



# Public Private Cooperation Fragile States

*Field study report DR Congo*

*As part of the Country Study DR Congo*

*Working group: Public Private Cooperation in Fragile States*

*July 2009*

# Public Private Cooperation in eastern DRC

Report of field research mission to North Kivu and Ituri  
April 2009



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**Country PPC Study DR Congo**

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## Abbreviations

AAA	Agro Action Allemand
ACIAR	Appui a la Communication Interculturelle et a l'Autopromotion Rurale
ACOOPELI	Association des Coopératives des Eleveurs en Ituri
APAV	Association des Producteurs Agricoles de Vuhimba (Butembo area)
ASEKAFU	Association des consommateurs d'eau de Katwa Futetwe (Butembo suburbs)
ATLA	Association des Transporteurs au Lac Albert
BIAC	Banque Internationale d'Afrique Centrale
CAPEC	Caisse d'Appui à l'Entrepreneuriat Communautaire
CBCA	Communauté Baptiste au Centre de l'Afrique
CBFP	Congo Basin Forest Partnership
CBO	Community Based Organisation
CETRACA	Trade, Elevage, Transport et Café
CGRDAI	Commission de Gestion Routière de Desserte Agricole en Ituri
COOCENKI	Coopérative Centrale du Nord Kivu
CNDP	Congres National pour la Défense du Peuple
CREF	Conservation et la Réhabilitation des Ecosystèmes Forestiers.
CSO	Civil Society Organisations
DGM	Direction Générale de Migration
DGOS	Directoraat Generaal Ontwikkelings Samenwerking (België)
FARDC	Forces Armées de la République Démocratique du Congo
FAT	Forum des Amis de la Terre
FEC	Fédération des Entreprises au Congo.
FDLR	Forces Démocratiques pour la Libération du Rwanda
FOPAC	Fédération des Producteurs Agricoles du Congo
FPJC	Front Populaire pour la Justice au Congo
HIMO	Haut Intensité de Main d'Oeuvre
ICCN	Institut Congolais pour la Conservation de la Nature
IDP	Internally Displaced Persons
IFDC	International Center for Soil Fertility & Agricultural Development
INGO	International Non Governmental Organisation
LOFEPACO	Ligue des Organisations des Femmes Paysannes du Congo
MONUC	Mission de l'Organisation des Nations Unies au Congo
MSR	Mouvement Social pour le Renouveau- former civil society movement
OFIDA	Office des Douanes et Accises
PPRD	Parti du Peuple pour la Reconstruction et la Démocratie
RCD-Goma	Rassemblement pour la Démocratie –Goma branche
RCD-KML	Rassemblement pour la Démocratie- Kisangani Mouvement pour la Libération
Regideso	Régie des Eaux- DRC (state water company)
REHA	Réseau de l'Eau, Hygiène et Assainissement
SAIBU	Savonnerie Industrielle de Butembo
SENOKI	Société d'Electrification du Nord Kivu
SOCOTRANS	Société Congolaise de Transformation
SOFICOM	Société Financière de Trade
SNEL	Société Nationale d'Electricité- DRC (state electricity company)
SYDIP	Syndicat pour la Défense des Intérêts Paysans
UCG	Université Catholique du Graben
VECO	Vredeseilanden Congo (Belgian INGO)
WFP	World Food Programme

## Executive summary

This field study is part of the Schokland project to research among others the possibilities for Public Private Cooperation (PPC) in stimulating Economic Growth in Fragile States. Fragile states are relatively far behind in achieving the Millennium Development Goals (MDGs) and in order to reduce fragility in the long run, it is essential to stimulate economic growth. PPC is defined in this project as a form of collaboration between the Netherlands Government, the Netherlands private sector and Dutch NGOs with local stakeholders with the aim to see what complementary roles these actors can play in socio-economic recovery processes in fragile and post conflict states.

The overall research consists of a central research, an economic mission and a so-called decentral field research, to which category this study belongs. This field research concerns the Eastern DRC component, notably fieldwork in North Kivu and the Ituri district of the Province Oriental. The primary objective of this decentralised study was to identify options for (Dutch) private sector and public sector actors to engage in post conflict settings, what sectors are potentially interesting for foreign (Dutch) investment and how local state and non state stakeholders could participate in future PPCs. Furthermore, the study aims to assess the potential contribution of public-private cooperation to fair and sustainable economic development and to conflict transformation

### North Kivu and Ituri

North Kivu and Ituri are located in the Great Lakes area. These areas are dominated by large mountain ranges to the east, in between which we find three of the great lakes; Lake Kivu, Lake Edward and Lake Albert. Gradually from east to west the landscape slopes down to the great Congo River basin, dominated by tropical rainforest. Both regions abound in mineral and natural resources; gold, coltan, cassiterite, wolfram, timber, fertile agricultural soils on the plateaux and large plains for pastoralism.

The political system in practice largely functions on the basis of ethnic and communal interest. In North Kivu the Nande are an influential ethnic group (located around the axis Beni-Lubero in the Grand North) and the Alur dominate politics in Ituri (Mahagi territory). In North Kivu, President Kabila maintains political leverage through his political allies in the Nande community. Former rebel movement RCD-Goma is an influential divider. The residual foreign and domestic rebel forces (FLDR and Mayi-Mayi) are also powerful dividers who continue to control large areas in North Kivu. However, security has been largely restored in the northern territories of Beni and Lubero (the so-called Grand Nord). The current security setting is relatively quiet in Ituri, but there are some remaining pockets of rebel activity in the south close to the border with North Kivu. The national army, FARDC is incapable to protect people; soldiers do not get their salaries in time so they extort the civilian population.

The role of the state in the economy of North Kivu and Ituri can be characterized as very weak and parasitical. The various state civil servants and departments impose a multitude of taxes on economic activities. The state has hitherto been incapable to stimulate economic growth or help create an enabling environment for economic activities to flourish. Most private entrepreneurs are potential drivers of change (investment capacity) but also are more or less forced to either work around the system or negotiate a deal with government officials. Invariably this reinforces existing fraud and widespread corruption. Civil society is multi-faceted, divided and is only marginally engaged in the economy.

### Economic sectors

The following economic sectors can be identified in North Kivu and Ituri:

- Agriculture: both for staple food (corn, cassava, rice, bananas) production and for cash crops (quinine, coffee, tea, palm oil);

- Energy: import of fuel, some hydro electric plants, charcoal;
- Livestock production: this has nearly disappeared in North Kivu's pastoral regions- Massisi and Rutshuru, but in Ituri one finds around half of the pre war numbers of cattle;
- Transportation: mostly by road with trucks and across Lake Kivu with old ferries and few passenger boats;
- Mining: the formal sector has practically ceased all operations and presently large number of artisan miners extract minerals on the concessions of former state companies such as SOKIMA in North Kivu and OKIMO in Ituri;
- Manufacturing industry: few mattress, soap and furniture factories in Goma and around Butembo;
- Trade: many people are active in trade, ranging from import and export to trade between the cities and the countryside and petty business in finished goods and agricultural products in small markets all over the area;
- Tourism: this sector has virtually disappeared. There are few banks, largely catering for a limited group of affluent people and internationals and finally, a handful of telecommunications companies operate a growing mobile phone system.

The various economic sectors have been analysed to see to what extent they could contribute to pro-poor growth, to fair and equitable development and to sustainable economic growth. It was found that investing in the agricultural sector, both in the cash and food crops chains will hugely benefit the majority of the citizens of North Kivu and Ituri. However, a number of preconditions must be met in order to ensure fair and equitable development; notably access to land, access to credit, improved technical support, access to markets, provision of electricity so that products can be processed. Assisting the livestock production sector, particularly for the disenfranchised herdsmen that were chased from the core conflict areas in Ituri will improve production and stimulate economic growth. The energy sector not only is instrumental to boost agricultural processing and industrial production but will also help to improve security. The drinking water situation needs urgent upgrading to ensure reliable drinking water distribution for the majority of the population. For both electricity and water a preferential tariff system needs to be developed, which will guarantee access for poor households. The improvement of water transportation and adequate road maintenance will help improve access to rural areas and help increase trade between the various urban areas and rural hinterlands in the study area. Finally, initiatives to help reduce the production and consumption of charcoal will alleviate pressure on the environment and help fight erosion. Both diminished charcoal production and increased electricity production will help reduce CO2 emission, facilitate more rational timber production and promote environmentally sustainable development in eastern DRC.

The timber and mining sector at present cannot ensure pro-poor growth or fair and equitable development as these sectors are beset with numerous structural and political problems that need to be resolved first.

### **Public Private Cooperation**

All existing economic sectors were studied and discussed with Congolese stakeholders: businessmen, civil society and governmental institutions. Energy, water, water transportation, road maintenance, cash and food crop processing, restocking of herds and reduction of charcoal production were identified as economic sectors in which in varying degrees opportunities exist that meet the criteria of effectiveness, pro-poor growth, fair and equitable development and sustainability. In these sectors parties have been identified that are interested in participating in PPC projects, businessmen as well as (I)NGOs. Various public institutions at a lower level, especially in Ituri and in Butembo are interested to cooperate as well.

#### *Water and Power*

- In Butembo the SENOKI Company wants to enter into a PPC in order to rehabilitate their hydro plant, and to set up water production and distribution. The entire civil society of the city Butembo, as well as local government supports this project wholeheartedly.



- In Goma there is the possibility to use the gas reserve that is beneath the Lac Kivu to fuel gas powered generators. It needs negotiations with the Congolese Government on the conditions under which a PPC may explore this stock. Various businessmen, Modee Makabussa a.o., that already have their own (large) generators are interested in investing in this venture.
- In Bunia the possible privatization or the split up of the OKIMO Company gives the possibility to take over its hydro plant and to start a PPC project in (hydro) power generation. Local business people such as Pacifique are interested, but contract conditions need to be clarified beforehand.
- In all cities, but especially in Beni and Bunia, there is the possibility to start a PPC project in water production and – distribution. The future role of the Regideso is an important issue to follow, to see if cooperation with this organization is possible or not. Tariffs should be negotiated and cover costs.
- In Butembo the Saibu Company would like to enter into a PPC with a partner that is knowledgeable in the field of hydro power production, and can participate financially. With the involvement of a NGO as a watchdog and responsible for distribution of power to villagers this PPC can be a valuable pilot project for a broad based cooperation in this field.

#### *Road construction and maintenance*

For economic development infrastructure is essential. In Eastern Congo infrastructure is very much lacking, or is in a bad state. In all areas visited there are civil society organizations and businessmen (or their organizations) willing to participate in PPC projects. Foreign INGO Agro Action Allemand as well as local associations already have a vast experience in road construction and maintenance, but lack a long term vision and organizational model. Important is to ensure that the Provincial or Central Government does not annex the toll taxes meant for the operations. This means that a monitoring committee and involvement of foreign donors is essential.

#### *Lake transport*

Improved lake transport can lower transport cost between Uganda and Congo (Lake Albert), on Lake Kivu between Rwanda and Congo as well as between Goma and Bukavu. It can improve cooperation in the Great Lake Region. Transport companies are quite interested in cooperation with Dutch ship yards for their expertise, as well as with an institution like FMO to get loans for new ferries, warehouses and quay construction.

#### *Processing of agricultural products*

There are various possibilities for collaboration between the Dutch private sector and Public sector and partners in DRC.

- One possibility is where the Dutch private sector directly deals with an entrepreneur in DRC (for instance in the coffee, quinine, cacao and vanilla). The Dutch public sector, through organizations like Agriterre or Fair Trade, provides technical assistance to farmers organizations for production, quality control and certification. Another model is where the Dutch private sector directly concludes contracts with farmer organizations like SYDIPs federations and where the Dutch public sector ensures technical assistance.
- Mahagi but also in Butembo area: In Mahagi territory alone some 6 thousand tons of high quality Arabica coffee are produced per year, but most of it flows across the Ugandan border illegally. Major issues to tackle here are to establish collaboration between traders and coffee producers, financial services, locally added value to the coffee in order to decrease transporting costs, quality control of the coffee beans exported, a certification system and harmonization of trans border trade in coffee.
- One of the few promising industrial activities in Eastern Congo is the production of soap bars, using palm oil. Two small factories were visited, one located close to Butembo (Saibu) and one close to Beni (at a lower altitude and centre of the palm tree production). The (small) factories are important outlets for farmers that have palm trees. Public Private Collaboration for staple foods would aim at substituting imports and improving the asset base and incomes of small holders, especially those who are operating at subsistence level and sell surpluses if possible. In urban areas there is potential to sell table oil, based upon palm oil and cassava- maize flour for instant cooking purposes (SYDIP). New varieties for palm oil will double yields.

### *Charcoal*

There are possibilities to create public-private collaborations that aim at reducing the consumption of charcoal by the provision of cheaper energy saving cooking devices. Major strategies are to invest in electricity or to introduce new technologies at a reasonable price. The Dutch government is already collaborating with the Africa Conservation Fund to help stimulate the introduction of charcoal saving cooking devices..

### **The conflict transformation perspective**

Genuine conflict transformation largely depends on the political dynamics in the DRC. It is important to underline the importance of ethno linguistic power relations within the context of a fragile state. Only when minority rights are secured and state security services are capable to provide protection within a political system with checks and balances, a conflict transformation process will gradually materialize. However, the research made clear that specific sectors such as energy, water, road maintenance, water transportation and agricultural processing all may contribute to increased socio-economic stability, growth and hence to a more stable human security environment. Other sectors, notably mining, remain problematic due to the linkages with powerful divider groups in the DRC and abroad.

### **Constraints**

The involvement of the Provincial or the Central Congolese Government might complicate the setting up of PPC projects because they still are institutionally weak and collaboration requires long term technical support, reinforcement of checks and balances and reform. However, reform of government institutions is beyond the scope of the present endeavour. The Dutch Government and its institutions (Embassy, FMO etc.) could have a catalyzing role in this respect but they are in the process of building up and expanding their own capacity and presence in the DRC.

Security remains an important issue; much of the Petit Nord is chronically instable due to the presence of rebel movement FDLR and local Mayi-Mayi groups and the incapacity of the FARDC to stabilize the security setting for ordinary civilians. The present situation in much of Walikale, Massisi, Rutshuru and the south of Lubero territories is one of –no war and no peace-, and economic reconstruction there seems a bridge too far for the time being.

Land pressure, high demographic densities on fertile lands, erosion, dualism in land tenure between a traditional and a modern system and increased exploitation of the forests reserves for charcoal contribute to insecurity among many rural populations groups. All these factors complicate possible future economic developments in the most important economic sector, as the resource base of many rural poor is being compromised and combined with insecurity contribute to fast urbanization.

Utrecht, July 2009

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# 1. Introduction to the fieldwork research

This report forms part of a research initiated by the Schokland Agreements on Public Private Cooperation for stimulating Economic growth in fragile states (2008-2009) overall coordinated by the Clingendael Conflict Research Unit, in participation with various other organisations<sup>1</sup>. The Schokland project on Public Private Cooperation researches three fragile states: South Sudan, Afghanistan and DR Congo (coordinated by ICCO) and entails various phases. The first phase is referred to as the decentral study or field research, and the second phase is labelled central or fact finding research. Other activities in this research are for example an economic mission and a round table event.

This report is the final result of the first phase and reflects the findings of the decentral field study for the DRC. The emphasis of the first phase was to make a broad inventory of economic sectors and possible options for PPCs whereas the focus of the central research was on identifying political and broader so-called enabling factors.

The primary objective of this particular field study was to identify options for (Dutch) private sector and public sector actors to engage in post conflict settings, to identify sectors that are potentially interesting for foreign (Dutch) investment and to look at how local state and non state stakeholders could participate in future PPCs. Furthermore, the study aimed to assess the potential contribution of public-private cooperation to fair and sustainable economic development in the selected geographical areas, taking into account the interests and needs of vulnerable groups. As a follow up, the central research (the second phase) looked into the enabling environment for Dutch and Congolese private sectors, including e.g. financial support facilities and technical support to help overcome institutional, fiscal and physical hurdles.

