Congo, Democratic Republic

GDP growth speeded up in 2012 to 7.2%, from 6.9% in 2011, driven by vigorous performances in mining, trade, agriculture and construction, despite the political situation and lawlessness in the eastern provinces. The economy should continue to expand in 2013 (8.2%) but prospects depend on political stability, better security in the east and continuing structural reforms.

Efforts to stabilise the macroeconomic framework continue apace thanks to a tight budget policy, the gradual easing of monetary policy and a recovery in export earnings.

The fundamental structure of the economy has changed little in the past 20 years and is still based on mining and agriculture. Government revenue from mining is paltry in the light of the potential. Serious food problems for the population reflect low agricultural productivity.

Overview

The economy grew 7.2% in 2012 despite difficult world economic and financial conditions and a worrying domestic political and security situation. The performance was largely due to extractive industries, trade, agriculture and construction, macroeconomic stability and robust domestic demand. Growth should continue, to 8.2% in 2013 and 9.4% in 2014, in the light of world demand for minerals and the major investment in the sector in recent years.

Macroeconomic policy in 2012 aimed to cut inflation, stabilise the exchange rate and boost foreign currency reserves to ensure greater predictability and help the economy grow. Tight public finance management and easing of monetary policy are helping to curb inflation better and it fell to 6.4% from 15.4% in 2011. The central bank (BCC) substantially cut its key interest rate from 21% to 6% by the end of 2012 year-on-year to boost credit to the economy. Higher exchange reserves from a resurgence of exports increased coverage of imports to 8.6 weeks at the end of the year from 7.2 weeks a year earlier.

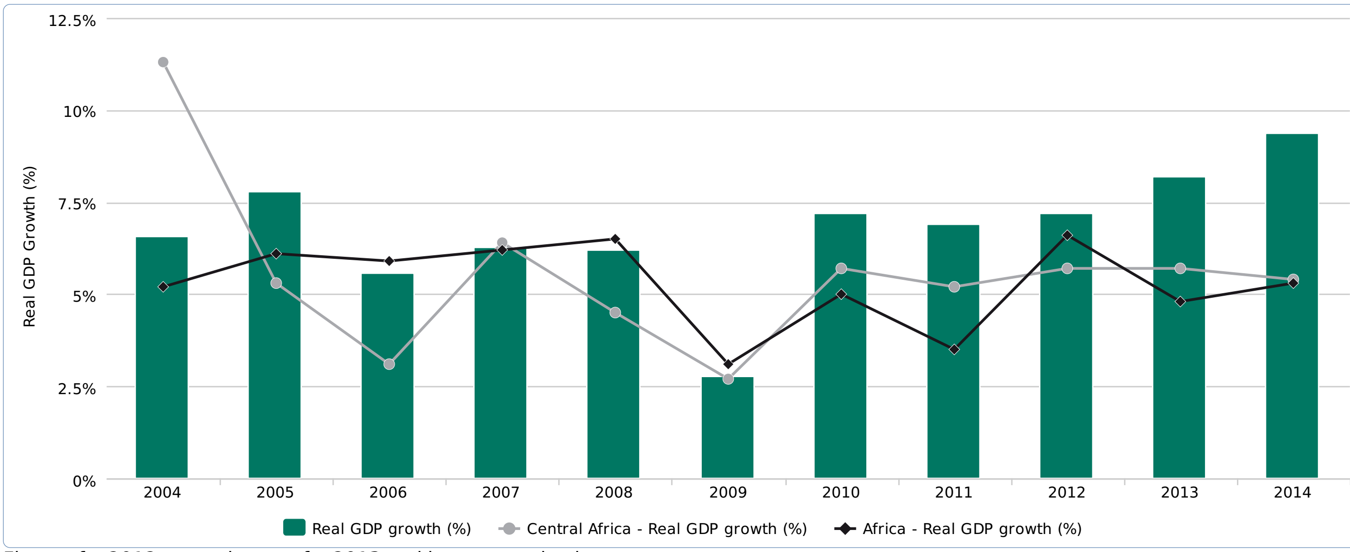
The turnover tax was replaced by value added tax (VAT) in 2012 to encourage growth. The World Bank report *Doing Business 2013* demoted the DRC one place, from 180th to 181st overall, because of problems in getting electricity, protecting investors, paying taxes, trading across borders and enforcing contracts, though some progress was made in dealing with construction permits, registering property and resolving insolvency. But prospects are good with the government joining OHADA (the Organisation for the Harmonization of Business Law in Africa).

