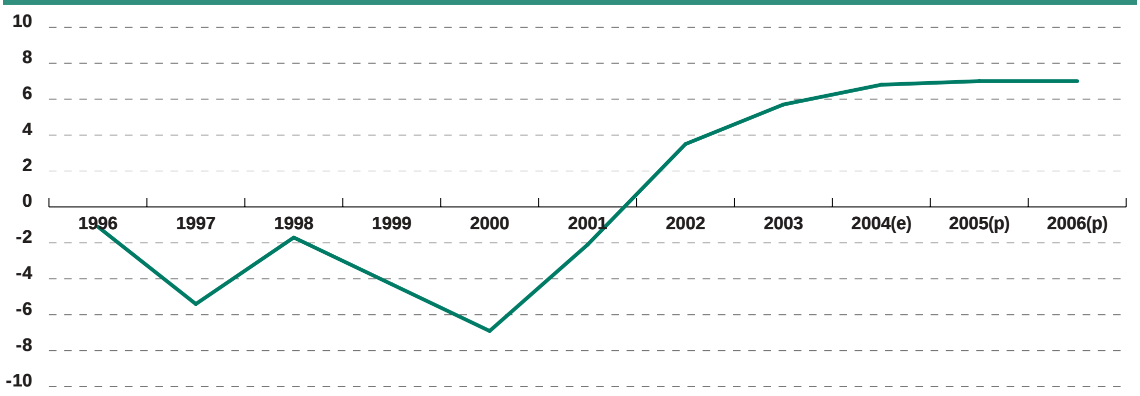
THE DEMOCRATIC REPUBLIC OF CONGO (DRC) has one of the richest natural resource endowments in the world, with mining, forestry and hydro-electric sectors offering enormous growth potential. The domestic market is considerable, as the country has a population of more than 50 million, but ten years of war have devastated its economy, infrastructure and social fabric. During this period of conflict, more than 3 million people died, the incidence of HIV/AIDS soared and human development indicators such as malnutrition, life expectancy and literacy deteriorated very sharply, to levels worse than those observed prior to independence in 1960.

Since 2001, peace has been re-established over much of the country, although the fighting persists in some areas in the east. The government has also introduced a policy of economic stabilisation, which has achieved considerable progress: hyper-inflation and currency depreciation have been brought under control; and economic growth, which revived in 2002, exceeded 6 per cent in 2004. In June 2002, following the encouraging results of the enhanced interim programme (RIP), the Bretton Woods institutions (the IMF and World Bank) granted a $1.2 billion credit to support the government's economic programme. The programme, which runs from April 2002 to July 2005, aims to liberalise prices and trade, reform the banking sector and exploit growth possibilities such as those offered by diamond production.

Consolidation of the peace process is vital for economic recovery.

The political situation remains delicate, however, and tensions persist at the border with Rwanda, in Ituri, Nord-Kivu and Sud-Kivu. Elections, initially

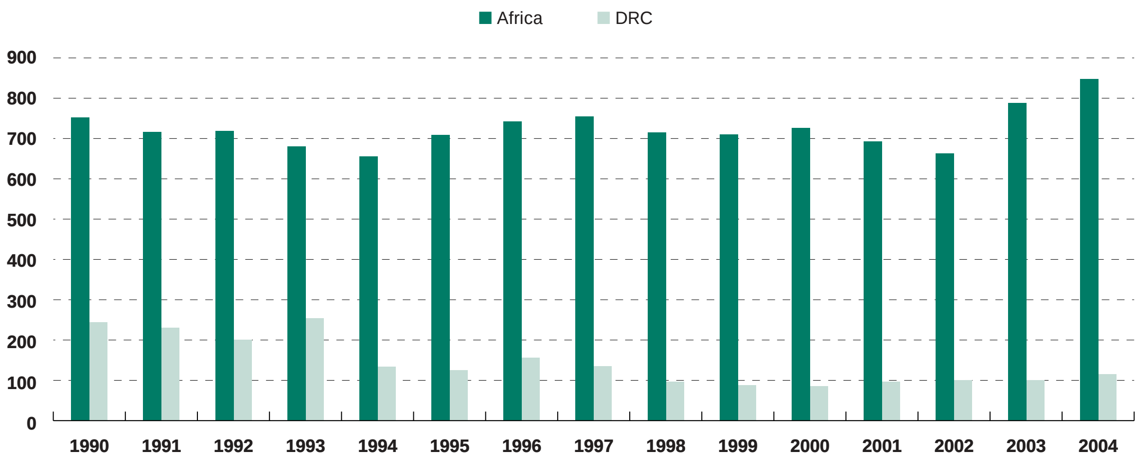
Figure 1 - Real GDP Growth



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

scheduled for June 2005, cannot be held unless the government re-establishes control over all provinces. In this situation, if macroeconomic stability is to be sustained, the government must reduce public spending, although the funding requirements of reconstruction, peacekeeping and poverty reduction are putting the budget under heavy pressure. If the government succeeds in preserving political stability, improving governance, combating corruption and pursuing structural reform to improve the business climate, DRC could return to very high rates of growth.