## 1.1 Methodology and team composition

The main objectives of the first phase field research<sup>2</sup> were to:

- Collect data on the economy and the existing and potential economic resources in Northern Kivu and Ituri;
- Make an inventory of existing and potential economic resources in the study area for possible future PPC programmes;
- Map the promising sectoral economic activities for possible future PPCs;
- List the potential contribution of PPCs to the overall economic recovery process in the post conflict setting of eastern DRC and;
- Assess the contribution of future PPCs to pro-poor development and identify potential beneficiary groups of the PPCs identified.

The methodology<sup>3</sup> for this field research consisted primarily of gathering data from existing sources and holding interviews with key informants from the various economic sectors as well

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<sup>1</sup> For the DRC study: Agency for International Business Cooperation (EVD), Conflict Research Unit Clingendael, ICCO, Kadaster International, Movingpeople, Netherlands African Business Council.

<sup>2</sup> See also annex 1

<sup>3</sup> See also annex 2

as from the various actor groups involved; private sector, government at provincial and local levels, civil society, target group representatives, representatives from churches and NGOs.

The research team was composed of three international and one Congolese researcher; Pyt Douma, a human geographer and political scientist was team leader, Eppo Bolhuis the team's economist, Dieuwke Klaver was the socio-economist and Yves Zawadi, a Congolese rural economist completed the team. The start of the research (April 2009) was dedicated to visit Goma, Butembo and Bunia, after which Bolhuis left and Klaver joined the team for the second half of the fieldwork, visiting in reversed order Bunia, Butembo and Goma. In this manner the focus of the mission changed halfway; from an economic perspective focussing on economic opportunities for PPCs to a more comprehensive socio-economic perspective on target groups, just and equitable development and options for pro poor economic growth.

The overall coordination of the study was the responsibility of ICCO, one of the partners of the Working group *Public Private Cooperation in Fragile States of the Peace Security and Development Network* and delegated to TFM Consult.

## **1.2 Research area**

The research area for this field study was North Kivu and Ituri, both located in the East of DR Congo. These areas are dominated by large mountain ranges to the east, in between which we find three of the great lakes; Lake Kivu, Lake Edward and Lake Albert. Both regions abound in mineral and natural resources; gold, coltan, cassiterite, wolfram, timber, fertile agricultural soils on the plateaux and large plains for pastoralism.

The area for this field study was chosen for several reasons:

- The area is the most fragile part of DR Congo and fitted very well in the overall objectives of the study
- ICCO, as the responsible partner within the overall research team for the execution of the field research, has many local partners in Ituri and North Kivu and hence already much information on the economic and political situation in the research area was available
- The many INGOs and local NGOs present in the area form a firm basis and network for a possible PPC
- Though the area is not the poorest of DR Congo it ranks in the top five of poorest provinces. Potential for post-conflict economic recovery is, however, considered enormous not in the last place because of the pre-war entrepreneurial spirit and productivity in the area.

The downside of this choice was the still present insecurity in the area, what prohibited the access of the researchers to certain areas and influenced later on the choice for the economic mission (only to Kinshasa and surroundings).

Within the vast territory of the DRC the eastern provinces stand out as the most important conflict zones over the past decades. In Ituri, North and South Kivu most hostilities have taken place between the various belligerent forces and to date these areas remain fragile and prone to recurrent outbursts of violence. Hence, these provinces were considered to fit the criteria of fragility and post conflict dynamics that are targeted in this research. Due to time and security constraints it was decided to select two contingent provinces, which also are geographically connected to the southern Sudan fieldwork areas selected. This resulted in giving less attention to South Kivu. Based on these considerations it was decided that the

focus of the first phase study should be on the province of Northern Kivu and the district of Ituri (presently part of Province Oriental but soon to become a separate Province). Both areas have been and for parts of North Kivu continue to be conflict zones, where various militia groups, rebel movement and the state army FARDC have been fighting. Since 2003 a relative peace characterises Ituri district, where a large MONUC contingent and a host of humanitarian INGO's have been deployed. The image for North Kivu is mixed; a relative peaceful situation following the Sun city negotiations (2002) has been broken by several crises, the latest of which concerned general Nkunda's military movement CNDP, which waged a war at the end of 2008 in the so-called 'Petit Nord' of the Province, leading to large scale displacement of civilians. A recent combined military offensive by Rwandan and DRC forces<sup>4</sup> against remnants of the anti Rwanda Hutu rebel movement FDLR also provoked displacement, hence a – no war, no peace- situation prevails there.

### ***Characteristics of North Kivu***

North Kivu is one of the 11 provinces of DRC (Democratic republic of Congo). It is located between 0° 58' North latitude and 02°03' south latitude and between 27°14' west longitude and 29°58' East longitude. North Kivu is bordered by Lake Kivu in the South, a high mountain range to the east, where it borders Rwanda and Uganda and Lake Edward and to the north and the east the landscape gradually slopes down to the Congo basin, the large forest area that comprises the bulk of DRC land mass (see Annex 5: Map of the DRC). Pastoral grazing areas are found in eastern Massisi and western Rutshuru. In Walikale, but also in the western parts of Beni and Lubero territories forests predominate. Moving to the east the average height increases and the areas around the axis Beni-Butembo-Lubero as well as in parts of Massisi and Rutshuro are characterised by intensive agro pastoral land use and high population densities. Finally, the Rift Valley runs east of the major urban centres close to the border with Uganda. Both the high mountain ranges and the Rift Valley are included in the Virunga National Park area.

Its surface area is 59,631 km<sup>2</sup> that is about 2,5 % of the national territory spread. North Kivu province comprises three cities (Beni, Butembo, Goma), six districts under jurisdictions (Beni, Lubero, Rutshuru, Massisi, Walikale, Nyoragongo); 21 towns and collectivities. Total population is estimated at around 4,3 million people<sup>5</sup>. The main ethnic groups are the Kyniarwande speaking groups around Goma and the so-called 'petit nord', whereas the Nande predominate Beni and Luberoi territories.

### ***Characteristics of the Ituri District<sup>6</sup>***

The Ituri District is one of the four districts comprising the Province Orientale and is located in the North-east of the Democratic Republic of Congo (DRC). Its surface of 64,345 sq. kms is over one-and-a-half that of the Netherlands. The Ituri District is headed by a commissary and is divided into five territories: Aru, Djugu, Irumu, Mahagi and Mambasa, each headed by an administrator. These territories are again subdivided into 49 collectivities<sup>7</sup>, each with their chef de collectivité. Collectivities again comprise groupements, localités and villages. The formal politico-administrative structure of the state reaches till the level of the collectivité,

<sup>4</sup> In operation Umo ja Wetu, Rwandan and DRC troops jointly attacked FDLR strongholds in north Kivu. The operation lasted thirty five days but did not crush the FDLR movement militarily but merely temporarily displaced them. Source: ICG-Brussels, 16<sup>th</sup> of June 2009.

<sup>5</sup> Ministère du Plan ,Mars 2005. Monographie de la Province du Nord Kivuyu, pp. 29. Kinshasa: Gouvernement de la RDC.

<sup>6</sup> Pyt Douma (2006) *Faith Based Actors in Ituri- DRC, a case study of religious actors in a conflict setting*. The Hague: Conflict Research Unit, Clingendael Institute

<sup>7</sup> Under the new constitution of the DRC *collectivités* are called *secteurs*.

whereas the traditional chefs are heads of the groupements and localités. The population of the Ituri District is multi-ethnic. First of all, we find representatives of the major African racial groups, i.e. the Bantus, the Nilotics, the Sudanese and the Pygmies. Those again are subdivided in tribal groups such as the Bira (Bantus), Hema, Alur, Kakwa (Nilotics), Lugbara, Lendu (Sudanese) and the Lesse. Further ethnic groups include the Nyali, Mambisa, Ndo Okebo, while there are again subdivisions of the major ethnic groups such as the Ngiti that belong to the Lendu. In its totality Ituri counts more than twenty different ethnic groups. Whereas collectivités are mostly ethnically mixed, groupements and localités are generally mono-ethnic, though there are also mixed communities. The Hema originally comprise pastoralists and traders, while the Lendu are agriculturalists. Though these distinctions are not anymore completely fixed in reality, the fact remains that competition about access to land continues to be a bone of contention between those two ethnic groups. The following religions prevail in Ituri: Catholicism, Protestantism of diverse denominations, Kimbangism, Anglicism and Islam.

Ituri is bordered to the south by a forested area which links it to North Kivu, to the west by Lake Albert, the largest lake in the sub region forms the natural border with Uganda. The central parts of Ituri are dominated by a high plateau with savannah type vegetation, which continues to be an ideal area for pastoralists. To the north in Mahagi Territory, hills are steeper and cash crops such as coffee and cotton are found, finally to the south west Mambassa already is part of the Congo basin, and is characterised by forest exploitation. .

## 2. Economic sectors: the present situation

The economy in Eastern Congo consists of agriculture, including animal husbandry, mining and trade. Industry is practically non-existent. The Government and aid organizations (including the UN) account for the rest of the economy. Services like (large scale) water and electricity production and distribution are limited. In Province Oriental a mere 2 % of the population has a water tap in their own homes compared to around 17% in North Kivu, against 11% on average for the RDC<sup>8</sup>. Infrastructure (especially roads and ports) is maintained poorly, and the network is small if compared to the size of the area of the Kivu's and Ituri and the number of its inhabitants<sup>9</sup>. The national roads are not paved but are dirt roads that are easily damaged in the rainy season.

Income in Congo is US \$ 130 per capita per year on average (2006)<sup>10</sup>; in Eastern Congo the conflicts of the past decade, the destruction of infrastructure and plants means that average income is even lower than that. The major part of the population in Eastern Congo earns its living in agriculture (up to 84% in Province Orientale and around 73% in North Kivu)<sup>11</sup> and animal husbandry with very low incomes. In trade, aid organisations and government services income is quite a bit higher. Exact statistics on income disparity are not known.

For the DRC diamonds are the most important export product, followed by crude oil, copper, timber, coffee and cassiterite (see annex 1- Exports and Imports to and from DRC ranked by value and volume). Foreign trade centres on the export of mining products (cassiterite, coltan, diamonds, gold) and the import of consumer goods and fuel exist, but are limited in scope. At the border post of Kasindi (where most traffic with Uganda goes through, to Butembo/Beni and Bunia) not more than 5 trucks per hour pass customs<sup>12</sup>. In Goma at the border post with Rwanda, traffic is not very heavy either. Mining products are often exported through the air. Transport cost in Congo are among the highest in the world because of the high cost of fuel (imported over road from Mombassa), high taxes and tolls and the bad state of infrastructure causing break downs etc.

### 2.1 Mining

The mining sector in North Kivu has been greatly impaired by the conflict dynamics of the past fifteen years. Hence, most formal sector activity has come to a complete standstill. At present, few minerals are been extracted and transformed in a rudimentary manner in small to medium sized enterprises in Goma, and to a lesser extent in Beni-Butembo. All minerals are currently extracted by artisan diggers. The extraction follows the dynamics of world market prices. In early 2000 and 2001 this led to a short lived coltan boom and since 2005 cassiterite has become the follow up boom mineral. Stable and large scale production has not materialized, despite the relative stability of the past years. The areas with high security risks precisely are the areas where important quantities of minerals are to be found, notably in Walikale and parts of Rutshuru (see annex 2-North Kivu- Principle Mining sites and

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<sup>8</sup> Statistics from UNDP, March 2009. Provincial Profiles DRC; North Kivu and Province Oriental. Kinshasa: UNDP.

<sup>9</sup> North Ituri, around one and a half times the Netherlands allegedly has around 2.134 kilometers of so-called national roads only, of which only around one hundred kilometers are paved.

<sup>10</sup> World Bank World Development Indicators

<sup>11</sup> See note 7.

<sup>12</sup> Observation during a field visit in April 2009.

Minerals). In the territories of Beni and Lubero conditions are more stable. Cassiterite, coltan, wolfram and niobium predominate in North Kivu. There are also small quantities of gold and diamonds in some areas in the province, but not enough to exploit industrially.

In Ituri gold is the dominant mineral. OKIMO is the former state company which holds important concessions. The government is trying to help restart the formal mining by allowing lease contracts with foreign firms. The northern concession in Haut Uele District (outside of Ituri to the north) has been negotiated with Moto Gold, the concession between Aru and Mahagi (in northern Ituri) has been attributed to Mwana Gold and the southern concession (Mongbwalu) to Anglo Gold, but in fact these three companies all are related to Anglo-American. However, at present gold mining is largely done by a large number of artisan miners and most of the produce is shipped to Uganda illegally<sup>13</sup>.

SOKIMA, the now defunct Société Orifère de Kivu Maniema, still is the formal concession holder of some twelve large concession in the Walikale district, each comprising around 90 thousand hectares. In these concessions important concentrations of wolfram, cassiterite and coltan can be found. The new Mining Code, which is in the process of fine tuning and approval at the Kinshasa level, forces SOKIMA to subcontract these concessions to others under so called '*contrats d'amodiation*'.<sup>14</sup>

### ***Cassiterite***

Cassiterite is at present one of the few minerals that is extracted in relatively large quantities.<sup>15</sup> The production chain continues to be of a largely artisan nature. Recently due to the rise in the price of cassiterite on the world market a large mineral deposit has been exploited by around two thousand artisan diggers in the most important cassiterite mine of Walikale territory; the Mpama-Bisiye mines. It is estimated that some ten thousand people depend on the extraction of cassiterite in the Mpama-Bisiye cassiterite mines in Walikale district; they work as diggers, porters, as service men and so on<sup>16</sup>. Typically, diggers extract mineral containing stones from hand dug pits, porters transport the stones to the nearest road, local middleman purchase the stones and the stones are transported to Goma by small airplanes. In Goma, workshops such as Sodexmines<sup>17</sup> transform the stones into high content cassiterite dust (60-65% pure cassiterite content). High content stones are simply crushed and packed, whereas low content stones undergo a process of crushing, washing, drying and magnetic filtering to extract metallic particles (iron ore, zinc). Most of these workshops use manual techniques to process the stones. There are no industrial ovens to increase the cassiterite content and decrease the percentage waste content.

## **2.2 Industry and services**

In Goma there are some small workshops and factories producing mattresses, furniture, and building materials. In the countryside some small soap factories using palm oil exist.

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<sup>13</sup> Official export list only half a million US dollars as total export value but these figures are significantly higher in reality.

<sup>14</sup> So called '*contrats d'amodiation*' are leasing contracts in which mining concessions are leased to foreign companies for a fee, after the end of the contract the concession is given back to its owner.

<sup>15</sup> In 2005 some 9 thousand tons of cassiterite were exported with a total value of 6 million US dollars.

<sup>16</sup> Statistics from Nicholas Garrett, 2007. Annex V, case study cassiterite exploitation and trade in North Kivu, pp. 46 in: INICA report Natural Resources and Trade Flows in the Great Lakes Region. Kigali, Rwanda: INICA.

<sup>17</sup> Observation on April 15 2009. The unit belongs to a large industrial firm Blatner, a Jewish owned firm, which also has investments in river, road and aerial transport and forest exploitation in Equateur region.



Practically all larger factory sites were visited by the team. Industry is a relatively underdeveloped sector mainly because there is lack of energy.

## **2.3 Energy sector**

For economic development in general the lack of power is by far the major constraint. There are ample possibilities for power generation using the water streams in the region. A number of businessmen interviewed have developed their own mini-hydro plants.