The country's poverty contrasts with the huge potential of its natural resources. The social situation remained fragile in 2012 despite continuing economic growth. Low pay, difficulties in finding work and serious malnutrition undermine the health of the population.

The situation was very difficult in North Kivu province at the end of 2012 because of a new rebellion by the March 23 Movement (M23) demanding that the government respect agreements it made with the former rebel movement it succeeded, the *Congrès national pour la défense du peuple* (CNDP), and contesting violently the 2011 general elections. This lawlessness enables minerals to be illegally mined, harms agriculture, movement of food supplies and tax collection in the rebel area, and has delayed the new school year in some places.

The fundamental shape of the economy has not changed much since 1990. Agriculture and extractive industries are its main pillars accounting for 50% of GDP. Mining tax revenue is paltry. Despite the size of agriculture in GDP, 75% of Congolese do not have enough to eat.

Figure 1: Real GDP growth 2013 (Central)



Figures for 2012 are estimates; for 2013 and later are projections.

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Table 1: Macroeconomic indicators

	2011	2012	2013	2014
Real GDP growth	6.9	7.2	8.2	9.4
Real GDP per capita growth	4.2	4.6	5.6	6.8
CPI inflation	15.4	6.4	5.9	5.5
Budget balance % GDP	-0.4	-6.2	-5.2	-3
Current account % GDP	-11.5	-11.1	-11	-9.1

Figures for 2012 are estimates; for 2013 and later are projections.

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Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2007	2011
Agriculture, forestry & fishing	-	-
Agriculture, hunting, forestry, fishing	22.8	22.2
Construction	4.4	4.7
Electricity, gas and water	1.3	1.2
Electricity, water and sanitation	-	-
Extractions	-	-
Finance, insurance and social solidarity	-	-
Finance, real estate and business services	10.1	7.3
General government services	-	-
Gross domestic product at basic prices / factor cost	100	100
Manufacturing	20.7	23.2
Mining	5.5	8.4
Other services	0	0
Public Administration & Personal Services	-	-
Public Administration, Education, Health & Social Work, Community, Social & Personal Services	6.8	7.4
Public administration, education, health & social work, community, social & personal services	-	-
Social services	-	-
Transport, storage and communication	14.3	12.2
Transportation, communication & information	-	-
Wholesale and retail trade, hotels and restaurants	14.1	13.5
Wholesale, retail trade and real estate ownership	-	-

StatLink http://dx.doi.org/10.1787/888932809127

The economy remained quite robust in 2012 and grew 7.2%. Better world mineral prices helped extractive industries, while exchange rate stability and upgrading roads helped trade to expand. The government's programme of major public works produced another solid performance by the construction sector. Manufacturing and transport were not very significant and the energy sector dampened overall growth.
Agriculture is about 40% of GDP, employs 70% of the population and production was up in 2012 due to coffee (+9.2%), logs and sawn wood (+0.1%) and the repair of several agricultural roads. Food crops did slightly better thanks to government support for small farmers in recent years (distribution of tractors, fertiliser and improved seeds). The agricultural drive launched by the government in 2012 should boost the sector over the next few years. The government is allotting USD 23 million for crops, fisheries and animal production, upkeep of agricultural roads, improving the lives of farmers, especially better access to drinking water.
Extractive industries did well because of good world prices and the substantial investment they have attracted in recent years (about USD 2 billion for Tenke Fungurume Mining, USD 1.5 billion for Kamoto Copper Company and USD 750 million for Metalkol). Output was mixed, with (up to September 2012 year-on-year) increased

volume of copper (+24.6%), cobalt (+22.27%) and zinc (+5.65%) and a fall in production of diamonds (-6.9%) and oil (-1.1%); Copper output was 500 000 tonnes in 2012 and gold less than a tonne.

The drop in industrial diamond production was partly due to exhaustion of detrital deposits by the Bakwanga mining company (Miba). The artisanal diamond sector lacks investment and was hit by a new government requirement for deoxidisation before export. The continuing decline in oil output was due to the upgrading of several wells belonging to Perenco but production should increase in coming years when extraction begins in the potentially oil-bearing zones of Virunga National Park and Lake Albert, which are currently being prospected by Soco International and Total.