Figure 2 - GDP Per Capita in DRC and in Africa (current $)



Source: IMF.

Recent Economic Developments

Lack of political cohesion and repeated armed conflicts engendered an economic recession during the 1990s. As is always the case in post-war situations, the trend was subsequently reversed, with a GDP growth rate of 3.5 per cent in 2002 and 5.7 per cent in 2003. According to the information available, economic growth rose to 6.8 per cent in 2004 and could reach 7 per cent in 2005 and 2006, thanks to the recovery in national and foreign investment.

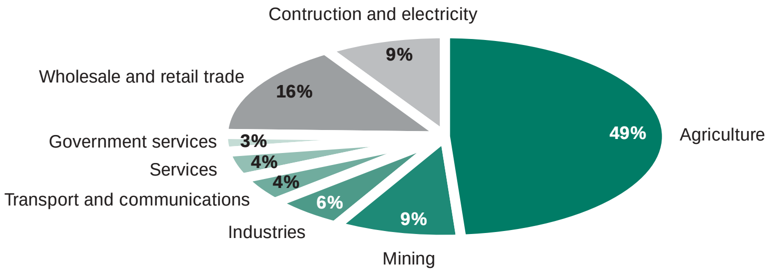
DRC has 80 million hectares of very rich arable land, but owing to the deterioration in infrastructure, farmers' lack of capital and the absence of government support policies, only 1 per cent of it is cultivated. Although the agricultural sector accounts for nearly half of GDP, this is only because of the sharp fall in manufacturing and mining output during the years of conflict, since output of the main crops (corn, paddy, root vegetables and tubers, beans, plantains and fruit) has decreased in volume. Farmers have gone back to traditional techniques, without fertilisers, and are using family labour. As a result, most of the traditional crops, except coffee and timber, have disappeared from the export list and food production does not cover the needs of the population. Despite the improvement in supply and links between the capital and producing areas, farm output has increased only slightly since the return of peace, rising just 0.4 per cent in 2004.

The energy sector has suffered from the deterioration in economic conditions, and its contribution to GDP was estimated at less than 4 per cent in 2003. Only 5.7 per cent of the population has access to electricity, although DRC's theoretical production capacity of 1 120 MW is enough to cover the needs of the whole country, as well as those of some neighbouring countries. Despite a slight improvement in the last few years, power production remains far below the level of the 1990s. Crude oil production stood at 9.3 million barrels in 2003, but DRC possesses some offshore reserves that could be tapped in the near future.

Some 50 minerals have been discovered in DRC, but the principal state-owned enterprise, Gécamines, mines only ten of them: copper, cobalt, zinc, diamonds, gold, tin, niobium, manganese, iron and lithium. All mining output is exported, and the sector is the country's main foreign currency earner. The desire to appropriate DRC's mineral wealth was unquestionably one of the main causes of the recent war. In particular, the Kasai diamond-producing region has been hotly contested, with neighbouring countries observing and joining in the fighting so as to control diamond production and trade, and thus obtain foreign exchange. In this situation, diverging interests could make it difficult to implement the peace agreement.