In Eastern Congo energy is provided in Goma, Uvira and Bukavu by the state electricity company SNEL, generated at the Urizi hydro plant, close to Bukavu. The electricity which is generated there goes partly to Rwanda (3 MW) and Burundi (3 MW) as well. Total production of the Rurizi plant is around 21-22 MW. Goma benefits from around 5-6 MW; losses in the power line from Bukavu to Goma are not exactly known. Real need of the Goma area is estimated by the local SNEL manager at 25 MW.

In the city of Bunia (Ituri district) OKIMO, a state owned company mainly active in mining, is responsible for electricity generation and distribution. Both hydro-plants lack maintenance. Generators installed by the Belgians in the nineteen fifties are still responsible for a great part of power generation in Ituri district. All three hydro electric plants are located at the Shari river; Solenyama 1 is not functioning, Solenyama 2 provides some two and a half Megawatt and Budana produces five Megawatt (one of its turbines has burned; production is down from thirteen Megawatt at full capacity). The electricity network comprises some five thousand subscribers in Bunia town. Domestic users pay seven and a half US dollars per month, professionals pay a higher fee.

The electricity tariff is imposed upon SNEL by the Ministry of Economics and is now (April 2009) \$ 0,027 per kwh, which is deemed by Goma's SNEL-management as too low. Besides, big clients like the Airport, the water company (Regideso) and Government institutions do not pay SNEL for their electricity consumption. The revenues from SNEL therefore do not cover costs of investment or major maintenance. In Bunia the manager of the OKIMO Company confirmed this conclusion.

Meanwhile, the DRC Government is contemplating privatizing state companies, and has taken steps to allow private companies to generate and distribute electricity. Though in name the government supports private initiative, in reality the government seems to be ambiguous about abandoning state monopoly. Meanwhile, SNEL is largely dysfunctional and unable to provide regular supplies of electricity even to the limited numbers of subscribers.

In Butembo (a city of 700.000 inhabitants) as well as in Beni (both cities are located in the northern part of North Kivu province) there is no formal electricity network. In Butembo, the local business community together with important civil society organisations (notably the Catholic Church and the 'Université Catholique du Graben') have founded an enterprise, the 'Société d'Electrification du Nord Kivu' (SENOKI), which has been investing in power generation by developing a hydro plant located at Talia, at approximately seventeen kilometers from Butembo. Presently, the plant doesn't function and the initiative has been stalled. The hydro plant has functioned for a period of two years, but fell in disrepair. The materials used have proven to be sub standard. The steel water tubes that bring the water around 90 meters downward to the generator have cracked under the constant pressure of the water, indicating that the tube walls which were produced locally were too thin. The generator

that was installed did not have the capacity that was agreed upon (4 MW) but generated around 1.5 – 2 MW. The South African company Thompson Power that was responsible for construction in fact cheated on the materials used and turned out to be an unreliable business partner. Eventually they fell out with SENOKI and left the country in 2007. Claims have not been filed due to political pressure from Kinshasa allegedly fearing a diplomatic row with their powerful neighbours. In 2005-2006, when the hydro electric plant was working, even with a lower output than had been planned for, revenues covered expenses. The income in the period 2004-2006 was 15-18.000 USD per month. There were different tariffs for the clients, according to the category they belonged to. Due to its limited capacity there only were 650 clients.

Consequently, in most cities as well as in the rural areas there is virtually no electricity. Instead, small generators are used by businesses and wealthier households. It is common to find groups of neighbours, associated to purchase and run a communal generator, and sharing running and repair costs. Also, a management committee establishes working hours, normally after sunset up to around eleven at night. Fuel has to be imported, and comes by road from Mombassa. The average cost for a household merely using some light bulbs and a TV set is around \$ 20 dollars per month, but real consumption is determined by the standard of living of a family. Consumption depends on the size of the generator concerned, the number of electric applications used and the number of running hours. Of course, since average income in Eastern Congo is around \$ 90 per year per person most households consume no electricity at all, and use wood or charcoal for cooking for cooking and Chinese lanterns for light. All over Eastern Congo there is a huge pressure on the forests which are disappearing at a fast rate. Along major trunk roads charcoal burners and traders sell bags of charcoal for an average price between \$ 6-12; in the cities these same charcoal bags fetch around \$ 18-24. The demand for charcoal is constantly high and transportation to major population centres is very profitable. The environmental consequences (CO<sub>2</sub>, erosion) of this way of cooking are enormous.

## **2.4 Water sector**

Water production in Eastern Congo relies on wells and fountains installed by communities, private households, relief organizations and production by state company Regideso. In the Nord Kivu province Regideso has facilities in Butembo, Goma, Walikale and Beni. In these cities they provide for respectively 13 %, 40 %, 11 % and 15 % of the needs, according to their provincial manager. In Ituri the Regideso has a water factory in Bunia which covers around 15 % of need (although on a rotational basis between areas they service). The tariffs of Regideso are politically determined and do not cover cost. A typical household will have to pay \$ 1 per month. Besides, a number of clients (especially the state institutions) do not pay their bills.

Studies have been made by the technical department of Regideso (based in Kinshasa) on expansion in Goma, Bunia and Butembo that have been made available for this report. The estimates of cost of renovation and expansion are staggering. For example to modernize and expand the water plant and the network in Bunia, a town with only 200.000 inhabitants, will cost around \$ 9 million (!), and it is estimated in the study made by the technical department of Regideso that total renewal cost \$ 16 million. One of the reasons of this high cost is the fact that no maintenance has been done in the past decades; the iron tubes, laid down in the fifties under the colonial regime, are now corroded, causing high losses in the network. The replacement by PVC tubing has been studied and discussed for the past ten years, but nothing

has been done. The original facilities were built in 1953-54 for a city with (then) 10.000 inhabitants; with aid of the Red Cross the network was expanded in the nineties from the original capacity of 50 m<sup>3</sup> to 110m<sup>3</sup> but this capacity is still far too low. Besides, the factory was not enlarged so filtration and purification now has to be done at double speed, causing sometimes quality problems. Regideso has now around 1080 “official” clients in this city. Caritas has invested in wells (without investment in treatment) and Oxfam Quebec has helped the Regideso a bit in maintaining its network in Bunia. Other parties like Monuc, UNDP, the EU and GTZ have studied the situation but there has never been a follow-up. This situation is pretty typical for all of Eastern Congo.

Only in Goma, where many humanitarian organizations and NGO’s are based, there has been investment in the water network. In Goma UNDP has invested recently in the facilities of Regideso in the western part of town, installing 9.000 meter of tubing, a reservoir etc. The International Red Cross is studying together with Regideso the possibilities to expand production and distribution, especially in the northern part of the town. In Beni a NGO (Solidarité) is cooperating with Regideso in improving its facility.

In various cities as well as in some places in the country side (I)NGO’s have stepped in and have constructed wells and tubing networks. The problem with these initiatives is that there is no systematic tariff policy and revenue recuperation, in order to cover cost of investment and maintenance in the future. Second there is uncertainty about which organization will be responsible for running these facilities in the future, as Regideso is not trusted by the population and government is trying to reestablish. Regideso supervision and control over private networks. Some NGO’s pressure the Regideso to improve its service, and are functioning like a watch dog. There seems to be little or no understanding at the level of NGO’s and governmental services that tariffs must cover costs in the long run, and that cost of water treatment (with imported chemicals) and large scale tubing networks for distribution are quite high. The fact that revenues from Regideso regional networks are largely transferred to Kinshasa increases mistrust in existing tariff policy.

## **2.5 Infrastructure; transportation by road and water**

Another main obstacle mentioned is infrastructure, roads and ports. Transport of inputs from abroad and from the countryside to a factory is very expensive, and transport of the finished product to markets as well. There is a much-discussed contract between the Congolese Government and China, in which mining concessions have been traded against the construction and/or renovation of national roads, schools and a number of hospitals. Part of the main road of Eastern Congo, between Butembo and Bunia, has been renovated two years ago as a consequence of this pact and also the road between Kisangani and Beni-Butembo/Bunia has been reopened. Construction of rural roads has been done the past years by INGO’s (especially Action Action Allemand). Most people live in the countryside and rural trunk roads are essential to be able to revitalize the rural economy. NGOs intervening in the rural areas also need access roads to reach their target population. The major problem in North Kivu, Ituri and the DRC in general is poor road maintenance.

Road maintenance in Eastern Congo is mainly done by NGO’s and local government. Although there are many roadblocks on national, provincial and communal roads where truck- and taxi drivers pay road tolls, only a small part of the proceeds seem to be used for maintenance, according to those interviewed. The road toll is high; transporters mentioned a toll fee levied at the border crossing of one hundred US \$ per truck for the 200-kilometer

stretch between Kasindi on the Ugandan border and the city of Goma. The national road between Bunia and Butembo is deteriorating fast as a consequence of the lack of maintenance. Other roads are difficult to maintain because of the security situation.

In North Kivu, before the Nkunda war (from August 2008 until March 2009), the Provincial Government had leased out road maintenance of the crucially important road between Lubero and Goma to seven contractors. These contractors were allowed to levy toll<sup>18</sup> in exchange for road maintenance. Unfortunately, state civil servants used to visit toll stations and take all the proceeds under the pretext that the Province needed the revenue and that the contractor would be reimbursed later. In Ituri, a toll system was operated between Bunia and Kasenji (port on Lake Albert) and the road was well maintained, now recently the state governor has abolished the toll system and the road degrades rapidly. Therefore, it seems fair to say that the state is not capable to organize road maintenance properly.

Road maintenance nowadays consists of hiring a number of manual workers, fill holes in the road with cobble stones and dirt and clear the bush. Also, as has been the case with local NGO CGRDAI in Ituri, Agro Action Allemand and other INGOs, many ex combatants have been employed thus increasing their peaceful integration into society<sup>19</sup>. At present most of these ex fighters have engaged in artisan mining.

The short term implementation trajectories are a complicating factor. Regarding road construction and maintenance external donors and INGOs have a short time horizon, many simply execute the contract within budgetary and time limits and disconnect. Large foreign NGOs such as AAA, which have a primary mandate to provide seeds and help restart agriculture, are mostly involved in various short term contracts when it comes to road construction, so when a project finishes AAA involvement stops completely. AAA's major weakness is that they do not have a strategy for the future of the various roads that they have constructed in Ituri and North Kivu<sup>20</sup>. Meanwhile, it seems that AAA is well placed to lobby the local and provincial authorities to try to get a road maintenance system of the ground as they have been the main actor involved in rural road construction and possess a good track record.

The pooled fund, a multi donor trust fund managed by OCHA in Ituri, only finances short term interventions, among others in the realm of road construction. Many smaller foreign INGOs depend on these funds for institutional survival at the local level (Solidarite, Premiere Urgences) and therefore also incidentally engage in road construction, resulting again in short term project implementation lacking an integrated perspective on future maintenance. Clearly, the above section provides arguments for the donor community to evaluate its funding policy regarding road construction and maintenance in post conflict societies.

There are some examples of road maintenance by local NGO's and private contractors. APAV, a local agricultural NGO, has become involved in improving rural roads between fields and markets, because it is a crucial condition to be able to help the agricultural sector on its feet. The local government, i.e. the traditional chief of the Bashi collectivité (part of Beni territory in North Kivu) and provincial government have given the mandate to APAV to maintain 80 km of rural roads. They have three toll posts to collect toll for road maintenance, but incomes are insufficient because transport frequency is not high. Forty people are being

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<sup>18</sup> These tolls are levied on top of the road fees paid upon entry in the DRC at the various border crossings.

<sup>19</sup> Interview CGRDAI, Bunia, 21-4-2009.

<sup>20</sup> Interview Agro Action Allemand, Bunia, 24-4-2009.

employed for the 80 km maintenance (should be eighty persons, one per stretch kilometre). Each person is supposed to earn 10 USD/month, but in practice earnings are not sufficient to cover salaries, to pay taxes to government (local and provincial take each 10 %), to enable sufficient monitoring by APAV (10 %) and to pay salaries of workforce and equipment (70 %). At this moment APAV refuses to pay the taxes since November, and government has not yet reacted<sup>21</sup>. Based upon a request by APAV to the provincial government, AAA is intervening upon project base with labour intensive (cash for work) light road maintenance. APAV, with the help of traditional chiefs can mobilize local workforce to do road maintenance on community days. APAV also worked on improving a road from the low agricultural land to the local market in VULAMBO town. Before road improvement, transporters by feet used to take up to half the crops in kind as fee, now they charge ten percent of crops in kind for motor bicycle transportation.

In the Virunga Park area, on the highway Lubero-Goma between Kanyabayonga at the Lubero side and Kiwanza at the Goma side, mister Kasereka, a local businessman from Goma has taken up road maintenance for a ninety five kilometer stretch of road. The local businessman maintains this stretch by employing one hundred and six road workers at 60 US dollars per month (around six thousand US dollars). In return he collects road taxes from passing traffic (ten US dollars for each truck, tree US dollars for each bus and one US dollar for each car). The road tax prices are determined by the Provincial Minister for Public Works (Travaux Publics). During the first year of operation roughly from June 2007 until the outbreak of the Nkunda war (UNDP movement), Mr. Kasereka was able to collect around eight to ten thousand US dollars, out of which he had to pay ten percent to the governor<sup>22</sup>. With this budget he was able to run a small lorry which could transport the workers to the various sections of his stretch. Throughout the war, road maintenance came to a complete stop. After the peace agreement the road maintenance has been restarted but revenue is at around four thousand US for the past two months. Allegedly he is entitled to receive compensation from the Provincial Government, which also collects road taxes at the border crossings (estimated one hundred US dollars for a truck from Kasindi at the Beni border crossing with Uganda to Goma), it is unclear how much is disbursed. The fact that the contractor has ceased to use his lorry indicates that the budget is not sufficiently covered. Consequently, the road workers go on bikes or even on foot from the two extremities of his stretch where they are based.

#### *Lake Kivu; goods and truck ferries between Goma and Bukavu*

Lake Kivu stretches between North Kivu and South Kivu is the main transportation artery between Bukavu and Goma, the capital cities of both provinces. There is practically no transportation possible over land, by road along the western shore of Lake Kivu between Goma and Bukavu, because of the security situation and the bad state of the road. The volume of goods transported across the lake is estimated at around 1000 tons weekly going from Bukavu to Goma, and 1500 tons from Goma down to Bukavu<sup>23</sup>. Goma provides the bulk of food and agricultural products to Bukavu, since Bukavu's agricultural hinterland has been cut off due to persistent insecurity.

There are around twenty different boats operating the waterway connection. This implies that there is stiff competition between the various operators. Many boats are old, some from the colonial period, and they are not well maintained. There are two primitive shipyards where

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<sup>21</sup> Interview APAV, Butembo, 27<sup>th</sup> of April 2009

<sup>22</sup> Interview Mr. Kasereka, road maintenance contractor, Goma, 15<sup>th</sup> of April 2009.

<sup>23</sup> Interview Valery Bishugi, businessman Goma, 16<sup>th</sup> of April 2009.

ships can be welded together from the parts that come from overseas and often these boats are fitted with truck diesel engines, not with appropriate marine diesel engines. Crossing Lake Kivu on these old vessels is a risky endeavor and many shipping accidents have been reported in the past. Recently, businessmen such as the owner of hotel Ihusi in Goma town, have brought in speed boats for fast, reliable and expensive trans-lake passenger transportation. These boats are hugely popular as they take a mere two and a half hours and are a safe and fast alternative for air transportation, but they cater for the happy few (50 US dollars for a single fare). Regular passenger flights between Goma and Bukavu have diminished accordingly, also because the Bukavu airport is quite distant from town.

#### *Lake Albert; passenger service between Ituri and Uganda*

Lake Albert is the largest lake in the sub region, with on the eastern shores Uganda and on the western side the Ituri district. There are seven small ports on the DRC side: Kasenji, Tzomia, Mukuanzi, Jo, Gobu, Ndawe and Mahagi port. An important port at the Ugandan side is Toroko. Kasenji has a quay and there are two World Food Program (WFP) boats for emergency food distribution. Kasenji is receiving most of the goods from Uganda (there is a crane) whereas Tzomia is the main passenger port.