Manufacturing only accounted for 2.08 percentage points of growth in 2012 because of outdated equipment, limited capacity to use new technology, the effect of foreign competition and shortage of electricity. The energy sector hampered growth slightly (0.01 percentage points) because of the longstanding technical and financial problems of the national electricity company (SNEL) and water company (Regideso), along with non-payment of arrears by the government accounting for annual losses of USD 30 million (electricity) and USD 50 million (water).

The tertiary sector once again contributed quite substantially to growth in 2012. The expansion of commerce was due to exchange rate stability, better roads and decongestion at the ports of Matadi and Boma. Transport and communications accounted for 3.7 percentage points of GDP growth and telecommunications grew 8.2% due to increased demand after two new operators (Africell and Orange) entered the local market. Some sectors of transport did less well than in 2011, including railways because of poor-condition rolling stock. The services sector progressed slightly and the holding of the 14^{th} Francophone Summit boosted hotels. The weak performance was due to less hotel business in eastern Congo because of fighting, tourism being an important activity in North Kivu.

Faster growth in 2012 was driven by a good level of investment (51.3% of GDP) and private (31.6%) and public consumption (16.3%). Robust private consumption boosted wholesale and retail commerce. The investment rate increased to 28.2% of GDP (from 20.5% in 2011), with foreign direct investment (FDI) rising to USD 1.62 billion (from USD 1.596 billion), drawn by the extractive industries, basic infrastructure work and growth of private housing.

The combined effects of investment in the extractive industries in recent years, the new agricultural drive, and of the upgrading of infrastructure (especially introduction of fibre-optic cables) could push overall growth to 8.2% in 2013 and 9.4% in 2014. A start to production by new mining firms (Banro, Kibali Gold and Rand Gold) could also stimulate the economy. Copper output should exceed 600 000 tonnes in 2013 and reach about 1 million in 2014, while gold production is estimated at 2 tonnes in 2013 and 14 tonnes in 2014. The healthy mining sector should boost other parts of the economy.

These forecasts depend on world mineral prices and the security situation in the east of the country. Continued fighting may undermine business confidence and slow down activity because of the pressure of military spending on public finances. Poor energy supplies and a resulting timid business climate could undermine macroeconomic stability.

Macroeconomic Policy

Fiscal Policy

Macroeconomic policy in 2012 was in line with the government programme backed by the International Monetary Fund (IMF) which seeks to curb inflation, stabilise the exchange rate and increase foreign currency reserves. The government made efforts to increase tax revenue and limit spending without harming growth. The central bank (BCC) eased its monetary policy while balancing real flows and money flows to encourage economic activity.

The government conducted a very tight budget policy to preserve macroeconomic stability, though did spend to support growth. Because some revenue was erratic, it kept strictly to its commitments so as to ensure budget viability.

Government revenue was 32.4% of GDP, 3.4 percentage points down from 2011 because of non-execution of budget support (grants), which was 12.2% of GDP in 2011. This was due to late parliamentary approval of the 2012 budget (in June 2012) and post-election political uncertainties. But concerted efforts (introduction of VAT and customs reforms) boosted tax revenue by 8.8 percentage points.

The government increased its potential income by limiting tax exemptions, ending tax-breaks for oil, imposing a levy on phone calls, strengthening customs staff and imposing VAT on some common goods hitherto exempted. Dropping tax concessions for oil brought in CDF 70 billion (Congolese francs) and extending the professional income tax to all political bodies and all Congolese working in embassies and international organisations raised CDF 100 billion.

The government did not, however, manage to curb its spending, which was 38.6% of GDP (up from 36.2% in 2011) and dominated by wages, recurrent costs and emergency outlays. The emergency spending, linked to fighting in the east, was 15.7% of the total (up from 9.3%). Capital spending was 21.7% of the total (19.5% in 2011). The government budgeted USD 23 million for the 2012 crop year to boost the economy. The overall result was a deficit of 6.1% of GDP (up from a deficit of 0.4% of GDP in 2011).

In 2013, the government aims to increase its capacity to maintain macroeconomic stability and fund its programme of major public works. The budget, based on a medium-term expenditure framework (MTEF), distinguishes central and provincial spending and has been set at CDF 6 973.9 billion, up 4.1% on 2012. As part of dedollarising the economy, the government will make most of its payments in Congolese francs from 2013, including domestic debt reimbursements after certification and negotiation of discounts through securitisation.