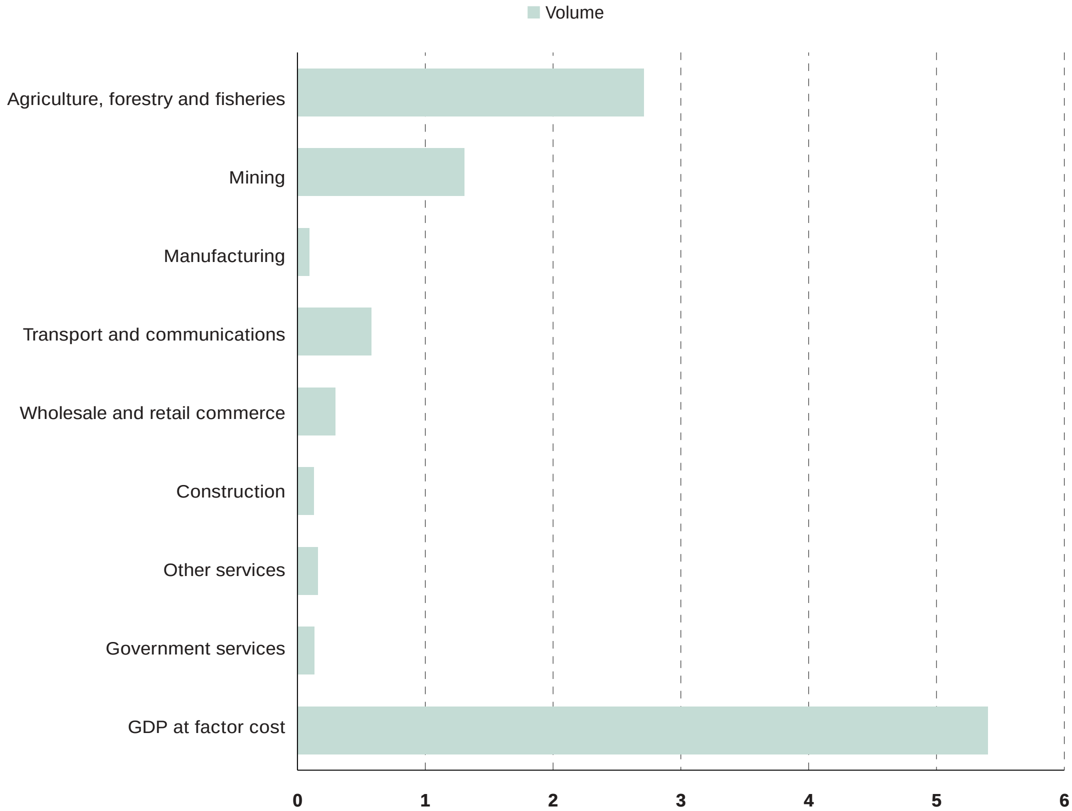
The contribution of the mining sector to GDP was estimated at 9.4 per cent in 2003, but the sector registered

Figure 3 - GDP by Sector in 2003 (percentage)



Source: Authors' estimates based on Central Bank data.

Figure 4 - Sectoral Contribution to GDP Growth in 2003 (percentage)



Source: Authors' estimates based on Central Bank data.

growth rates of over 10 per cent during the 2002-04 period. Diamond production, in particular, showed strong growth following deregulation of the sector in 2001. In 2003, it reached a total of 27 million carats, having a value of $584.4 million. Diamonds are the principal export product in DRC, accounting for more than three-quarters of export revenues. The other significant export products are copper and cobalt. The figures are approximate, however, since diamond production and export are largely informal. Despite efforts to limit tax evasion, the taxes paid by diamond dealers are marginal since the sector largely escapes taxation.

The industrial sector accounted for 5.6 per cent of GDP in 2003. Formerly of considerable size, it consists today of a few small plants producing textiles, food, chemicals and capital equipment. All industrial branches have suffered from the crisis which hit the country. Manufacturing industries, cut off from their sources of raw material supply and their markets for finished goods, currently use only 15 to 17 per cent of installed production capacity.

The services sector is dominated by transport and telecommunications. Although the conflict seriously degraded the quality of road, river and rail infrastructure, the recovery which began in 2003/04 strengthened demand for public transport in the major cities. The telecommunications sector is developing through expansion of mobile telephone service, which links the major cities via GSM. The sharp increase in the number of subscribers, which rose from a few thousand at the start of the decade to 700 000 by 2004, has had a major impact on GDP. In the context of reconstruction, particularly of the road network, the construction sector has also registered high growth rates (around 20 per cent during the last two years).

Although low levels of savings and investment have held up growth over the last two decades, encouraging signs have appeared since the end of the war. Total savings rose from 3.2 per cent of GDP in 2001 to 12.3 per cent in 2004. Investment rose from 5.3 per cent of GDP in 2001 to an estimated 18.5 per cent in 2004, making it the principal factor in the resumption of growth. This movement can be attributed to reconstruction of infrastructure, financed by development aid and private investment (notably in telecommunications).