Passenger boats shuttle back and forth between Tzomia in Ituri and Totoko in Uganda around two to four times a week, depending on demand. Departures are announced on the local radio. Each boat takes around twenty to forty passengers. On their return most boats ship bananas, fish and manioc from the Ugandan side to the DRC. There also is some modest traffic between the different ports on the DRC side of the lake. Once a week there is a passenger boat between Tzomia and Mahagi (between Irumu and Mahagi territories) which takes around six hours and costs a mere five US dollars.

The boatmen pay 15 US for the Direction Générale de Migration (DGM) district, ten for taxes of the collectivity, five for the Fédération des Entreprises du Congo (FEC) and another five for the Association des Transporteurs au Lac Albert (ATLA) association itself. Each time depending on the size of the outboard engine (between forty and seventy five horse power) 120- 150 liters of fuel is required per passage. The total costs therefore are an estimated one hundred and fifty US, requiring a minimum of thirty passengers for break even.

The main obstacles are over taxation of passengers and the time consuming bureaucratic procedures. For each trip passengers pay 15 US taxes for the maritime services, ten for the customs/border police and pay only five US for the passage itself. At the Ugandan side each passenger has to pay a visa of thirty US dollars. So a single passage costs sixty US dollars for a three hour boat trip.

Although they pay many taxes the state services do not perform any services in return. “Our state works like this, they only see money, our state is ill”<sup>24</sup>. Thirty seven boats are associated with ATLA. The ATLA fee is being used for emergency assistance in case an engine fails or if a boat sinks. But there are no emergency assistance boats and the small wooden ‘ ferries’ have no safety vests on board so in case a boat sinks many people simply drown.

## **2.6 Banking sector**

The banking sector consists of a limited number of banks active in Goma, Beni, Bunia and Bukavu. The banking system in the DRC has known several crises. In 2003/2004 many banks

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<sup>24</sup> Interview Association des Transporteurs au Lac Albert- ATLA, Tzomia, 23<sup>rd</sup> of April 2009.

went bankrupt and were liquidated. There were only few banks left; but presently a number of new players has arrived, notably Asian and Lebanese owned money transfer offices. In Bunia, Société Financière de Trade (SOFICOM) is such a newcomer. SOFICOM largely caters for the money requirements of the MONUC, foreign NGOs and the public sector<sup>25</sup>. The banking system revolves around the dollar (the national economy is dollarized). The Central Bank tries to maintain the exchange rate, guard the system etcetera but this is difficult. Recently they bought local money with their dollar reserve in order to reduce inflation, but inflation is still high. The Central Bank tries to regulate export earnings in dollars, obliging banks that they check if exporters have fulfilled their export obligations and filed their exports with the Central Bank. The result is that Congolese banks are slow in processing demands from local clients and people massively opt out and use the new commercial money transfer banks.

One example of a regular Congolese bank is the Banque Internationale d'Afrique Centrale (BIAC) in Goma. In 2005 BIAC established a branch in Goma, but has its head office in Kinshasa. The bank mainly facilitates local traders, who hold dollars accounts, to be able to trade with Asia. BIAC is not involved in credit supply to local entrepreneurs but merely facilitates import and export of the most powerful traders in the region. BIAC therefore does not play a role in stimulating the local economy beyond limited financial services to a small target group. The present economic situation does not augur well for the banking sector in the DRC, as the down turn in world market prices for minerals has lead to a dramatic decrease in income from export. This is one of the reasons why the Central Bank tries to stock up its dollar reserves.

There are some micro credit associations left that have been founded by aid organizations but most have floundered. According to a local bank manager in Goma<sup>26</sup> the micro credit system did not work out in Congo because micro credit institutions behaved like regular banks, giving traders credits, but not checking on the securities they offered, which were in many cases worthless. When clients started to withdraw their money they had to close down. One local micro credit organisation, which is still functioning, is the '*Caisse d'Appui à l'entrepreneuriat communautaire*' (CAPEC) in Bunia. CAPEC was created in 2004 after the inter-ethnic war. Some seventeen local development NGOs (ONGD) and associations each paid one hundred USD to bring together the first capital. CAPEC aimed to provide start-up capital for small entrepreneurship to women in Bunia town and to poor men (petit trade et vente en detail). CAPEC identified twelve women leaders in various parts of Bunia town already organized in traditional self help rotating Credit and Savings Systems (so-called tontines). CAPEC's micro credit proved successful al be it on a limited scale; female members were able to pay school fees and other consumption issues, male members were able to put in place their own small shops. In the period 2004-2007, one hundred persons obtained small loans: However, in 2008 the increased insecurity in the district, as well as rising inflation, provoked a decrease of CAPECs credit fund and decrease of members by one third. CAPEC is not a financially viable institution and depends largely on few prosperous members to keep going. Most micro finance institutions in Bunia are not operational anymore because people do not trust their savings to these organizations anymore after many went bankrupt and people lost their savings. Another weakness is that micro credit facilities provide only very short term credit facilities, which are not appropriate for agriculture and livestock breeding.

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<sup>25</sup> Interview SOFICOM, Bunia, 24-4-2009.

<sup>26</sup> Interview BIAC manager Goma branch, 16-4-2009.

## **2.7 Tourism**

In recent years there has not been any tourism activity in eastern DRC, again due to the prevailing insecurity. Nevertheless, in the past there were a number of tour operators active in Goma and Butembo-Beni, organizing tours to mountain lodges in the various national parks in the region (Virunga National Park, Ruwenzori National Park). Some of the infrastructure still exists but is in urgent need of repair and should be entirely refurbished. The provision of trained guides, tourism agents, hotel staff and restaurant staff also requires significant investments. The National Parks moreover have become a privileged breeding spot for all type of politico-military insurgence groups for the entire sub region. Hence, Ugandan, Rwandan and Congolese opposition forces have time and again occupied parts of these extensive natural areas, in the process destroying much of the existing fauna (mountain gorillas notably). Although there is undoubtedly a great potential for nature tracking and volcano excursions, at present tourism may only cater for a small niche market of so-called adventure travel; notably nature loving individuals who prefer small scale tourism and shy away for mass tourism. Security personnel needed for their protection and upgrading of tourism facilities may well require investments beyond a reasonable rate of return and hence may not be viable economically at this point in time.

## **2.8 Telecommunications**

Numerous telecommunications operators have sprung up over the past few years. Coverage is increasing rapidly and many Congolese possess a mobile phone. The competition between the various operators, such as Vodaphone and Zain ensures that prices are reasonable. Although an important growth sector the telecommunications sector employs few people directly (some maintenance, technical and sales personnel) and the profits benefit a small group of entrepreneurs. It goes without saying the improved coverage has also improved people's capacity to reach out to relatives, friends and extended family. However, the telecommunications is a self regulatory commercial sector, which is developing independently and does not require external support.

The telecommunications sector is dominated by influential businessmen such as local entrepreneur Pacifique in Bunia (Ituri), who holds the license for Zain telecommunications in Ituri. He is a successful businessman well tuned in with important politicians at the Kinshasa level. During the war the Zain/Celltell business was very risky but also very profitable as Pacifique sold entire stocks of pre-paid cards to French soldiers during operation Licorne in 2003<sup>27</sup>.

## **2.9 Trade**

There are many people active in trade, ranging from import and export to trade between the cities and the countryside and petty trade in finished goods and agricultural products in small markets all over the area (to get an impression of volume and value see annex 3- exports from North Kivu). Often it seems an alternative for people that have been driven off the countryside because of the security situation. Income in trade is low, except for some traders that are active in export and import. Even in this area competition is fierce so the possibilities to expand and invest are limited. Miners confirm that traders buying their products compete heavily for their product. The same goes for the trade in agricultural and forestry products. In

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<sup>27</sup> Interview with entrepreneur Pacifique in Bunia, 24-4-2009.



mining as well as in agriculture traders sometimes borrow miners and farmers money in advance. This has to be paid back in products.

Traders are often a victim of government officials that tax them arbitrarily. It seems that the larger traders can only operate because of their connections with officials in Kinshasa as well as in Goma.

## **2.10 Agriculture and animal husbandry**

The many years of economic decline and conflict have led to a sharp decline in accumulated assets of households (tools, agricultural inputs, housing, livestock etc). The response seems to have been largely the same in all three areas: a shift into activities that require very few assets and are risk adverse in terms of infrastructure (artisan mining, forestry, petty trade) forcefully abandoning more complex activities requiring assets and infrastructure (regular livelihood activities in agriculture and livestock)<sup>28</sup>.

Agriculture, animal husbandry, fisheries and timber & non-timber forest products extraction are by far the most important livelihoods strategies of at least 70 % of the populations in Ituri, the Northern and Southern part of the North Kivu. Subsistence farming is by far exceeding industrial farming although some industrial or commercial farms exist in both Ituri and North Kivu.

Family plots for agriculture or integrated agriculture- animal husbandry are rather small, varying from 0.25 hectare on the top of the mountains (high altitudes), to 0.5- 1 hectare on the slopes of the mountains and at the foot of the mountains, taking into account available labour force. This is especially valid for the Beni-Butembo region of the North Kivu and for the mountainous areas in the Ituri and the southern part of the North Kivu. Population density is high on the tops of the mountains, because roads, markets and social services can be found there, whereas these basic infrastructures are often missing or incomplete in lower areas, where people also fear to settle because of diseases such as malaria.

Important parts of Ituri (Iruma and southern Djugu) and southern parts of North Kivu (Massisi, Rutshuru) have wide pasture grounds. Populations around Lake Edward and Lake Albert try to make a living through artisan fishing. Rural populations near or in forest areas make a living by charcoal fabrication, slash and burn agriculture and the production of timber.

### ***Cash crops, current organization of value chains and partnerships***

Both in the Beni-Butembo area and in Ituri, private enterprises play an important role in the processing and exportation of cash crops. They buy agricultural produce of smallholders and process and trade them.

In the Beni-Butembo region collaboration exists between the farmers union SYDIP and several private entrepreneurs. SYDIP has some 14.000 members (52 % is female) that are being organized in some eleven value chains- federations (coffee, papain, quinine, palm oil, banana & cassava, potato & wheat, paddy & peanuts, staple foods, fisheries, livestock, horticulture)<sup>29</sup>.

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<sup>28</sup> Initiative for Central Africa (INICA), Natural resources and trade flows in the Great Lakes Region, phase 1. (date unknown).

<sup>29</sup> SYDIP provides advisory services through the farmer field school methodology, inputs, and juridical assistances (especially regarding land tenure) and is currently initiating processing activities. Federations will be transformed into cooperatives in order to enable them to become financially self-sustaining.

Examples of collaboration are:

- Enzymes & Refineries Company (ENRA) in Beni with the federation of farmers for papain of SYDIP<sup>30</sup>. ENRA has a processing plant that extracts papain out of papaya for medicinal purposes. ENRA buys papayas from small holders and extracts the papain. Currently it has an overcapacity because small holders do not deliver. Insecurity is said to be the main reason.
- Plavuma in Beni or Butembo in connection with a Belgium firm for quinine – contract farming. The company is half Congolese and half Belgian. Buckler GmbH in Germany buys all the quinine production of the firm. Plavuma has an estate of some four hundred hectares, but also buys from small holders in the Lubero territory. They produce around one thousand tons of quinine yearly. Plavuma employs around six hundred workers. They employ six agricultural engineers who work with a peasant producer group (twenty peasants). In return these producers sell exclusively to Plavuma. A critical issue is the appropriate harvest moment as many local producers need cash money and they harvest before the plants are ripe, considerably reducing the quinine contents. SYDIP works with Plavuma but also with other exporters of quinine to Indonesia and India.
- SYDIP also works with Plavuma and Butembo based coffee trader Kamungele in the coffee sector. They are assisting women to plant fifty hectares of Arabica coffee to help them generate an income. They provide coffee seedlings and help out with the sale to local businessmen.
- ESCO is a Ugandan firm operating in various areas in Uganda and the DRC. The Butembo plant is experimenting with cacao and with vanilla as new commercial agricultural products. They provide seeds and expertise to local farmers and encourage them to produce these plants. The production is shipped to Kampala where ESCO Uganda deals with product sale. SYDIP is providing technical assistance to farmers.
- SOCOTRANS (producer of SAFI soap) in Beni, SAIBU in Butembo (also producing soap from palm oil) and the federation of palm-oil producers (SYDIP). Both Socotrans and Saibu enterprises are making soap out of palm oil. They have difficulties in finding enough palm oil that is to be produced by small holders in the area, and for Socotrans on their own plantation (18 hectares). There is a problem of enough input of palm oil as local producers tend to sell where the market is most attractive and large quantities of raw palm oil are being exported to Uganda. SOCOTRANS is working with SYDIP's palm oil federation on an occasional basis but would like to intensify collaboration. The federation introduces a new variety amongst its members. Yields will probably double. Major outlets for the federation are Bunia, Uganda and Butembo and SOCOTRANS. Most members do not market their produce through the federation but make use of the new variety and technical assistance (free of charge). Apparently they obtain better prices elsewhere and some individual members make their own soap which considerably adds value and gives them a good income (135 USD/month).
- Another example in the *Beni-Butembo region* is that between the APAV association and Somers Seeds in Belgium<sup>31</sup>. The association represents Somers Seeds in DRC, but is also involved in the multiplication of Somers seeds that are being exported to Belgium as well as the production of particular seeds for Somers Seeds that are not available in Europe (niche markets for African immigrants?). This is to be considered as an income generating activity that partially helps to finance operational costs of the Association. APAV receives funding from VECO (Belgium), FAO and IFDC for the support of its members.

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<sup>30</sup> NB- This ENRA had or still has close affiliations with the Jean-Pierre Bemba clan. Mobutiste.

<sup>31</sup> APAV has some 1900 individual members, some 60 % are women. This association is specializing in food crops, including palm oil and integrated small livestock with agriculture.

- *In Bunia* a coffee trader Basil Agenonga is working with individual small holders in the coffee sector (not organized in associations nor co operations). He is facing problems smallholders (reasons unknown), but also with a new certification system for all imported and exported products initialized by GoDRC and enabling the OFIDA to tax appropriately exported volumes<sup>32</sup>. These certification papers can not be obtained in Bunia, “legal” exportation is becoming difficult.
- Also NGO ACIAR has developed initiatives to export coffee to Uganda and Switzerland with the help of a revolving fund obtained with the UNDP. Farmers (initially ex fighters) were organized in a federation that multiplied its own seeds – a new variety and initially succeeded to transport the coffee across the border and sell it to a Swiss entrepreneur in Uganda. The profit margins on coffee trade are extremely small and also the buyers were rather exigent concerning technical qualifications of the coffee. Most important reasons for the small margins are the high taxes for export in DRC.

### ***Food crops, current organization of value chains and partnerships***

While DRC was formerly a net exporter of food, it is now reliant on importing many basic agricultural products while an estimated 70 percent of the population do not have enough to eat. This situation greatly reflects the major decline in agricultural production in the country’s most fertile area – the east<sup>33</sup>.

The majority of rural populations produces its own staple foods and consumes it. Surpluses are sold on local markets. Especially in areas with many Internally Displaced Persons and where the population density is high, market prices for food crops are high (COOCENKI). Domestic cassava used to be much cheaper but due to the insecurity and the continuing high demand prices rose from ten US dollars to forty US dollars per hundred kilo bag.

To our understanding, the organization of the food crop markets is a very informal one where smallholders sell their agricultural produce on local markets to middlemen who transport food crops to urban centres. Hardly any processing is being done.