Table 3: Public Finances (percentage of GDP)

	2009	2010	2011	2012	2013	2014
Total revenue and grants	24.3	33	35.8	32.5	36.4	38.8
Tax revenue	16.8	18.9	23.6	32.4	33.4	33.1
Oil revenue	-	-	-	-	-	-
Grants	7.5	14.1	12.2	0	3	5.7
Total expenditure and net lending (a)	28.5	30.6	36.2	38.6	41.6	41.8
Current expenditure	20.7	16.5	16.8	20.7	20.7	20.7
Excluding interest	15.3	14.3	14.6	18.7	18.8	18.8
Wages and salaries	6	5.9	6	6.7	9.9	11.8
Interest	5.5	2.2	2.2	2.1	2	1.9
Primary balance	1.3	4.6	1.8	-4.1	-3.2	-1.1
Overall balance	-4.2	2.4	-0.4	-6.2	-5.2	-3

Figures for 2012 are estimates; for 2013 and later are projections.

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Monetary Policy

The BCC eased its monetary policy to stimulate the economy in 2012, adjusting liquidity by lowering its intervention rate from 21% to 6% by the end of 2012 year-on-year to boost credit to the economy but keeping the bank reserve requirement the same, as well as using treasury notes and buying foreign exchange.

The money supply rose 15%, partly due to net external assets increasing 65.8% over 2011. Net internal assets fell 11.7% because banks gave less credit to the government. The money supply also grew because of a rise in currency deposits to CDF 202.6 billion, which resulted in a 68.7% dollarisation rate.

To facilitate dealings in local currency and reduce costs, the BCC issued new banknotes (CDF 1 000, 5 000 and 10 000) in July 2012. This was done gradually, to prevent inflation and protect the exchange rate. Annual average inflation fell to 6.4% (from 15.4%), mainly due to higher food and energy prices. The exchange rate was steady, at about CDF 920 to the US dollar.

Inflation should fall further in 2013, to 5.9%. The BCC plans to start forecasting liquidity to improve regulation and begin making adjustments taking into account possible gaps between forecasts and buying of treasury notes. A lower intervention rate is also expected, along with a smaller reserve requirement, to help credit houses and allow them to use the freed-up resources to lend to the economy in local currency. The BCC will also impose a discrimination coefficient for deposits in Congolese francs and those in foreign currency to encourage domestic savings in local currency.

To reduce the risk of a systemic crisis in the banking sector caused by a shortage of foreign currency, the BCC will start to dedollarise the economy in 2013. It will also keep an administered floating exchange rate to reduce rate volatility. This will support the level of foreign exchange reserves, currently equivalent to two months of imports, which is expected to rise to six months by 2016.

Economic Cooperation, Regional Integration & Trade

The DRC belongs to several sub-regional organisations, including the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS) and the Economic Community of the Great Lakes Countries (ECGLC), but is not a very active member because of its economic, political and institutional instability.

In 2012, it played an active part in the renovation of COMESA’s customs union, which essentially concerned how far the member states had implemented the union’s main instruments, especially the common tariff nomenclature (CTN), the lists of tariff alignments, and the common external tariff (CET) and customs regulations. The DRC also took part in a SADC council of ministers meeting that discussed the tripartite free trade zone between COMESA, SADC and the East African Community (EAC) and implementation of the COMESA customs union.

The current account still has a structural deficit because of the continuing deficit in the services and factor income balance. But the current account shortfall improved to 9.2% of GDP in 2012 (from 11.5% in 2011) due to higher exports. The trade surplus rose to 7.0% of GDP (from 3.2%). Exports in the first half of 2012 were dominated by copper and cobalt (together 88% of the total). Imports were mostly capital goods (63.8%) and consumer items (20.9%). The export revival was mostly due to increased demand for minerals by emerging countries and boosted exchange reserves, which were USD 1.5 billion at the end of 2012, the equivalent of 8.6 weeks of imports.

Net capital outflow was USD 381.6 million in 2012 (compared with a net inflow of USD 393.1 million in 2011) because of higher portfolio investments abroad. FDI rose to USD 1.62 billion (from 1.59 billion) mainly in the extractive industries. The capital and financial operations account had a surplus of USD 622.6 million because of major transfers to the government (USD 913 million).