Table 1 - Demand Composition (percentage of GDP)

	1996	2001	2002	2003	2004(e)
Gross capital formation	**24.2**	**5.3**	**9.1**	**12.3**	**18.5**
Public	0.5	0.1	1.0	2.7	5.1
Private	23.7	5.2	8.2	9.6	13.4
Consumption	**67.6**	**96.8**	**95.9**	**94.3**	**87.7**
Public	6.2	6.9	6.2	5.8	6.2
Private	61.4	89.9	89.7	88.5	81.5
External sector	**8.2**	**-2.1**	**-5.0**	**-6.6**	**-6.2**
Exports	30.9	18.8	21.6	25.3	29.7
Imports	-22.7	-20.9	-26.6	-31.9	-35.9

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

Macroeconomic Policies

Fiscal and Monetary Policy

The introduction of restrictive macroeconomic policies has brought inflation under control, but political pressure for a rapid increase in public spending remains very strong.

Since 2001, the budget deficit has increased sharply, from 1.7 per cent of GDP in 2001 to 3.9 per cent in 2003 and nearly 5 per cent in 2004. It is projected to reach 5.6 per cent in 2005. The budget is heavily dependent on external resources in the form of grants and loans, which since 2003 have exceeded the state's own revenues. Grants rose from 2 per cent of GDP in 2003 to 3.6 per cent in 2004. Direct budget support, provided by the World Bank and the African Development Bank, amounted to over $240 million in 2004.

Tax revenue, which levelled off at 6.9 per cent of GDP in 2003, putting the government's budget under strong pressure, is estimated to have increased to 7.9 per cent in 2004, owing to collection efforts directed at major taxpayers and the customs service. The government hopes to introduce a value added tax by 2006-07.

Table 2 - Public Finances (percentage of GDP)

	1996	2001	2002	2003	2004 (e)
Total revenues and grants[a]	**11.3**	**6.6**	**8.5**	**9.8**	**12.7**
Tax revenue	4.8	4.1	6.7	6.9	7.9
Grants	5.9	0.0	0.4	2.0	3.6
Total expenditure and net lending[a]	**11.6**	**8.3**	**10.5**	**13.7**	**17.5**
Current expenditure	9.7	8.2	9.5	11.0	11.3
Excluding interest	*9.4*	*6.8*	*6.3*	*7.5*	*6.2*
Wages and salaries	0.7	1.7	2.1	2.5	2.6
Interest	0.3	1.4	3.2	3.5	5.1
Capital expenditure	0.5	0.1	0.6	2.7	5.1
Primary balance	**0.0**	**-0.3**	**1.2**	**-0.4**	**0.3**
Overall balance	**-0.3**	**-1.7**	**-2.1**	**-3.9**	**-4.8**

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

The rise in budget expenditure – from 10.5 per cent of GDP in 2002 to 13.7 per cent in 2003 and 17.5 per cent in 2004 – is mainly due to the creation of political transition structures and the cost of peacekeeping. The 2004 budget act, for example, includes $300 million for the Disarmament, Demobilisation and Reintegration (DDR) programme and preparations for the elections. Under the circumstances, the state has had to control its other expenditures, particularly general costs like fuel, and reduce wastage. In particular, subsidies and exemptions for oil products have been abolished. Increases in world oil prices are now passed on to pump prices and, by an automatic mechanism, to public transport prices. As a result, the price of a litre of petrol rose from 310 Congolese francs (CF) in April 2004 to 350 CF in October 2004 and the fare for public transport in Kinshasa from 80 to 100 CF in October 2004. Accumulated arrears, most of which date from before 1997, remain a major problem. Some civil servants have not been paid for years.

At present, spending on health, education and basic economic infrastructure depends exclusively on external financing. To address the country's enormous infrastructure needs, public investment should rise from 2.7 per cent of GDP in 2003 to 10 per cent in 2005, with funding expected from the international community under the Emergency Multisector Rehabilitation and Reconstruction Programme (EMRRP).

Monetisation of the public deficit, which was pushing inflation to very high levels, was largely brought under control in 2002. At the same time, the Central Bank of Congo (BCC) was given new statutes establishing its independence in the conduct of monetary policy (although its senior managers are appointed by the President) and limiting advances to the Treasury. Inflation, which hit a peak of nearly 900 per cent in the 1990s and stood at 357 per cent in 2001, was brought down from an average of 25.3 per cent in 2002 to 12.8 per cent in 2003 and 8.5 per cent in 2004. The 2004 target of 6 per cent was not achieved, as the authorities' recourse to bank financing went over forecast because of tensions over public spending.

With inflation under control, the BCC was able progressively to reduce its discount rate, from 27 per cent in 2002 to 6 per cent in the first half of 2004, but inflationary pressures pushed it back up to 14 per cent in August 2004. Manipulation of interest rates is not an effective means of regulating the money supply, however, as the banking system plays only a small role in the economy and does not function well. In addition, the BCC faces a sharp increase in demand for cash, notably because, in a largely "dollarised" economy, confidence in the national currency has been to some extent restored. Businesses conduct all their transactions in cash, despite the lack of large-denomination banknotes. There are plans to introduce new 1 000, 20 000 and 50 000 CF banknotes.