In the Beni-Butembo region, one example of partnership collaboration exists between COOCENKI and the World Food Programme. COOCENKI has 1100 members, organized in 25 primary cooperatives. It assists them in the commercialization of 6 food crops, provides technical assistance and inputs on credit. COOCENKI has one cleaning, packaging and store unit in Butembo and another in Goma. It succeeded to be short listed on the WFP list in 2007. Until February 2009, 790 tons of beans and 351 tons of maize meal have been delivered to the WFP and consumed by IDPs in the area and in the Central African Republic. COOCENKI had to accept the WFP Warehouse Receipt System, a certificate system for financial control and food quality<sup>34</sup>. Currently it is building a processing unit for maize with support from VECO and DGOS, but unfortunately the installation of a hydro power micro central is not foreseen in the budget. According to VECO, market prices for maize will fall considerably when the mills become operational. Both COOCENKI’s members and the SYDIP federation of staple foods have benefited financially from this activity.

### ***Animal Husbandry, current organization of value chains and partnerships***

The animal husbandry sector, mainly cattle breeding, used to be an important livelihood system for specific areas in both North Kivu and in Ituri. In the ‘petit Nord’ in Massisi

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<sup>32</sup> BIVAC (Bureau Veritas Certificate of Inspection).

<sup>33</sup> Peace building in Eastern DRC: Improving EU support for economic recovery, International Alert 2007.

<sup>34</sup> <http://veco.vredeseilanden.org/en/node/231>.

territory relatively large herds (around 150 thousand head) up until the gradual demise of Zaire in the late 1980s used to provide meat, and some dairy production to the urban centres (Bukavu and Goma). The successive wars not only have completely destroyed the herds but also a large number of Massisi Tutsi, predominantly livestock keepers, fled and went into exile in neighbouring Rwanda.

In Ituri a slightly different scenario unfolded, whereby the central territories of Irumu and Djugu were emptied of any cattle found by the belligerent forces. The various Lendu militia used to capture herds and transport them on foot to the Beni market where they were sold in exchange for supplies and weapons to sustain the fighting. To the West of the Shari River herds were safe and also in Aru territory (the northern most area of Ituri) the herdsmen and their cattle were secure. The dynamics of the inter-ethnic conflict and the fact that the most densely populated territory, where both groups co-existed, became the focal battleground between ethnic militia had a dramatic impact on the Hema herdsmen minority. A great number of herdsmen fled to neighboring Uganda under the protection of the Ugandan army but once they crossed the border most of their herds were simply confiscated by Ugandan army officers, leading to the overnight impoverishment of many herdsmen. These Hema face hardship in exile but to date the Lendu resist their return to Djugu and parts of Irumu. There have been a number of seminars with the land commission, established after the inter-ethnic war to help resolve land disputes, to sensitize the Lendu leadership but they are reluctant to receive the Hema back into their communities. Also, Lendu generally refuse the re installation of communal grazing zones that used to exist.

In the Ituri and in parts of ‘le petit Nord’ of North Kivu, pastoralists are keeping herds. The actual herd in Ituri is estimated at 250.000 heads against 450.000 heads in better times. Then, meat used to be transported to Kinshasa and Kisangani but currently prices for beef have tripled in Bunia town and meat is not being transported out of Ituri region. In the 1985 some 80 tons of meat used to be transported to Kinshasa every week.

ACOPELI – the Ituri Association of livestock keepers used to be a major and powerful player in the livestock sector since the early 1980<sup>ties</sup>. With the help of the WB and Canadians (until 1990), they succeeded in setting up a veterinary consultation and drug system, the Bunia slaughterhouse with four cold rooms and zoo-technical farms with some five thousand reproduction bulls. In 2009 – with some UNDP support - the slaughterhouse is functioning without cooling facilities at 10 % of the activity level of the 1980<sup>ties</sup>.

Two times a month a livestock market is organized at 7 km from the slaughterhouse. A butchers association is buying livestock and taking it to the slaughterhouse. The butcher association is renting the slaughter house. Meat is being sold on the Bunia market and it is assumed that especially the Humanitarian workforce is one of the important consumer categories, because beef meet is not on the daily menu of the average Congolese household.

## **2.11 Forestry**

The forests of the Ituri are biologically diverse and rich in many of the most valuable timber trees, such as Iroko and African mahoganies, the exploitation of which can have positive impacts on both government revenue generation and poverty reduction for local communities if properly managed and regulated. However, unregulated timber exploitation, which facilitates human intrusion in undisturbed primary forests, is resulting in accelerated forest degradation and loss of biodiversity. Currently artisan logging is one of the most lucrative

activities in eastern DR Congo due to available markets in neighboring countries (Uganda, Kenya and Rwanda).

The most important forest resources, accounting for 80% of timber exports from eastern DRC, are now in Ituri close to Mambasa, and further north.

- Mambasa territory (Ituri district -Province Orientale) is heavily exploited already: Timber is transported mainly via Beni to eastern Africa.
- In Beni territory (North Kivu) the area around Mabalako forest (50%) is most affected, but Mamove forest near Oicha (40%) and to a lesser extent Erengeti (10%) are exploited.
- Southern Irumu territory (Ituri district –Province Orientale) is exploited less although this is likely to increase due to the recent restoration of Beni-Mambasa road. Eighty per cent of the timber extracted in Irumu is transported to Beni and 20% to Bunia.

Currently all logging is done by using artisan techniques such as pit sawing<sup>35</sup>. Chainsaws and other equipments are financed by Ugandans or Rwandese loggers and they collaborate with Congolese in the exploitation of forests. Transport of the planks produced is by head load to the roadside and subsequently by truck to the local markets or to the border.

Approximately 50,000 m<sup>3</sup> of non-processed timber are exported each year from eastern DRC, and almost all of it is consumed in Uganda and Kenya. It is estimated that in order to generate this volume, approximately 250,000 m<sup>3</sup> must be being cut each year in eastern DRC forests.

The trade does generate some employment for different groups, almost exclusively men on the production side while some women are involved in the sale and marketing side of the trade, though no statistics are available. Outside of the employment income it is clear that there are little or no returns to local communities. The anarchic exploitation leads to a qualitative and quantitative deterioration of forest resources. Considering the value and nature of the resource, as well as perceived rights of ownership, the continued supply to the trade under current practices is compromising eliminating alternative future development options. There is some evidence that unofficial taxes on timber continue to fund armed groups in eastern DRC.<sup>36</sup>

### ***Charcoal***

According to a recent study, the city of Goma alone consumes over 47,000 tons of charcoal a year, which represents more than 250,000 tons of wood. People around the Virunga National park, having no other sources of energy, burn about 6 kg per family per day. The need for energy creates enormous economic opportunities for charcoal traders in the region. It can easily be stated that the charcoal industry is the main direct dynamic behind for the large scale deforestation within the boundaries of Virunga National Park, in the Mikeno sector as well as the Nyamulagira sector<sup>37</sup>.

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<sup>35</sup> ENRA, the only commercial concession holder in the Eastern Congo, did not get its concession contract with the GoDRC prolonged after the 2008 conformity check of all 156 concession contracts with the Forest Law. ENRA's largest shareholder is Bemba senior, a former governor of the Congolese central bank under the reign of the late Mobutu.

<sup>36</sup> Forest monitor; The Timber Trade and Poverty Alleviation; Upper Great Lakes Region, 2007

<sup>37</sup> Charcoal in the Mist; An overview of environmental security issues and initiatives in the Central Albertine Rift; May 2008; Eric van de Giessen; Institute for Environmental Security

Several sources have stressed the strong and direct relationship between the clearance of forest in Virunga National Park and the regional charcoal industry. They state that a corrupt mafia of charcoal merchants has recently begun harvesting Virunga's forest. Cutting these trees would fuel a \$ 30 million-a-year industry. In the hunting domain of Rutshuru, 90% of the surface area has already been entirely degraded and the areas within Virunga National Park where rebels and FARDC troops are currently based face similar threats as a result of this attractive charcoal industry.

A city like Goma counts 600.000 inhabitants (excluding IDPs), but also Beni (500.000), Butembo (700.000), Lubero (200.000), Rutshuru (60.000) are important towns without sufficient electricity. Households are mostly forced to prepare meals on charcoal.

## **2.12 Fisheries**

Fishing In North Kivu is practised on two lakes, Lake Edouard (with a potential production estimated at 15000 tons annually, fishery being practised by around 4500 fishermen) and Lake Kivu (with an estimated annual production of around 4500 tons, practised by some hundred fishermen). In general, fishing in North Kivu is done by using home-made equipment, and with little respect for conservation of the resources. Spawning grounds are overfished, Chinese nets with small holes are used which leads to overfishing the lakes. Both the population and the government services, supposed to control and to overlook the sector, use prohibited fishing methods and materials.

At the DRC side of Lake Albert in Ituri an estimated seven hundred fishermen are involved in artisan fishing. The fish is being sold to many places; Bunia, Ksangani, Beni. Salted fish is being sold in Bunia. Nowadays around 50-100 kilos is caught per day, whereas formerly in the period 1980-1989, up to ten tons a day could be caught per ship. This implies that annual catch is around 10 thousand tons per year at present. The sector has adapted to the size of the catch and smaller fishing vessels are in use now. One kilo of fish will yield around 1,5 US\$ per kilo in Tzomia and 2,1 dollars in Bunia. Salted fish costs around three dollars a kilo. Most of the fishermen sell their catch locally. There is one cold storage in Kasenji (Tambakis) and two storage rooms at the Bunia market which run on electric generators.

In order to restore the high catch levels of the past there should be strict regulations to protect the sector, e.g. fishermen should be chased from the spawning grounds and the nets with small holes should be banned. The state does not do anything to improve the situation, whereas in Uganda more supervision and support is present. Another main constraint is the recurrent theft of fishing materials and boats, which has lead to the impoverishment of many local fishermen Local fishermen are eager to purchase fishing materials on credit..

### **3. A power analysis of political actors in North Kivu province and Ituri district**

A succession of violent internal conflicts in the DRC has lasted for almost twelve years, drawing in some seven African states at various stages of the conflict period<sup>38</sup> and causing an estimated three and a half million deaths. The conflict dynamics, i.e. the first and second rebellions which took place in 1996 and 1998 respectively, have popularly been referred to as the first and second African World Wars. Although these two distinct conflicts are important in view of their impact and size, it must be remembered that ever since the first incursions of Laurent Kabila's *Alliance des Forces Démocratiques pour la Libération* (AFDL) the eastern parts of the DRC have remained unstable. Even after the signing of the Global and All-Inclusive Peace Agreement in Sun City (South Africa) in 2002, renewed hostilities broke out between armed factions, notably in the east. Violent inter-ethnic warfare broke out in Ituri district (Province Oriental) in May 2003. To date, although the civil war generally has ended, parts of eastern DRC remain profoundly unstable and are not under the control of the national army FARDC. Recent clashes (October 2007) between troops loyal to dissident general Laurent Nkunda and the national army in parts of north Kivu underline the salience of this argument. In Ituri, some so-called 'residual militias' remain active, although their leaders have agreed to disarm and currently a DDR follow-up programme is attempting to help disband them.

In the DRC it is therefore important to make a distinction between the formal institutions of the state and the underlying power relations between ethno linguistic groups and political elite.

#### **3.1 North Kivu; formal democracy and underlying power relations**

North Kivu has a provincial assembly since 2006 and an elected governor. In North Kivu political power formally lies with the governor of the Province who has been elected by the State Assembly, and his cabinet. The governor is Julien Paluku Kahongya., a Nande from Butembo, who represents RCD-KML. His election results from the fact the dominant party has given some governors posts to their political allies (Bas Kongo-MSR, Equateur-MCL, North Kivu-RCD-KML and Kasai Oriental-MSR). The governor has far stretching executive powers and he is mandated to appoint his own cabinet minister and to decide about reshufflings single handedly.

Since the elections of 2006 North Kivu has its own democratically elected Assembly, consisting of forty two delegates. The Assembly is dominated by four political parties; the PPRD (9 seats), MSR (5 seats), RCD-Goma (7 seats) and RCD-KML (4 seats). The political landscape remains largely a reflection of the various conflict actors, who continue to dominate national and regional politics. Hence, the PPRD is President Joseph Kabila's party, whereas RCD-Goma and RCD-KML are political parties which have evolved from the former eastern rebel factions. Finally, the MSR represents civil society, which is the only non conflict party comprising churches, local NGOs, Cooperatives, Community based organizations and so on.

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<sup>38</sup> Rwanda, Uganda and Burundi opposing Kabila's DRC, Angola, Zimbabwe and Namibia supporting the Kabila regime, with Sudan an indirect player harbouring Ugandan anti-government militia groups.

However, at the background power also lies with the various ethnic communities and military movements still active in the state. A further analysis of the ethnic composition of the Assembly reveals that twenty five out of forty two delegates belong to the Nande, an ethnic group concentrated in the northern territories of North Kivu; Beni and Lubero territories. The Hutu come second with nine delegates whereas the Hunde are represented by five delegates, implying that these three combined control thirty eight out of forty two seats. This implies that the Provincial Assembly is dominated by one ethnic community and to a lesser extent by two other groups out of a total of twelve different constituent ethnic communities.

The successive wars that have affected North Kivu have reinforced group solidarity in the absence of alternative political structures in place. The central state virtually ceased to exist during the period 1992-2003. During this period important political decision making took place at the community level through so called 'mutuelles tribales', whose leadership decided on the political and economic strategies for the ethnic community concerned<sup>39</sup>. This has been a very exclusive and therefore negative force as it provoked inter ethnic violence and led to ethnic cleansing of specific areas, such as massive displacement of Tutsi from the Massisi and Rutshuru territories. Presently, democracy has failed to materialize precisely because people have never been educated to vote for ideas and political programs. Most people simply follow group leaders and the different wars are an expression of group 'democratic' decision making. Presently, Tutsi are not represented in the Assembly only through their personal wealth and influence not because of any real constituency. Politics at the provincial level therefore are a mere expression of group interest. Democracy has ended in empowering and confirming ethnic identity and group interest as the only functional organizing political principle in the post war context.

#### *The current security setting in North Kivu*

Other important actors are the leadership of the old belligerent factions, who behind the scenes still exert considerable influence on their respective political movement, i.e. RCD-Goma and RCD-KML. Finally, remainders of insurgency groups, foreign rebel groups (from Uganda and the FLDR from Rwanda), soldiers from the national army FARDC and remainders of indigenous armed factions (Mayi-Mayi) are a continuing source of insecurity in the rural areas in southern North Kivu; Rutshuru (Virunga National Park), Massisi and Walikale territories.

Consequently, the security situation is unstable. The tensed relationship between the Kabila government and neighboring Rwanda has helped to maintain a fragile security setting. After the military intervention by the combined forces of Rwanda and the DRC, the Forces de Liberation Democratiques du Rwanda (FLDR) have come back to their former strongholds in Walikale and Massisi territories, followed-through by the FARDC led operations Kimya I in North-Kivu and Kimya II in South-Kivu, again precipitating large scale population displacement. The leadership of the FLDR has not been eliminated during the last offensive. Now that the dissident Tutsi general Nkunda has been put under house arrest in Rwanda, and a formal peace agreement has been signed, peace has nominally been restored in North Kivu. President Kabila has benefited from this arrangement but to date it is unclear what President Kagame of Rwanda has claimed in exchange. The weakness of the FARDC is a limiting factor for political power play by the central government in North Kivu. After the last offensive it has become apparent that the FARDC command pocketed large sums of money

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<sup>39</sup> Interview Aloys Tegera, Pole Institute, Goma, 16-4-2009.



destined to finance the military operation, greatly enhancing the institutional weakness and operational deadlock of the national army.

Meanwhile, the successive wars have changed all social, cultural and economic relations in the province. Goma, the seat of the Provincial government, has become a mixed town influenced by Nande from the North and Bashi from the south (Bukavu area) and the Batutsi and Bahutu influence in town has dwindled. However, these Kinyarwanda speaking ethnic groups have no other place to turn to and are forced to share Goma with the newcomers.