Table 4: Current Account (percentage of GDP)

	2004	2009	2010	2011	2012	2013	2014
Trade balance	1.2	-5.2	5	3.2	7	4.1	2.2
Exports of goods (f.o.b.)	28.1	39.3	63.4	62.4	61.1	56.2	52.5
Imports of goods (f.o.b.)	26.8	44.6	58.4	59.2	54.1	52.2	50.2
Services	-4.9	-10.5	-14.6	-13	-10.4	-10.4	-9.4
Factor income	-4.7	-7	-6.9	-8.1	-11.5	-13.9	-13.2
Current transfers	5.5	12.2	8.4	6.3	5.6	5.7	4.9
Current account balance	-3	-10.5	-8.1	-11.5	-9.2	-14.5	-15.4

Figures for 2012 are estimates; for 2013 and later are projections.

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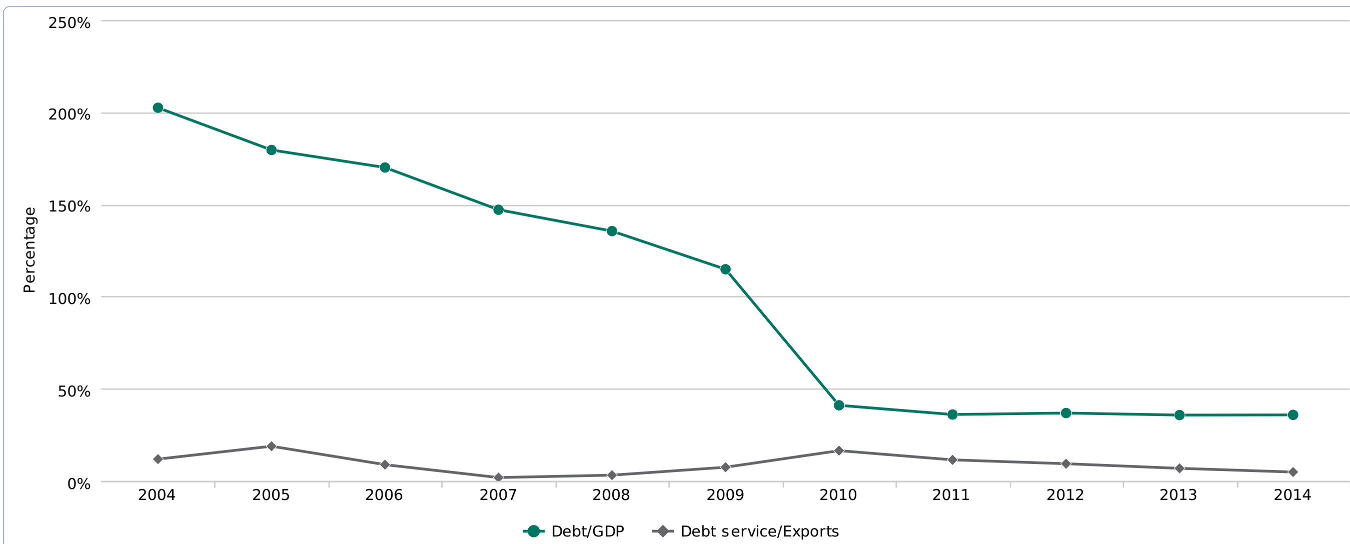
Debt Policy

The government's debt is still unsustainable and the risk of excessive debt is high even though the DRC was granted substantial external debt relief in 2010 and 2011 under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). But the size of its domestic arrears and continued tendencies towards excessive external debt weigh on public finances. External debt increased to USD 5.59 billion in 2012 (after falling to USD 4.73 billion in 2011).

The budgeted cost of servicing the external debt in 2012 was 1.6% of exports and 4% of government revenue but was only partly executed. The country had payment arrears by February of more than USD 18 million but these have now been cleared and steps taken to strengthen debt management. Domestic debt payment arrears increased by CDF 163 billion (USD 180 million) between 2011 and 2012.

Co-ordination of debt management and other macroeconomic policies will be crucial to ensure public debt does not harm development efforts. It is also essential that the government maintain a cautious borrowing policy to reduce the country's vulnerability.

Figure 2: Stock of total external debt and debt service 2013



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StatLink http://dx.doi.org/10.1787/888932805156

Economic & Political Governance

Private Sector

Most firms in the undeveloped private sector are foreign owned, with some low-productivity informal enterprises that are not very profitable. Lack of infrastructure, unreliable energy supply, problems getting credit and a poor business climate slow the country's growth and reduce the chances of increasing its competitiveness through economies of scale.