The credibility of the banks has been deeply shaken by bankruptcies and the lack of liquidity. There are very few bank accounts in the country (about 35 000). The geographical coverage of the banking system is in general very poor, with only one bank branch for every 2.4 million inhabitants and only ten commercial banks, which conduct the bulk of their business in Kinshasa. The activities of the banking sector are limited to financing trade and foreign exchange transactions. Credit amounted to less than 1 per cent of GDP in 2003. Loans are generally granted in dollars for a period not exceeding six months. There are few transactions on the inter-bank market, although the BCC has been issuing Treasury notes since late 2002. The banking system has undergone a major restructuring, recapitalisation and liquidation programme. In 2004, nine banks were put into liquidation, including three public sector establishments, and seven are being restructured. There have been some encouraging signs in the sector, however, with the arrival of foreign investors such as Citibank, Stanbic and Rawbank.

After a period of sharp depreciation, the Congolese franc levelled off in 2003. The dollar, which stood in January 1999 at 2.40 CF, was worth 180 times more in July 2003 at 432 CF. Since then, exchange rate fluctuations have been relatively moderate. The Congolese franc gained slightly in value, then depreciated again in the third quarter of 2004 and the first quarter of 2005. The exchange rate has been completely free-floating since the elimination of the last restrictions in February 2003. The multiple exchange rate system has been abolished and the black market, where the dollar was traded at a premium of 182 per cent in May 2001, has virtually disappeared.

External Position

Trade liberalisation, launched in 2001, has brought a reduction in customs tariffs. DRC is participating in the liberalisation efforts of several regional economic organisations, including the Economic Community of Central African States (ECCAS), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). It also enjoys preferential trade terms with the United States under the African Growth and Opportunity Act (AGOA) and with the European Union under the Everything But Arms initiative. In addition, the government has initiated a reform of the customs service and set up a one-stop reception point at the port of Matadi to streamline customs formalities and allow better control of government fiscal revenue.

Exports fell from $1.5 billion in 1996 to around $800 million in 1999. Although some growth has been recorded since 2000 ($1.3 billion in 2003), they have not yet returned to the levels of the 1990s. Their share in GDP, however, increased from 13.3 per cent in 2001 to 27 per cent in 2004. The diamond sector continues to account for the bulk of exports. Non-industrial production has increased, mainly as a result of the introduction of the Kimberley Process for certification of the origin of mineral substances.

At the same time, the share of imports in GDP jumped from 12 per cent in 2001 to 27.4 per cent in 2004, reflecting the resumption of investment in infrastructure and the installation of the GSM network. This rise resulted in a trade deficit of over 0.4 per cent of GDP in 2004.

New investment totalling $2.4 billion was approved in 2003 and 2004. The target sectors were services, the food industry, construction and natural resources. The biggest operations include the cell phone project of the South African firm Vodacom (an investment of $94 million) and the Congo Korea Telecom project for the installation of telecommunications infrastructure ($1.6 billion). Actual disbursements are much lower, however. In 2003, foreign investment inflow stood at $132 million and accounted for 23.6 per cent of gross fixed capital formation.