### **3.2 Ituri district; formal democracy and underlying power relations**

Although the district of Ituri is in the process of becoming a province of its own, it currently still is being governed by the Provincial Government in Kisangani. The oncoming provincial status for Ituri is threatening for the political elite of Kisangani mainly, as the province derives fifty percent of its tax income from Ituri district only. There is a fair chance that an Alur, which is a dominant ethnic group in Ituri district, will be voted in as the first governor of the new province Ituri. At the highest administrative and political levels people are voted in through their group's relative weight, but as soon as they take office they tend to pursue personnel interests mainly.

There are ninety six representatives in the Provincial Assembly in Kisangani, of which twenty seven represent Ituri district. Among the twenty seven Iturian delegates there are an estimated nine Alur delegates. As in North Kivu, political parties are the visible expression of political representation and power but behind that façade ethno linguistic group interests dominate provincial politics in the Province Orientale as well. The Alur (from Mahagi territory) are a dominant group in parliament. Other important ethno linguistic groups in Ituri district are the Lendu (from Djugu and Irumu territories), and the Lugbara (Aru territory). Other important ethno-linguistic communities outside Ituri district are : Babudu (in Wamba district), Babua (in Buda district), Azande (Haut Uele, Logo (territoire de Watsa). At present a Lugbara from Aru territory is governor; Medard Autai Asenga.

#### *The current security setting in Ituri*

The current security setting is relatively quiet in Ituri but at times insecurity prevails on the roads in the countryside. It is sometimes unclear who are behind the recurrent incidental attacks on civilians; militia or soldiers from the government army. There are some remaining pockets of rebel activity in Ituri, notably in the Walende-pende area, a forested area in the south of Irumu territory, where a residual Lendu militia is active (the Front Populaire pour la Justice au Congo-FPJC). Occasionally trucks and other travelers are attacked and their property stolen. The FARDC does not function and people are not protected; soldiers do not get their salaries in time, they have no food and are not well kept so they extort the population.

The direct political external influence of Uganda in Ituri has disappeared, but Ugandan businessmen continue to exploit economic relations between Ituri and Uganda. Against below market prices all gold which is currently produced disappears illegally across the border as well as the entire coffee production from Mahagi and northern Djugu territories

### **3.3 Conclusions political context**

Concluding, at the national level the Kabila political coalition dominates politics and they nominally control the various provincial governments as well. In North and South Kivu Rwanda remains a powerful outside actor. Uganda has ceased to exert direct political

influence on adjoining Ituri district. The various government actors are engaged in power politics for political and economic control of eastern DRC, and to date there are few signs of positive contributions by these actors to the socio-economic stability and development of the region, inevitably classifying them as dividers of peace.

At the North Kivu provincial level President Kabila maintains political leverage through his political allies in the Nande community. Former eastern rebel movements, which have become political parties after the Pretoria Peace Agreement, such as RCD-Goma, are influential potential spoilers and dividers. The formal politics are controlled by the reigning presidential political coalition against the underlying background of continuing ethnic and group control of specific areas, which have led to the exclusion of a number of ethnic communities (Massisi Tutsis in North Kivu and Hema from Ituri). These so-called 'mutuelles ethniques' could have a negative impact on the situation.

The residual foreign and domestic rebel forces (FDLR and Mayi-Mayi) are also powerful dividers who continue to control large areas in North Kivu. The FARDC, despite continuous donor funded efforts to restructure and train, remains a weak and largely dysfunctional government army, which has proven incapable to restore government control in Walikale territory and western parts of Massisi and the park areas to the north of Goma in Rutshuru territory. Discipline among the FARDC rank and file is weak and many cases of power abuse, extortion and even rape by FARDC soldiers have been reported resulting in distrust between the population and the army that is supposed to protect them. However, security has been largely restored in the northern territories of Beni and Lubero as well as in most of Ituri. Furthermore, civil society, the only connector for peace at present, has a certain influence at the formal democratic level, i.e. in the Provincial Assemblies of both North Kivu and the Province Oriental. The Assemblies themselves, however, have yet to prove their independence from Kinshasa by taking over decision making about crucial security and socio-economic issues at the provincial level.

## **4. Role of the state, private sector and civil society in the economy**

### **4.1 The role of the state**

The cumulative impact of the successive conflicts have largely destroyed the state services at provincial and lower administrative levels. There is a lack of sector expertise among civil servants, which in turn results in a largely incompetent government infrastructure incapable to give appropriate advice or guidance for the main economic sectors.

The role of the state in the economy of North Kivu and Ituri to date is quite limited. In fact, the various state administrative services, both at the national and at the provincial level, impose a multitude of taxes on economic activities, almost without rendering any services. The collective weight of all type of taxes presents an important barrier for economic activities in eastern DRC and therefore for economic recovery as such. The lack of transparency and random arbitrary imposition of multiple taxes are the main problem. In the DRC taxation is rarely based on official tariffs and the existence of illicit taxation creates insecurity among economic actors.

Importantly, the state has hitherto been incapable to stimulate economic growth through the provision of credits or to the contribution of an enabling environment for economic activities to flourish. Tax collection is centralized, so all taxes are collected and send to Kinshasa. The border crossings with Uganda and Rwanda are focal points for the Office des Douanes et Accises (OFIDA)<sup>40</sup>, which collects import duties from the traders that import and levy export duties on those that export goods to and from the DRC. Also, at the harbors in Goma and Bukavu at Lake Kivu various administrative services levy taxes on the movement of goods and people. One of the main complaints voiced by entrepreneurs is the presence of a multitude of Government officials at important border crossings, airports or ports, which all of them impose seemingly arbitrary taxes.

At present, the tax base of the Provincial authorities is unclear, and although the law on the decentralization foresees retrocession of forty percent of total provincial revenue, so far these funds have not been transferred by the central bank. In the DRC, there is a long history of fiscal centralization at the Kinshasa level. Also, for the longest there has not been a transparent system of state revenue collection and the way in which these public funds are being spent. Hence, there always has been a tradition of exploitation of the regions by the centre; it still is much the same as it was during the Mobutu era. The lack of financial means makes it difficult for the Provincial government to pay the civil servants timely, often a characteristic of fragile states. As a result, many civil servants are left to their own devices and turn to alternative ways to collect money for personal 'survival'. The absence of budget retribution to the regions has a negative impact on the economy at various levels; state, province and territories. Also, because tax collection at important collection points (borders, airports and ports) is sent directly to Kinshasa there is very little Provincial authorities can do to claim their dues. The centralization of tax collection has in turn created a laborious system of tax depreciation by all economic actors involved. Thus, both civil servants and private actors engage in arrangements at the local level to declare lower values than are actually being

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<sup>40</sup> The Provincial directors of OFIDA work independently from provincial state authorities and report directly to Kinshasa.

transferred and transported. In fact, the problem of tax centralization has long since been creatively ‘tackled’ at local levels, as it were illicitly ‘decentralizing’ tax collection through mutually beneficial deals between the parties concerned. This has diminished state income, in turn reinforcing characteristics of the central state, such as the systematic lack of means and capacity.

## **4.2 The role of the private sector**

The private sector largely consists of businessmen who deal in import and export trade mainly. There are very few industries (soap, mattresses and processing of minerals and some agricultural products like coffee and tea). Also, most businessmen diversify their activities and engage in several sectors simultaneously (trade, transportation, fuel, hotels and restaurants, agriculture). Generally, businessmen invariably contribute to social service delivery at local levels among the constituencies they live. Most of these private sector people are members of the *Federation des Entreprises du Congo* (FEC), a national organization which has Provincial and even district chapters. The FEC functions as a union to defend the interests of entrepreneurs but also diffuses news about all type of legislation affecting their mode of operation. In the DRC the private sector is the main active sector driving the local economy. Also, the private sector is the sole domestic actor capable to generate capital to invest in new initiatives.

However, most private entrepreneurs work individually and prefer to keep decision making in their own hands. As has been already reiterated many private actors in the eastern parts of the DRC are more or less forced to work around the system or work through neighbouring countries to be able to survive. Rwanda, and Uganda, relatively small neighbouring countries in the region benefit from the disorder in the DRC. So from Goma many traders pass through Kigali. The only condition is that they have to pass their capital through the Rwandan banking system and pay taxes. Most entrepreneurs keep double books; one for the state representatives and a private one with real figures. The result is that the prevailing system creates an environment of complicity between all involved and finally there is nobody who is operating legally anymore. The major weakness therefore is collective impunity to cheat the system because the system itself is dysfunctional.

The poor functioning of the Government means that the banking system in Eastern Congo does not function well either. The Central Bank seems to put heavy taxes on banks. Banks accept deposits from businessmen, and then have trouble in giving this money back when the depositors need the money. Loans to business are very hard to come by, mainly given to friends of the bank management. Most businessmen interviewed therefore prefer to keep their accounts in banks in Rwanda, Nairobi or Uganda. These accounts are in dollars. The economy in Eastern Congo is completely dollarized; most transactions in and between businesses are conducted in US dollars.

## **4.3 The role of Civil Society**

Importantly, the majority of local workers and local producers, most of them working in agriculture but also in the large informal sector in the urban areas and the mining sector, are not organized<sup>41</sup>. They have very little influence on living and working conditions, the

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<sup>41</sup> With two exceptions in the agriculture sector: Fopac (71 member organizations) and Sydip 15,000 members)

government and on the economy as such<sup>42</sup>. For economic development the existence of pressure groups that lobby for economic growth and for the fair distribution of income is a precondition. It is therefore necessary to assist the emergence of interest groups such as cooperatives or unions, who in turn should be facilitated to lobby for their own interests in their dealings with traders, entrepreneurs but also with government officials. The absence of a real countervailing power at the grassroots level is an important obstacle for economic recovery in the post conflict areas in the DRC. At present cooperatives are timidly emerging, supported mainly by foreign INGOs and technical assistance through multilateral programs such as those run by UNDP or bilateral technical agencies such as DFID, GTZ or SNV.

Important actors in civil society traditionally have worked to help improve the social conditions of the poor. Churches through their development agencies such as Caritas (Catholic Church) or the development offices of the Baptist and Protestant Churches have been engaged in education and health services. Also, they have become involved in the provision of drinking water and emergency assistance (food, seeds and tools, non food items). Additionally, local NGOs, largely implementing projects on behalf of and subsidized by a host of foreign INGOs, have engaged in specific activities or provided specific services (human rights monitoring, conflict prevention, gender based violence, environmental degradation, judicial and medical assistance to rape victims, reintegration of ex combatant children, advocacy and lobbying) or focused on a specific target group (youth, female headed households). Generally the impact of such initiatives has been rather limited, largely due to logistical constraints, organizational weakness of local organizations and ongoing insecurity.

Furthermore, INGOs, through generous back donor support from bilateral and multilateral assistance, have continuously provided the bulk of humanitarian assistance in eastern DRC. Here, a separate aid industry has materialized in conjunction with one of the largest UN peace missions to date; The *Mission de l'Organisation des Nations Unies au Congo*- MONUC. Although people are not starving, it has become obvious that the combined humanitarian and peace assistance have failed to provide security and stability in the sub region. The lack of a clear political mandate for MONUC and the a-political intervention practices of the Humanitarian NGOs have helped maintain a 'no war no peace vacuum' in which repeatedly many civilians end up lumped together in IDP camps in response to recurrent security crisis. The question is how long this 'solution' will be facilitated by the International Community and at what costs to the local citizenry and the local economy. The aid industry has had perverse effects on the local economy such as high inflation for staple foods and prices in general, the selective brain drain of capable and educated people to INGOs and MONUC, lack of adequate community security for the countryside has lead to unprecedented urban growth; MONUC is the largest economy within the local economy yet does not create spin offs to help stimulate the local economy (limited road construction , no hydro electric plants, no drinking water plants constructed and so on); costs per unit delivered by internationals is much higher if compared with local procurement. However, without the presence of MONUC and the international humanitarian aid the situation probably would be much worse for the IDP population as locally there are not enough funds available nor do local authorities and national NGOs possess enough relevant expertise or sufficient logistical capacity to deal with a humanitarian emergency of this size. MONUC has time and again engaged in some reconstruction activities (bridges and roads mainly) and INGOs do provide work for quite a number of Congolese workers and hence income to cover the needs for their families.

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<sup>42</sup> Again with the exception in Agriculture leading to the Code Agricole, just established, with the participation of above organizations, Development NGOs like SNV and state actors

## 5. Assessment of the potential for fair and sustainable development for various sectors

It is important to identify potential PPCs that are both fair and sustainable. In order to be able to make a selection of economic sectors, or specific sub sectors, we looked therefore at the various ways in which specific interventions might benefit population groups, the distribution of benefits among target groups and main characteristics of the proposed interventions, i.e. whether they are one off or long term, embedded in local society and also manageable by local recipient communities.

Firstly, it seems opportune to have a basic understanding about the different socio-economic categories in eastern DRC. In the current situation there only is a marginal formal sector and industrial activities are severely constrained by a lack of energy. Processing of agricultural products only takes place on a very limited scale in small local enterprises, which operate with generators and small production lines. Working conditions in the formal economy, but notably in the informal economy are poor and wages are either imposed by the entrepreneurs or a result of daily sales or production. The majority of the population lives from a very meager income in subsistence agriculture, combined where possible with the proceeds from commercial agriculture (palm oil, coffee, quinine, tea, cacao, pine apples) or from charcoal.

SYDIP (*Syndicat pour la Défense des Intérêts Paysans*) a farmer-based organisation<sup>43</sup>, operating in the entire North Kivu Province works with the following income typology of family farmers<sup>44</sup>:

1. Those who do not produce enough to ensure food security: the majority of farmers in this position mainly produce staple foods, such as maize, cassava and beans. They can be found on the tops of the mountains with high population density and have difficulties to get access to land. Impoverished livestock keepers, who lost most of their cattle, fall in this category
2. Those who are at the threshold of producing enough for food security: family farmers are mainly producing cassava, peanuts and paddy. Some may produce potatoes in the high altitudes.
3. Farmers who produce a small surplus and increase production steadily. Farmers produce papain, quinine, coffee and palm oil, banana and some potatoes. These are the more profitable crops. Fishermen largely fall in this category although there also is a large number of them who have even more marginal incomes and fall in category 2.
4. Producers who ensure a stable production and can provide a reasonable quantity of agricultural produce. Farmers with the same cash crops as in category 3, but with more arable land, as well as livestock keepers are in this category. There are only few Sydip members who fall into this category
5. Those who participate independently on the local market as middle sized agricultural producer and have become economic actors themselves. None of SYDIP 's members fall into this category.

### 5.1 Conditions for fair production in the agricultural sector

From this typology it becomes clear that only few farmers, cattle breeders or fishermen are able to earn a relatively good living and escape the poverty trap. Interventions in agriculture therefore potentially might benefit a large group of beneficiaries, provided a number of preconditions are met.

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<sup>43</sup> 15,000 members, active in 12 agricultural federations

<sup>44</sup> This typology is in accordance with previous findings of one of the researchers in South Kivu.

### ***Conditions for fair cash crop production***

Pre requisites for small holders to engage in cash crops value chains are access to agricultural inputs (new variety of seeds, fertilizers, and pesticides), enough land and labour at household level (besides that necessary for food crops and food security). Engaging in cash crop value chains also requires small holders to specialize into one crop and in consequence increase their vulnerability to climatic changes, changing market prices and unreliable actors in the value chain etc. Specific measures are needed that enable small holders to take more risks and to encourage entrepreneurial behaviour against that of risk-avoiding behaviour through diversified livelihood strategies. A guarantee system that ensures a minimum price or that ensures farmers that their produce will be bought could be one of the measures. Cooperatives and/or entrepreneurs could be granted vouchers that enable them to buy agricultural produce with a certain category of small holders for a number of years. After this period the small holders are supposed to have created an asset base that structurally keeps them out of poverty.