The government has been thinking about joining OHADA since 2003 to create a better investment climate and several studies and training sessions were done. A law authorising membership was not promulgated until 2010 and ratification was only in July 2012. Despite efforts to improve the business climate in 2011, the DRC fell one place in the World Bank report *Doing Business 2013*, from 180th to 181st overall, because of low scores for getting electricity, protecting investors, paying taxes, trading across borders and enforcing contracts. But some progress was made in dealing with construction permits, registering property and resolving insolvency.

The one-stop shop for trade, begun in 2010, is almost operational. The government appealed in 2012 for a private firm to run it. The new system may improve the country's trade ranking in *Doing Business* as it will lead to cheaper passage through customs and speed up imports and exports by reducing border officialdom.

The government decided in 2012 to abolish some fees payable to the *Office congolais de contrôle* to facilitate international trade. Because of high world food and oil prices, the government abolished several quality control taxes on imports of cereals and oil products to reduce costs for importers, while at the same time stepping up quality control. It also banned the import of vehicles made before 2002 in an effort to reduce urban pollution and improve urban transport.

Investors are still discouraged by spasmodic and insufficient electricity supply, political instability and lawlessness. Better access to long-term funding as part of a more integrated and harmonised sub-regional market, along with continuance of the government's programme of major public works, could much improve the business climate.

Financial Sector

The sector has 26 credit institutions, one insurance company, about 100 microfinance bodies and a few financial messaging firms and foreign currency offices. The BCC has cancelled recognition of 10 microfinance institutions for not complying with prudential management laws and regulations, so as to keep the sector in a healthy state and protect savings. The sector will be helped from 2013 by modernisation of two national offices handling risks and payments.

The national microfinance fund (FNM) was set up in 2011 and began operating in 2012 with USD 2.5 million capital from the government which (along with some aid donors) gave it more in 2013 so it could effectively participate in the fight against poverty. The government also backed economic recovery efforts by giving USD 5 million to the financial development company (SOFIDE), half of what it needed to get back on its feet.

The banking system changed significantly in 2012, with more ATMs, encouraging greater use of cash, and the introduction of mobile banking, which was a revolution. A nationwide online interbank clearing system speeded up local currency transactions. The BCC also began automatic handling of foreign currency payments and incoming and outgoing capital movements to simplify keeping track of the balance of payments.

The banks' balance sheet total is USD 3.473 billion, with deposits of USD 2.43 billion and credits to the economy of USD 1.418 billion. Despite this progress, the financial sector is still limited in scope because only 2% of the population use banks and people have limited access to their services. Small- and medium-sized enterprises (SMEs) have trouble getting loans, which usually go to a few big companies. More than 60% of bank loans in 2012 were short term (less than a year), of which 48.5% were made as overdrafts. Long-term credit, which supports growth better, was only 4.6% of the total. Most (95%) were in foreign currency, in which commercial banks get most of their deposits and which most businesspeople prefer.

Public Sector Management, Institutions & Reform

The public sector has suffered greatly from the political and institutional instability, which has resulted in bad economic and financial governance, higher budget deficits and weaker state authority. Along with short-term efforts to stabilise the economy, major structural reforms have begun, including in public services and towards good governance to strengthen the rule of law and promote transparency.

Although required by the national constitution, political and administrative decentralisation is going slowly, especially in financial matters because of delays in transferring skills, setting up public finance management tools in the provinces and training staff. Nomenclature of revenue-generating activity for the central and local government has been completed, but machinery for awarding government contracts in the provinces is not yet fully in place.

Natural Resource Management & Environment

Despite its abundant natural resources, the DRC is one of the world's poorest countries. Tax revenue from the mining sector is quite small because of the predominance of small-scale and informal production, along with institutional and administrative failings, export fraud and persistence of corruption.

The British non-governmental organisation (NGO) Free Fair DRC reported in 2011 that mining rights had been sold at knockdown prices to fictitious companies mostly based in tax havens such as the British Virgin Islands. It named 59 such firms and put the loss of earnings for the DRC at USD 5.5 billion. This situation led the IMF to suspend its support for the government's economic programme.

To combat such misconduct, the World Bank has since 2010 funded with USD 92 million the Promines project to boost the capacity of mining sector management institutions, as well as improve conditions to attract more investment, and increase revenue from mining and the quantity and quality of production.