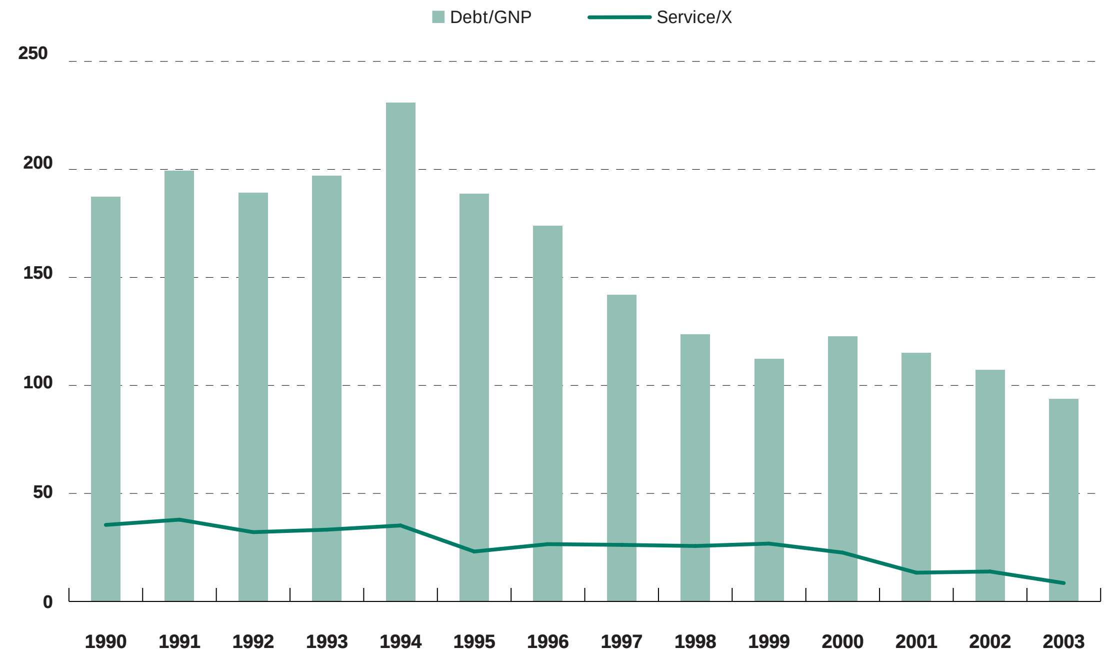
Official development assistance has gradually resumed since 1999, and the support of the international financial community is one of the keys to economic recovery. The IMF granted a $750 million loan as part of the poverty reduction and growth facility (PRGF) for the 2002-05 period and the World Bank a $450 million economic recovery credit (ERC). Tranches of $214 million and $200 million were approved in

Table 3 - Current Account (percentage of GDP)

	1996	2001	2002	2003	2004(e)
Trade balance	14.0	1.4	0.9	0.2	-0.4
Exports of goods (f.o.b.)	30.0	13.3	20.3	23.0	27.0
Imports of goods (f.o.b.)	-16.0	-12.0	-19.3	-22.8	-27.4

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

Figure 5 - Stock of Total External Debt (percentage of GNP) and Debt Service (percentage of exports)



Source: World Bank.

September 2003 and February 2004. In 2004, external aid exceeded $1 billion, two-thirds of which came from multilateral institutions. At a meeting of the consultative committee in November 2004, the development partners made funding commitments totalling $5.7 billion in 2005. Experience in other countries has shown that, in post-conflict situations, aid must bring immediate, visible results if it is to have an impact on political stability. For this reason, the government and donors attach particular importance to the quality of expenditure and smooth, rapid disbursement.

External debt is very high at $12.6 billion, nearly 200 per cent of GDP. As for bilateral debt, DRC signed a restructuring agreement with the Paris Club in September 2002 and obtained a 67 per cent reduction in debt service. Subsequently, under the Heavily Indebted Poor Countries (HIPC) Initiative, the reduction was increased to 90 per cent, representing $100 million in 2003, $200 million in 2004 and $200 to $400 million per year from 2005 on. Several countries have signalled their readiness to cancel debt once the country has reached completion point and even, in the case of Switzerland, immediately. The debt service/exports ratio fell from 8.9 per cent in 2003 to 5.8 per cent in 2004, but should rise to about 10 per cent during the 2005-07 period owing to further borrowing.

Structural Issues

The business climate in DRC has paid the price of the long period of political instability. The private sector in general is suffering from a lack of infrastructure, a lack of judicial and economic security, public sector inefficiency and corruption, the size of the public debt, high energy costs and often unfair competition from illegal imports.

The infrastructure problem, particularly in the transport sector, has taken on overriding importance in DRC because it is the pre-condition for any possibility of a return to normality. DRC has 57 700 km of roads, but only 2 800 km are paved and much of the road network is in poor condition owing to lack of maintenance. Even before the war, there was virtually no river traffic on the Congo and its tributaries because of the risk that travellers and goods would be held for ransom. The virtual closure of the river to traffic has cut Kinshasa off from the northwestern, northeastern and northern regions, which were important contributors to the capital's food supply. Port facilities are inadequate and there is no deep-water port. For the eastern and southern regions, which are completely landlocked, sea traffic passes through the ports of Dar-es-Salaam in Tanzania and Lobito in Angola. The EMRRP is to carry out major construction projects in the transport, water, water treatment and electrical energy sectors in urban areas. The estimated cost of the EMRRP in 2002 was $1.7 billion, but it will probably increase since the programme is to be extended to areas formerly held by the rebels.