### ***Conditions for fair food crop production***

The majority of those involved in food crops produce in the first place for their own consumption and in the second place market surplus. Organizations like SYDIP and COOCENKI introduced new policies that privilege members who have at least one hectare and who opt for specialization. In the given conditions of high population density and soil depletion in the high altitudes it is unlikely that small holders have access to such acreage. Local NGOs like LOFAPACO (*Ligue des Organisations des Femmes Paysannes du Congo*), could play an important role in orienting their members (with less than one hectare) towards those cooperatives with the support of INGOs.

Improving the rural – urban food crop value chains will considerably improve the livelihoods of rural poor. The COOCENKI example shows it is possible to market maize and beans from small holders who are nearly operating at subsistence level.

Access of this category of small holders to markets can be improved if risk mitigation mechanisms can be created that enable them to improve their asset base structurally rather than seasonally.

### ***Conditions for fair cattle breeding***

According to the typology of rural households of the SYDIP, herdsmen used to belong to the fourth category, which implies that they were rather well-to-do. However, the war has left a large number of Hema herdsmen destitute. To date a fair number of herdsmen, notably those originating from Djugu territory in Ituri still live across the border with Uganda in exile and Djugu Lendu community leaders are reluctant to allow the Hema to resettle on their former grazing areas. This is the hidden dimension of the post war situation; in the core conflict areas of Irumu and Djugu territories patterns of ethnic cleansing may become permanent. Therefore a section of herdsmen is disproportionately affected by the war whereas others continue to prosper. Scarcity also creates winners because nowadays if one family sells one cow at the Bunia market it earns some 400-500 USD for a cow of around 450 kg. Hence specific programs need to single out the war affected herdsmen and assist them in restocking.

Concluding, interventions in agriculture will certainly benefit the majority of the population, al be it that specific conditions need to be fulfilled, failing which socio economic inequality might widen between producer groups. The agricultural sector being the pivotal productive sector requires additional services for and development in other economic sectors to be able to become more sustainable over a longer period of time. Energy, water, roads and

transportation are crucial additional economic sectors that would warrant external inputs and qualify for future PPCs.

## **5.2 Assessment of other sectors**

### ***Electricity***

Electricity will profoundly change the capacity to transform agricultural production, in turn facilitating production of staple foods for the domestic market and raise levels of income for large numbers of farmers. Also, commercial crops such as coffee and palm oil can be transformed to end products according to export trading standards. This will increase monetary incomes for those producers involved. Gradually, such changes in livelihood productivity will enhance the capacity of many people to continue to survive on relatively small pieces of land in overpopulated hill tops and high plateaux in the sub region. Electricity will also affect the industrial production capacity in the region. Electricity can also be provided to specific target groups at preferential rates to create a low threshold for marginal families. Finally, electricity impacts on community security (see also chapter 5B Conflict Transformation Perspective).

### ***Drinking water***

Investment in the production of clean drinking water has a direct linkage with the promotion of the millennium goal of improved health for the poor. Also, in most urban centres of North Kivu and Ituri there hardly is any coverage and presently only a minority of households is connected individually. Mostly, water is distributed through collective water pumps, from which substantial users groups benefit. It seems appropriate to extent this system as it ensures maximum access for the majority of the population. Improved health will benefit the poor directly.

### ***Road maintenance and lake transportation***

The road system in North Kivu and Ituri is underdeveloped as there are no all-weather roads and laterite trunk road connect the main cities and productive regions. Crucially, feeder roads to rural communities are vital to transport agricultural produce from these areas and to bring inputs in. In view of the fact that it is highly unrealistic to expect the DRC government to be able to develop tarred roads in the near future it is appropriate to stimulate road maintenance, in which local communities should be involved. Toll systems could be a viable option, provided operators are supported by state agencies and foreign donors have proven to be capable to maintain roads based on a toll system for road users. A well maintained road system is a minimum requirement for socio-economic reconstruction in eastern DRC.

Simultaneously transportation on the lakes should be improved. In the case of Lake Albert regional economic integration could be promoted and travelling time substantially reduced. For Lake Kivu it is obvious that increased and modernized shipping will stimulate economic exchange between two of the largest urban centres in Eastern DRC; Bukavu and Goma. The lack of viable transportation options has had a stifling effect on trade between North and South Kivu.

In this report the informal sector has not been dealt with, although in the urban centres a significant number of people earn a living in this sector. However, the informal sector is an expression of the marginal character of the provincial economies in North Kivu and Ituri. The informal sector is capable to absorb urban job seekers but also condemns them to a marginal



subsistence survivalist economy. Provided that energy, water and other crucial services become available for the majority of the urban population the perspectives for small enterprises will be greatly affected. In the urban sector services provision will be upgraded and petty traders and other informal service providers might be able to upgrade their performance, built up some assets and leave the informal sector behind.

### ***Mining and forestry***

These sectors both suffer from illicit exploitation and lack of oversight by the central government. The mining sector currently absorbs many ex-combatants and economic opportunity seekers who have abandoned subsistence agriculture. Many predators' forces control mining sites and exploit the diggers. The war economies that used to be based on mineral exploitation have subsided but not altogether disappeared. Therefore, at present the mining sector does not provide opportunities for fair and equitable development as the system itself is based on exploitation of the poor and largely illiterate workforce.

At this moment the timber sector does not provide opportunities for pro-poor and sustainable development either. In practice and despite of the existence of an elaborate '*Code forestier*' forest resources are still considered open-end resources and the public sector is not capable of taking any responsibility in the management of forest resources. Attempts to expand the trade before adequate control measures have been put in place, may instead serve to compound existing problems of illegality, unsustainable exploitation and inequity<sup>45</sup>.

Priority actions in the forest sector aiming to control forest exploitation are:

- For the government of the DRC to finalise the twenty bylaws that are supposed to give clarifications on the forest law, such as the regulation of artisan logging, community forestry and concession rights to local communities. Furthermore, to enforce these laws at all levels.
- For civil society together with the back up of the international donor community, to strengthen the roles of independent monitors of forest exploitation both at territory (district), provincial, national and trans border level. This would involve actors as Réseau CREF, IUCN, Rain Forest Foundation, Global Witness etc.

However, the important issue of charcoal production related to lack of alternative energy sources, poverty and fast urbanisation merits attention. A reduction in deforestation will have a positive impact on the environment, help limit soil degradation and provide economic advantages for user groups.

### ***Tourism***

As has been mentioned in chapter 1, tourism is not a realistic option in the prevailing security setting. There are too many uncontrolled militia who roam the countryside and many armed movements shelter in the National Parks.

Finally, ***telecommunications*** is a viable autonomous economic sector, which already attracts sufficient capital and in which economic competition between providers regulates the price level for the local market.

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<sup>45</sup> Forest monitor

## 5.3 Conclusion

Summarizing the above arguments the research team selected the following economic sectors for an in depth assessment for possibilities to engage in PPCs:

- the energy sector, mostly the production of electricity for which there are abundant options in the provinces studied;
- the provision of drinking water;
- improvement of road maintenance,
- investment in lake transportation;
- the agricultural sector, notably cash and food crops, but also cattle breeding (relevant for Ituri mostly);
- reduction of charcoal production and consumption.

These sectors will be further assessed in the following chapter. It goes without saying that other sectors such as the mining sector are potential contributors to economic growth and post conflict reconstruction, but present conditions do not warrant putting this sector on the priority list for this study.

## **6. Opportunities for Public Private Cooperation in selected economic sectors**

### **6.1 Opportunities for PPC in energy**

Generally, and this applies both to North Kivu and Ituri district, from the various interviews with representatives of the private sector we can safely conclude that there is a general willingness to invest in electricity generation and distribution.

In the Goma region various businessmen have their own power generators, for mining, warehousing, hotels or the processing and production of coffee, wood, soap and so on. Businessmen interviewed in Goma see potential in gas powered electricity generation. Possibly (mini) hydro sites in the hinterland of Goma can also be developed, though the security situation in the so-called '*petit Nord*' around Goma makes this last option less favourable. What is lacking is technical expertise, as well as cooperation by the Congolese Government.

Therefore, a solid exploitation initiative to exploit the methane gas underneath Lake Kivu seems an appropriate and timely initiative. Beneath Lake Kivu there is a large reserve of gas, which is already used by Rwanda for power generation; they have placed a platform in the lake (only a few hundred meters from the Congolese shore) and containers with gas powered generators at the shore line. This is a first try out gas station producing about two Megawatt. Plans for a one hundred Megawatt plant at Kibuye are in progress. The same would be possible in Goma, and is studied by SNEL. A second possibility for expansion of production studied by SNEL is the rehabilitation of the Urizi plant and the development of other hydro sites in the region. A possible PPC should therefore focus on the various players involved and negotiate options for gas exploitation which are both economically viable and enable a significant increase in electricity production for the local market. A concrete PPC project could involve members of the local business community, such as high profile trader Mode Macabusa, who could form a local association to exploit the gas, produce and distribute electricity with support from the Dutch Government to negotiate a viable contract with the Congolese state. Gas run generator containers can be easily installed on lake shore premises and electricity can be delivered firstly to the economically viable clients in order to kick start exploitation.

In Butembo, the SENOKI Company is looking for partners with technical expertise and investment capacity to renovate and expand the hydro plant. Realistically electricity needs for Butembo are estimated at twenty Megawatt. However, the bad experience with Thompson Energy has created an atmosphere of distrust and SENOKI is carefully assessing new options. They prefer a partnership with a foreign investor on an equal basis. Local businessmen are ready to participate and put up their own money as risk capital for the project. The financial possibilities for the project for the community as a whole are estimated at a few million dollars maximum. The focus should be first on economic viability. Nevertheless, SENOKI is in favour of using a cash power tariff scale which distinguishes between categories of users, whereby the wealthier clients pay a higher fee to allow low income households to acquire minimal access. A future PPC contract should enable them to develop technical skills to be able to maintain and run the hydro electric plant even after the departure of a future business

partner or finalisation of such a contract. As SENOKI already represents all civilian forces in Butembo they are willing to allow a watchdog NGO to be included in such a contract. In Bunia the future of the Okimo company is unclear. The company as it functions does not seem to be a viable partner in a PPC-construction. However the Government seems inclined to allow the company to be privatised and plans to withdraw as a major shareholder. Major parts of OKIMO might be sold to foreign investors, or even disband Okimo, in view of the problems the company is in. Private entrepreneurs in town are quite willing to take over the hydro plant and the distribution network, and to invest in renovation and expansion. They lack a partner with technical expertise. A possible joint venture with FEC in Bunia is possible, in which local and foreign investors participate to take over the hydro electric plants of OKIMO, rehabilitate the system and produce and distribute electricity. Costs are estimated at around five million US for an additional capacity of seven Megawatt.

## 6.2 Opportunities for PPC in drinking water

The Regideso is a state owned company. Any discussion on investment or a topic like forming a public private partnership is done in Kinshasa. The management there, according to the local staff interviewed, is probably interested in receiving aid but it is questionable if this aid then will be invested in the region for 100 %. For a private company it is questionable if a public private partnership with this company is possible and profitable. There is discussion in Kinshasa about the possible privatization of the company. It would be interesting for the Ministry to follow these discussions and once it is clear that there is a possibility to set up a water company that is not regulated by the Kinshasa government to start an experiment, for example in Goma, and take over the Regideso facilities there. Modernization could then be done in cooperation with local government and business community. The local leaders are quite willing to step in if water production is left to the local government.

The SENOKI company has a contract with the Government stating it is allowed to produce and distribute water in the Butembo area. However they give priority to the rehabilitation of their hydro site and the expansion of power generation before investing in water production, since power is needed for water treatment and pumps and therefore a precondition. SENOKI is open to forming a Public-Private Partnership with involvement of Dutch companies, the Dutch government and (I)NGO's to organize electricity and water provision in the Butembo area.

NGO's have been active in the construction of water facilities and some have developed into active CBOs, able to expand water networks, diversify activities and help generate funds to sustain the water distribution system. In the city of Butembo the '*Association des consommateurs d'eau de Katwa Futetwe*' (ASEKAFU) in Butembo presently is building a Chloride production unit to be able to purify water from sources nearby the suburb in order to increase the water production. They have been the leading water association in Butembo, which organizes meetings and is actively seeking outside support from donors (including local and provincial authorities) and tries to forge civil society initiatives around the various water wells and water tapping points (such as cleaning, clearing bush and so on). Once the Chloride plant is finished they intend to deliver chloride to the other drinking water associations for free as these are located in rural areas and as less well organized. Recently, they have recently received thirteen thousand US dollars from the Provincial authorities<sup>46</sup> in Goma to be able to make an extension of the existing network to provide the city slaughterhouse with running water to increase hygiene. In the process they have been able to

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<sup>46</sup> This is the only DRC public investment initiative the team has come across in the drinking water sector.

provide communal water points to the inhabitants living near the extension pipe line. They try to avoid a full out confrontation with the authorities but they resist paying taxes: “it is a church social initiative and not meant to produce a profit”.

They ask blood and bones from the slaughterhouse in return for the water delivery which allows them to produce animal fodder for the small animal production they also have initiated. Since most clients of the association are poor the ASEKAFU has started to provide members with chickens and rabbits to be able to get a small income, among others intended to pay the yearly water fee of seven US to the associations.

Probably a co-operation could be set up between NGOs and Dutch institutions to produce and distribute water, but it would run into the same problem as outlined on the topic of power generation.

### **6.3 Opportunities for PPC in road maintenance**

AAA<sup>47</sup>, one of the dominant players in the road construction and maintenance sector in eastern DRC, prefers to install a system with local contractors but state support or at least tolerance is required. Ideally an independent management committee should be put in place, in which state agencies, local and international NGOs and donors should be represented. It is important to have donors on board as they can exert some pressure on the state services. Such a separate independent structure is needed to be able supervise the road funds and to oversee road construction and maintenance.

The issue is how to get road maintenance financed in such a way that contractors are able to ensure maintenance and recover costs and some profit margin is ensured.

Therefore two options for PPCs are proposed, for both options it is crucial that an independent steering committee is established, in which the Congolese Provincial authorities, foreign donors and INGOs and civil society are represented.

The first option is to ensure that external donor funding, which is already being provided, will be channelled to an independent steering committee. This committee will write out tenders to which private actors and INGOs can subscribe. Road maintenance will be an integral part of this procedure and working modalities must be laid down prior to the tendering procedure. In the case of North Kivu and Ituri it seems preferable to engage a large working force (comprising among other ex combatants) combined with some machinery to execute both construction and maintenance. In this case coalitions of INGOs, local NGOs and CBOs are possible, backed by donor support. For example in Ituri AAA has in the past worked with local NGOs CGRDAI on a road maintenance contract, after AAA had finalized road construction on a specific stretch. A Dutch INGO could engage in technical support and capacity building.

A second option is to reinstall a toll system for important highways and trunk roads. Tenders can be written out for local private sector contractors. In this case local authorities work in a coalition with local private sector actors primarily. In view of past experiences it seems clear that an independent oversight committee is required, which can mediate between the contract parties. Also, a watchdog association of some kind (ideally a road users association) should critically review contractor performance and assess taxation in view of the development of the local economy, inflation, costs of fuel and so on.

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<sup>47</sup> Interview Agro Action Allemand, Henk Peters, Bunia, 24<sup>th</sup> of April 2009.

In the present situation contracts have already been given out (see example of the Lubero-Goma highway in chapter 1), but due to several constraints these contracts have become useless. The reason was the lack of an independent oversight committee, which could prevent predation or exercise control over minimal operational standards for maintenance, review the toll tariffs and oversee budgetary decision making on overall road taxation.

## 6.4 Opportunities for PPC in Lake Transportation

For **Lake Kivu** passenger transportation has evolved but goods transportation continues to be facilitated by a run down fleet of vessels with limited bulk capacity. Hence it seems that there is scope for regular car and truck ferries, which would be an appropriate expansion of the trans lake transportation sector.