The government is to revise the mining and oil laws and regulations to include strong rules about transparency, bidding for contracts and the rights of local communities. This should help fight corruption and enable the country to get the best possible prices for its natural resources.

Less than 1% of the 2012 budget went to the environment and covered only a very small part of recurrent spending. Investment in the sector has been by foreign aid donors. The national constitution stipulates decentralised management of natural resources, but local people are reluctant to take part.

Political Context

The political scene is still marked by arguments about the November 2011 elections which re-elected President Joseph Kabila, as well as by fighting in the east. Some independent observers say the elections were flawed and several opposition parties and civil society organisations have called for the results to be cancelled, while others have suggested dialogue among politicians to calm the situation. These disputes and opposition party splits have prevented parliament from starting work.

A rebel group, the March 23 Movement (M23), emerged in eastern DRC in 2012 demanding that the government respect agreements it made with the former rebel movement it succeeded, the *Congrès national pour la défense du peuple* (CNDP). The new rebellion set back the progress made in restoring peace to the eastern provinces. Sub-regional and international conciliation efforts have been planned but despite international condemnation of foreign backing for the rebels, fighting goes on and continues to damage the city of Goma. The political situation in 2013 will depend on the result of ongoing talks between government and rebels.

Social Context & Human Development

Building Human Resources

Despite quickening growth, lower inflation and relative monetary stability, the social situation was still worrying in 2012. The country will not achieve any of the Millennium Development Goals (MDG) by the 2015 target date and the 2012 UN Human Development Index puts it in last place (186th).

Many parents cannot pay their children's school fees and in North Kivu, some schools did not reopen on time because of the lawlessness and fighting. In 2012 the government distributed several textbooks free to pupils nationwide in the first four years of primary school. But the school dropout rate remains high (4 million children).

The government pledged to renovate schools all around the country under its 2012-16 action programme and extend abolition of all primary school fees to the whole country. It also wants to strengthen technical and vocational education by upgrading, building and equipping classrooms, to update curricula, recycle teachers and turn some secondary schools, especially in rural areas, into technical and vocational training centres. The interim education plan (PIE) aims to improve accessibility, equality, the retention rate and the quality and relevance of teaching. The government wants to increase gross primary enrolment to 110% by 2016, increase the rate of girls in primary schools to 50%, expand the primary graduation rate to 75% and reduce illiteracy to less than 10%.

The healthcare situation remains worrying because of environmental pollution, substantial malnutrition and difficult access to safe water, which has allowed typhoid to spread widely. A cholera outbreak in some provinces worsened because of lack of public toilets and 19 276 cases were identified in July 2012 (up from 5 724 in 2011). First aid access was a serious problem in some hospitals. Malaria is still the country's leading killer and incidence of HIV/AIDS remains very high because of prostitution and rape, with sexual relations the leading cause of transmission (more than 83% of cases).

The government is preparing a road-map for safe water and sanitation for 2012-20 that should give 70% of the population access to it.

Poverty Reduction, Social Protection & Labour

Poverty is still widespread (about two-thirds of the population) because of low wages and difficult access to the labour market. Unemployment tops 50% for both men and women, whatever their qualifications, and the rate of about 30% among young people (under 25) is very worrying.

But the wage bill for civil servants rose 9.48% in 2012 (from CDF 1 096 to 1 200 billion) to meet pay demands by teachers, magistrates, doctors and other public employees. The 2012 budget increased allocations to education by 2% and healthcare by 1.5%.

To improve social protection for workers, the government now requires all employers to subscribe to the national social security institute (INSS) and the national professional training institute (INPP) and pay them 8.5% of their workers' monthly salary. It has also given a USD 300 000 monthly subsidy to the healthcare mutual fund for primary, secondary and vocational teachers (set up in November 2011) that will provide better access to healthcare for them and their families.

Gender Equality

Women, who are more than half the labour force and produce most of the country's food, are victims of several forms of violence. They are still a minority in state institutions (government, parliament and public administration), the private sector, trade unions, co-operatives, professional organisations and grassroots organisations. They are estimated to occupy fewer than 10% of positions of authority nationwide, including 5% in Kinshasa. A law to promote gender equality was adopted by parliament in April 2011 but has not yet been promulgated.