To make the country's industrial sector more competitive, the government has launched a programme to reform public enterprises, under the aegis of the steering committee for reform of public enterprises (COPIREP). The reform targets the mining, transport, energy, telecommunications and financial sectors in particular. Public mining, energy, water and transport enterprises are the dominant forces in the production system, but the state is heavily indebted and unable to assume its role of promoting economic activity. The current period of political transition is, however, not propitious for the privatisation of public sector companies, as there is opposition to the "squandering of national assets". The country has adopted new investment, mining and forestry codes that afford operators and investors more fiscal incentives, guarantees and transparency. A new employment code was also published in October 2002 in an effort to align working conditions with international standards. The national investment promotion agency (ANAPI), established in 2001, serves as a one-stop reception point for investors seeking to set up a business in the country. Recently, DRC expressed its intention to join the Organisation for the Harmonisation of Business Law in Africa (OHADA) in order to modernise its judicial system.

The government has also committed itself to improving the quality of public services, reforming the civil service and establishing a structure to fight corruption. An ethics and anti-corruption commission has been in existence since mid-2003 but had finished only two cases as of October 2004, with 87 still in progress. Parliament has passed a law against money laundering. The government has approved a first wave of 10 000 early retirements in public services, but the reform programme provides for 100 000 in all. Gécamines is also being restructured, and its workforce reduction programme provides for the early retirement of 10 000 employees.

To improve public sector governance, it will be necessary to solve the problem posed by the failure to pay the salaries of lower-grade civil servants, which is the cause of their lack of motivation and the corruption in the civil service. A recent financial audit revived the scandal on this subject by revealing that certain senior managers in public enterprises had monthly earnings of up to $25 000, whereas the minimum wage in the civil service is $15. Salaries are higher in the private sector at around $50 per month, but employees are often not paid for several months at a time.

Small and medium-sized enterprises (SMEs) and micro-enterprises have an important role to play in rebuilding the country because they are flexible, adapt easily to demand and can be effective in the fight against poverty. Most small Congolese companies went bankrupt in the 1990s, either following the looting which occurred from 1993 to 1996 or during the war period. Major obstacles to the development of small firms include their lack of technical and managerial skills, difficult access to financial resources and, most importantly, lack of security. There is very little demand for sub-contracting on the part of large firms. As a result, SMEs are hardly participating at all in the development process. Their technology is obsolete and their productivity very low. They have neither accounting systems nor any real financial and organisational discipline, and their average lifetime is five years. In addition, the steady decline in living standards has led to explosive growth of the informal productive sector, reflecting household survival strategies. Small businesses and families often overlap, and the Congolese are often self-employed or employ members of their families. The bulk of the income from their activities is devoted to household consumption rather than to investment and business growth. The authorities estimate that 40 per cent of businesses in urban areas have no permit, and the figure is certainly much higher in rural areas.

The procedures required for starting a business are costly in terms of both time and money. On average, it takes five months to start a business in RDC, there are 21 separate procedures – some established by legislation dating from the early 20th century – and the cost is estimated at 603 per cent of national income per capita. In addition, companies complain of red tape and the opportunistic behaviour of tax officials, who tirelessly seek to profit from the system. The two problems most often mentioned are the large number of taxes and the fact that tax assessments are based not on net income but on turnover.

The biggest obstacle facing SMEs is financing. They cover their capital requirements through advances from customers, family and friends. Tontines are very little developed in comparison with Cameroon and other countries in the region. Banks grant no loans whatsoever to SMEs. An SME department has been formed within the Ministry of Industry, but its financial resources are paltry given the scale of the sector's requirements. With less than $1 million per month, the fund for the promotion of industry can support no more than five or six projects per month, and it prefers to assist large companies located in the two provinces closest to the capital, Kinshasa and Bas-Congo.

The micro-credit sector is also under-developed. As is generally the case, savings and credit co-operatives replaced banks in this activity in the 1970s, and NGOs subsequently played a significant role in financing micro-business. The crisis and the hyper-inflation of the 1990s had a strong impact on the way they operate. NGOs are now forbidden to conduct financing operations. In September 2000, a micro-financing unit was set up in the BCC's department for the supervision of financial intermediaries, with the basic role of supervising the sector. This unit wants to restructure the sector and eliminate all informal and inefficient forms of micro-financing via an accreditation system. Micro-finance institutions are often very inefficient. The savings, credit and investment co-operative for SMEs (CECI-PME), for example, collects the savings of members for redistribution to them in the form of loans, on condition that they have subscribed for three months and have participated in a training programme. It subsequently requires financial guarantees and funds covering 30 per cent of the cost of the investment to grant a six- or twelve-month loan at a monthly interest rate of 5 per cent. The average loan is $2 700. In September 2004, a number of donors took part in the launch of the Pro Credit Bank, which specialises in micro-financing. This bank, which operates in several countries, is supported by Dutch and German financial partners, the International Finance Corporation and a technical partner. It offers financial services only to small and micro-enterprises.

Political and Social Context

Since the signing of the Lusaka ceasefire agreement with Rwanda and Uganda in July 1999, a number of important steps have been taken towards the restoration of peace and reunification of the country. The global and all-inclusive transition agreement signed in Pretoria in December 2002 paved the way for the new constitution and the transition institutions. Various bodies intended to ensure a sound democratic process have been set up: the ethics and anti-corruption commission, a high authority for the media, a human rights commission, a commission for truth and reconstruction, and an electoral commission. The government of national reunification formed in July 2003 brings together the various political and military forces in presence, with a president and four vice-presidents belonging to four distinct military entities. Although power sharing has made it possible to re-establish calm, it can also slow down decision-making. The DDR process has also got under way, although not without difficulty. The demobilisation period will last for 18 months and will be followed by a three-year reintegration period. The number of combatants who took part in the conflict is estimated at 150 000 to 200 000.

The transition process is clashing with the economic and social interests of the neighbouring countries – Burundi, Uganda and Rwanda – involved in the conflict in the eastern DRC. Illegal mining and smuggling of natural resources such as diamonds helped to finance the war. In addition, internal conflicts in neighbouring countries remain an indirect destabilising factor in DRC. Political stabilisation of the entire Great Lakes region is therefore essential to economic development and the establishment of peace in DRC. In October 2004, nearly 6 000 UN soldiers and extra police were deployed to stabilise the situation in the east, in Ituri, Nord-Kivu and Sud-Kivu. Provincial authorities in the north and east, which were long in rebel hands, were appointed only in June 2004. Free democratic elections were scheduled for June 2005 by the independent electoral commission, but in the end were postponed. It would be easier to hold proper elections if these problems were settled, particularly the reunification of the police and national army.

DRC is one of the poorest countries in the world, with strongly marked inequalities. The conflict has had a devastating impact on productive capacity, on the environment and on poverty. Human rights violations, particularly against women and children, have deeply affected the population. In several provinces, anti-personnel mines still prevent people from cultivating the land. In 2002, 80 per cent of the population lived under the poverty line of $0.2 per day. Nearly 44 per cent of women and about 22 per cent of men have no income. Regional disparities are very marked. For example, average annual income in the eastern part of the country was $32 per capita, as against $138 in the south and $323 in Kinshasa province. The country's poverty is reflected in the malnutrition affecting 30-50 per cent of women and children. Altogether, 16 million people are in a situation of food insecurity. A number of vulnerable groups lacking care and food – refugees, orphans, children out of school and child soldiers – have come into being.

The employment crisis is one of the major causes of the social crisis. The unemployment rate is very high, while salaries and social benefits are trifling. In 2000, only 4 per cent of the total working population, and 8 per cent of the male working population, had a job. Married women cannot enter the job market without their husbands' permission. The informal sector has become the largest sector of the economy, and salaries are negotiated in a context of strong demand for employment.

Less than half of urban water requirements are satisfied, while in rural areas, where two-thirds of the population live, access to drinking water is virtually non-existent. Social indicators in general have reached alarming levels and have deteriorated these last few years. The infant mortality rate has risen from 125 per thousand in 1990 to 170 per thousand in 2000, the maternal mortality rate from 800 per 100 000 live births in 1990 to 2 000 at present. Life expectancy was 42 years in 2002, whereas the African average is 51.

Nearly half the population is under 15 years old, a situation which creates enormous needs in terms of education and health for young people. Unfortunately, fewer than 26 per cent have access to basic health care. Malaria causes heavy losses in DRC, and diseases which had been eradicated, such as trypanosomiasis, leprosy and plague, have reappeared. The HIV/AIDS pandemic affects 4 per cent of the population aged 15 to 49, and the figure could be as high as 20 to 22 per cent in occupied provinces in the east. According to the latest estimates, about 750 000 children have lost at least one parent to the disease.

Owing to the incapacity of the state, the education system is primarily financed by parents. The school enrolment rate is 52 per cent, and illiteracy, already very high among the general population at 37 per cent, reaches 48 per cent among women. Enrolments in primary education have fallen because of the isolation of some areas, parents' increasing inability to pay school fees, the failure to maintain infrastructure, lack of schoolbooks and a decline in teaching quality. Primary school teachers are paid less than $20 per month. The national programme calls for universal primary education by 2015, but this objective, unfortunately, does not seem credible.