The government organised a workshop in September 2012 on gender equality in higher education, universities and scientific research. It aimed to confirm basic understanding of structural gender inequality; publicise latest data about gender inequality in higher education and research; discuss gender equality relating to recent laws; show how to define gender inequality in universities and how to work effectively towards equality; and introduce monitoring and assessment tools adapted to various fields.

Thematic analysis: Structural transformation and natural resources

Agriculture and mining have been the economy's main pillars since 1960 and still account for about half of GDP (in 2012, agriculture 40% and extractive industries 12%). About 70% of the population live in rural areas and depend on the two sectors. Export earnings also come chiefly from mining (88% in 2012).

The country has substantial agricultural, oil and mining potential. Its water resources can provide great amounts of electricity and safe water and 60 million of its 100 million hectares of dense tropical forest can be sustainably used. Its sedimentary basins contain more than 1 100 minerals, including 30% of the world's diamond reserves, 60% of its cobalt and 10% of its copper. These riches have not led to the country's development but have on the contrary fed wars between 1990 and 2000, which themselves encouraged fraud and so limited the contribution of these resources to the economy. About 60% of the minerals mined in eastern DRC are smuggled out and appear in the export statistics of neighbouring countries.

Economic progress between 1967 and 1974 was driven by mining which contributed 12% to GDP and provided 40% of government revenue. The sharp fall in copper and cobalt prices after the first oil crisis in 1974 caused the collapse of the biggest mining firm, Gécamines. In the 1980s, the sector was 25% of GDP, provided 25% of tax revenue and 75% of exports (60% from Gécamines). Two percentage points of the 5.5% drop in GDP between 1990 and 2000 were caused by the extractive industries and state mining firms suffered heavy losses because of their bad governance and heavy tax burden. The drop was also due to a hostile environment for private firms.

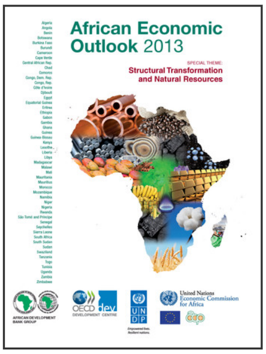
Promulgation in 2002 of new agriculture, forestry and mining laws and regulations amid high world prices helped persuade several big multinational firms (BHP Billiton, De Beers and Phelps) to set up in the DRC and revived forestry and mining activity. The 2008-09 world recession caused a big drop in prices of the country's main exports and thus a big fall in tax revenue. More than 40 mining firms shut down in Katanga province with the loss of about 300 000 jobs. Mineral prices rose again with the world economic recovery in 2010 and the country's extractive industries revived once more.

Oil exploration and output is still very small because of structural problems that have slowed down reforms needed for the sector to grow. Results are also poor because of low investment and outdated equipment which has led to closing some wells. Production fell between 2010 and 2012 because the firm Perenco was upgrading its equipment, but output should rise in the next few years as potential new oilfields are brought on stream by Soco International (in Virunga National Park) and Total (Lake Albert). Congolese oil is heavy-grade and not refined much before export and so does not yield much revenue for the government.

The energy sector has performed poorly since 1960 because of the outdated network and equipment of the national water firm Regideso and electricity company SNEL and their technical and financial problems. Their equipment is badly maintained and new investment is virtually non-existent. The sector is a drag on growth and very costly to industry and households. SNEL serves only 10% of the population, service is poor and it cannot meet demand, with lines in Kinshasa and from Inga to Katanga overloaded. Drinking water supply is steadily getting worse, with only 46% of the population having access.

The government has sold shares in mining and forestry operations to firms where the structure of the management is not clear. It signed contracts in 2008 worth USD 9 billion with a group of Chinese firms granting mining concessions in exchange for providing basic infrastructure. Gécamines and Sodimico sold their shares in four large mines without making public the details of the deals. These deals are very controversial and some involved knockdown prices to owners of firms based in tax-havens whose real identities are hidden. The risk of embezzlement and loss of revenue is very great and the authorities should ban secret talks with such firms

To promote good management of natural resources, the DRC set up a national committee on the Extractive Industries Transparency Initiative (EITI)) in 2009. Under a UN security and stabilisation support strategy, five offices each offering full national mining services have been set up in North and South Kivu to improve traceability of products and maintain close links with the mining areas. The government decided in 2012 to review the mining and oil laws and regulations to make them much more transparent and stricter about bidding for contracts and protecting local communities. Such measures should combat corruption and help get the best possible prices for the country's natural resources.



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