Regional Congolese firms such as CETRACA in Butembo are studying possibilities to enter the lake transportation market, notably on Lake Kivu. In the past they used to exploit major river lines between Kisangani and Kinshasa, between Kinshasa and Brazzaville and also between Matadi and Angola. All these lines have been abandoned because of high state taxation which rendered these lines uncompetitive.

Credit is a major obstacle for private entrepreneurs, except when you have privileged access to banking directors. However, provided bank loans could be made available individual entrepreneurs such as Mr. Bishugi would enlarge harbor facilities such as expanding existing quays, where most boats dock in Goma and Bukavu. Also he would purchase a second vessel, and would construct warehouses both in Goma and Bukavu.

For Lake Kivu foreign investors should be facilitated to engage in joint ventures with local firms or individual businessmen. The Dutch government could finance a feasibility study to investigate the potential for goods transportation across the lake. Here it is crucial to provide financial and judicial back up to interested Dutch investors. It seems opportune to assist consumer associations to monitor the application of safety standards and tariffs.

In the case of **Lake Albert** trans-lake passenger services with safe ferries would increase cross border traffic and promote regional integration. Also, provided ferries would run on a regular schedule travel between Bunia and Kampala commuting time would be significantly shorter; this would benefit the Ituri business community, INGOs and humanitarian organizations alike. (by road from Bunia, Beni- Kasindi-Kampala or alternatively Bunia-Mahagi- Nebbi- Kampala a one way trip takes about 14-16 hours, whereas by road and ferry this could be shortened to around eight hours).

However, there are few entrepreneurs who can bring up sufficient capital to purchase a ferry for passenger transportation across Lake Albert. In this case it seems more appropriate to stimulate small scale transportation through local associations such as ATLA. This would imply that an INGO could guarantee a loan for purchasing a standard passenger ferry with improved safety standards (life jackets and boats, communication and navigation equipment). The FEC could be asked to help raise co-funding. Local CBO ATLA could be asked to operate the service either for a fixed fee or as a subcontractor. The INGO concerned and the FEC should be part of a steering committee with representatives from the maritime, customs and security services to ensure smooth operation and help solve problems which in the past have prevented a reliant and professional lake transportation sector to emerge.

## 6.5 Opportunities for PPC in cash crops

In the cash crops, public - private collaboration would aim at increasing agricultural exports while at the same time structurally improving the asset base of the many small holders. The ultimate objectives of such collaboration are to improve coordination in the value chain, to enhance processing capacity of cash crops in DRC, preferably at the level of cooperatives and to encourage small holders to specialize in one cash crop and to take some entrepreneurial risks. The category of smallholders that is able to engage in cash crop production is able to increase production steadily and in the medium term will be able to provide reasonable quantities (Category 3-4 according to SYDIP). The demand for *palm oil* is high and producers are able to choose their markets (SOCOTRANS and SAIBU have difficulties in buying palm oil for soap production). With the introduction of a new variety by the SYDIP federation, yields will probably double.

### *Opportunities and challenges in value chain*

In Mahagi territory some 6 thousand tons of high quality Arabica (Coffee) are produced but most of it flows across the Ugandan border illegally for want of adequate structures at the DRC side. Major issues to tackle here are to establish collaboration between traders and coffee producers, financial services, locally add value to the coffee in order to decrease transporting costs, quality control of the coffee beans exported (humidity), a certification system and harmonization of trans-border trade in coffee. In the Beni-Butembo area Kamungele coffee trader used to export three and a half thousand tons per year in the 1990s and now they export sixteen hundred tons. The production of coffee in the area has dropped from thirty thousand tons to some six thousand five hundred tons at present due to the disease in the Robusta variety. Replanting actions are ongoing (see SYDIP). Quality and certification of organic coffee may provide added value (provided that it will be possible to export 'legally' from DRC territory rather than from Ugandan territory).

Technical assistance for agricultural production by small holders is needed but sometimes difficult to obtain. Farmer organizations do provide some technical assistance but also the private sector provides such services within farming contract agreements (see also chapter 1: cash crops section Plavuma company). Technical assistance is not only necessary during production, but also during processing and packaging of the agricultural produce in order to ensure quality throughout the value chain.

Formal financial services that provide seasonal loans for inputs for producers, revolving funds to buy agricultural produce, process and sell to export markets are missing. Financial services are also needed to cover the period between harvesting and marketing agricultural produce when market prices are high.

In previous chapters the economic importance of electricity and transport has been described. Both are very important for the agricultural sector. Transportation costs are far too high (see road maintenance). Transportation costs can be partly tackled by the introduction of processing units that will do the initial steps in the processing of raw materials, and hence decrease the transported volume. Electricity is needed for the processing of agricultural produce.

Non alignment of trans-border trade policies at the regional level is another constraining factor (coffee *export* from DRC is taxed with 7-15 % ‘officially’<sup>48</sup> and import duties in Uganda are only 1 %).

### ***PPC models***

There are various possibilities for collaboration between the Dutch private sector and Public sector and partners in DRC. An option is where the Dutch private sector directly deals with an entrepreneur in DRC (for instance in the coffee, quinine, cacao and vanilla). Organizations like Agriterra (NGO) or Fair Trade (private sector) provide technical assistance to farmer organizations for production, quality control and certification. Contracts are directly concluded with farmer organizations like the SYDIPs federation. Processing is preferably done at the level of the farmer organization. The Dutch public sector plays in this concept a background role in providing subsidies to Dutch NGOs.

At a more strategic level this model is preferably backed up by the Dutch Government and by producer unions like SYDIP and FOPAC to start negotiations on improved trans-border trade harmonization, improved tax regimes and improved land tenure security. In this situation both the Embassy in Kinshasa and local producer organizations fulfil a watchdog function. It is, however, clear that such a back-up requires negotiation skills and a political position of the Dutch government.

### ***Financial performance***

Many of the cash crops in DRC do have potential for export markets. As already mentioned, there are traders and processors in the North Kivu and in Ituri, who know to find the market niches on international markets. If the private sector (international and local), backed-up by the Netherlands public sector succeeds to negotiate a more appropriate tax regime with the DRC public sector, then market potential will increase.

All producer organizations (farmers union, associations and cooperatives) are not yet financially autonomous. Although they all provide the necessary agricultural inputs, technical assistance and market outlets, an important % of members do not pay member ship fees. Members of some federations prefer to market their products to other organizations than through their own federation. Federations who are in the process of becoming a cooperative (commercially registered), in the first place have to focus on these internal issues before turning to International NGOs like VECO, Agriterra and IFDC for operational costs. At this moment SYDIP (union) is able to finance some 30-40 % of its operational costs, APAV is able to pay part of the salaries for road maintenance, the poultry and rabbit rearing unit, but it can not pay staff at HQ. COOCENKI (cooperative) is financing 60 % of all salaries with its own revenues.

## **6.6 Opportunities for PPC in the manufacturing Industry**

One of the few promising industrial activities in Eastern Congo is the production of soap bars, using palm oil<sup>49</sup>. The soap bars are sold locally and as far away as Kisangani, priced from \$ 0.70 to \$ 1, and quite popular. Even export to Uganda takes place. Two small factories were visited, one located close to Butembo (Saibu) and one close to Beni (at a lower altitude and centre of the palm tree production) The (small) factories are important outlets for farmers that

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<sup>48</sup> In practice this could add up to 6000 US\$ per container with a market value of some 10,000 US\$ (!)

<sup>49</sup> Interview Mr Katasohire, PDG and Mr Chryso, Manager, Butembo, April 18, 2009.



have palm trees<sup>50</sup>. There even is a deficit at the moment in the supply of palm oil, with Socotrans buying palm oil in other provinces (Bumba, Isiro, Equator) Many farmers have some trees, and earn some cash with this cultivation. Plantations exist as well (and seem to be expanding) but are so far of marginal importance. The produce is pressed locally, and transported in bags to the factories. Saibu has contracts with farmers, lending them money in advance of harvest. Farmers also sell produce to traders that take the palm oil to Uganda, where a large processing industry exists. Palm oil can be used for cooking purposes as well. Palm oil is used by Socotrans to produce liquor as well.

The machinery for the production of soap is imported from as far away as Italy. Crucial for production is the availability of cheap power. Saibu has a 70 Kw mini hydro plant, as the basis of its operations. A dam with a small lake around 50 meters above the hydro plant provides water supply, with the water going down in a tube with a 20 centimetre diameter. The generator was built by IREM from Milan, Italy and installed in 1995. However, they are expanding production and need a capacity of 500 KW. They have build a dam at a new site, 5 kilometres away, installed tubing and are constructing the power line from this site to the soap factory. They realized the dam already a number of years ago, before the troubles started. Now Saibu wants to complete the project. They are installing a new soap production line. They have asked proposals from European machinery builders as well as Chinese for the supply of the turbine and generator. European firms ask around \$ 450.000 for a 450 KW generator, a Chinese firm for a 350 KW generator only \$ 150.000. Saibu is reluctant to buy from a Chinese since they have good experiences with the firm that delivered their present installation, IREM, and have question marks where it concerns Chinese industry. However, the price of European make is for them way beyond their budget. A loan is - of course – not available to finance the project, so it has to be financed internally.

Saibu is presently looking for partners for the finalization of its project. It has discussed the possibility of providing the villagers living around the soap factory with free electricity, and is looking for an (I)NGO to cooperate with and implement this plan. Bringing power to the villages around the plant will increase security, and give others possibilities for work, for example in milling cassava. Secondly Saibu needs technical support for the realization of its mini hydro scheme, and thirdly financial backing for buying generator and turbine. This can be a partner/shareholder in the company or a Dutch development bank that loans the necessary amount. Saibu has a good reputation in Butembo, being one of the most prominent business leaders of this community.

## **6.7 Opportunities for PPC in Food crops**

Both the Ituri and North Kivu have a high population density which has even increased due to IDPs (the North Kivu counts some 4,5 million inhabitants and 1 million IDPs). According to the BBC Hard talk program in DRC (May 4) the MONUC is also considering buying food for the DRC army in the region, because their salaries are not being paid (a new market to put it cynically).

In urban areas there is potential to sell table oil, based upon palm oil (federation of palm oil producers) and cassava- maize flour for instant cooking purposes (SYDIP). At this moment palm-oil for consumption is exported to Rwanda, then processed and returned to urban areas. New varieties for palm oil are currently being introduced and will double yields.

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<sup>50</sup> Interview Mr Machozi, Socotrans, Beni, April 19, 2009. Socotrans is developing its own plantations.

Cassava is being imported from Uganda in one hundred bags of high quality flour for a mere forty US dollars and thus competing heavily with locally produced cassava. It is currently imported without custom duties as a humanitarian assistance product to ensure food security for the vulnerable in the DRC. IITA and INERA are introducing new mosaic resistant varieties.

Transport from field to local markets is very expensive, especially when the fields are in the wetlands and the market on the top of the mountain. APAV worked on improving a road from the low agricultural land to the local market in VULAMBO town. Before road improvement, transporters by feet took 50 % of the transported volume, now they take 10 % by motor bicycle.

Security in the fields, especially where food crops are grown, is a serious issue to take into consideration. Women, who are responsible for agriculture, especially for food crops, are being raped (estimations vary from 30 to 70 %<sup>51</sup>) and are not eager to continue in agriculture. Six out of the twenty five member cooperatives of SYDIP (four in Rutshuru territory and two in Lubero territory) are dormant because of insecurity.

### ***PPC models***

Public Private Collaboration for staple foods would aim at substituting imports and improving the asset base and incomes of small holders, especially those who are operating at subsistence level and sell surpluses if possible. Therefore value chains between production sites and urban centres are to be strengthened, as well as relations with international organizations such as WFP.

The most appropriate PPC model is to collaborate with financially viable cooperatives which play a key role in the processing and storage of food crops, and ensure marketing to urban centres and the WFP. At the other side they would receive public sector funds through INGOs and local NGOs that enable them to introduce risk mitigation measures that decrease the vulnerability of subsistence farmers and enable them to get out of the poverty trap. An idea mentioned by the COOCENKI was to establish a warrantee system, enabling producers to use part of their produce as a guarantee to get access to credit with micro-finance institutions or banks (provided that banks are operational). Other ideas are the introduction of small livestock at household level like the APAV is doing, or the introduction of guarantee funds for minimum prices.

In this model organizations like Agriterro strengthen the entrepreneurial, technical and financial management capacities of cooperatives (e.g. cassava and table oil) and make the necessary investments in the value chain. Organisations like ICCO can support risk mitigating mechanisms that decrease the vulnerability of small holders to external shocks (except from insecurity) and link more vulnerable households to the cooperative.

At national and provincial level this model is preferably to be backed up by the Dutch Government and by producer unions like the SYDIP and the FOPAC to start negotiations on improved trans-border trade harmonization (especially regarding the tax-free import of staple foods under the label of Humanitarian AID, improved tax regimes and improved land tenure security). In this situation both the Embassy in Kinshasa and local producer organizations fulfil a watchdog function. It is to be observed that this requires negotiation skills and a

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<sup>51</sup> Source: *Fondation femmes plus* in South Kivu and 'Hard talk' on BBC.

political position of the Dutch government. The WFP apparently is becoming a major economic factor in the staple food sector in Eastern DRC. Their presence, and especially the stocks they will buy, will influence market prices of staple foods in local markets.

In order to obtain markets such as the WFP, lobbying needs to be done. In the COOCENKO case, the Belgium Development Sector made many lobbying efforts. These kinds of efforts will also be necessary in case other institutional markets are to be found for other crops, like for instance table oil. *The issue is if the Dutch sector avails of such lobbying capacities.*

### ***Financial performance***

An improved organization of local food markets needs international financial support for initial investments to be made. Currently AGRITERRA, VECO, DGOS and IFDC are main contributors for investments in the food crop sector. Yet more external investments are needed to build appropriate processing units (table oil, maize and cassava flour etc) and storage capacity from field to urban centres or collection points WFP. Other capital is needed in order to provide new seed varieties and technical assistance to farmers as well as in the processing of agricultural produce.

None of the farmer organizations (cooperatives, unions and federations) is financially viable, but COOCENKI succeeds to pay 60% of all salaries with own revenues, despite the fact that 6/25 cooperatives are dormant (40%). These figures are positive in the sense that they show potential for a financially viable cooperative movement. However, maintenance costs and costs for replacing equipments are not foreseen.

## **6.8 Opportunities for PPC in Cattle breeding**

The ultimate aim of Public Private Cooperation in the livestock sector for pastoralists would be to increase the availability of meat at markets in Oriental province and to secure the livelihoods of the pastoralists. During this mission we were not in the position to collect any information about pastoralists' livelihoods.

The preferred public-private collaboration should involve the Dutch Government, via Dutch cooperatives or enterprises in livestock (beef), as well as the Food Safety Organisation (*Voedsel en Waren Autoriteit*) could provide technical assistance in the sense of quality control and inspection (only technically, no financial investments!) and assist in the reconstitution of the herd and the beef value chain for the Oriental Province. In order to strengthen the position of the butcher organizations in the value chain, a revolving fund is to be made available as an initial fund to buy enough cattle in line with market demand in Bunia and Kisangani.

Regarding Food Safety and inspection it is difficult to identify the appropriate actor in DRC. Would this be the public sector? Or do alternatives exist in terms of establishing a strong consumer organization with the necessary technical expertise and legitimacy of major actors in the market chain? In the last case, the C in the PPC model needs to be emphasized.

- Reconstitution of the herds in order to increase availability of meat at reasonable prices in the Oriental Province (including Kisangani and Bunia market). In the first place this means restoring pre war numbers of cattle. The road to Kisangani has been rehabilitated recently.

- Major constraints for the butcher organization are the high prices for livestock and their lack of cash money to pay for cows. They also lack a scale to weigh carcasses and meat appropriately in order to negotiate better market prices.
- Another constraint is that the slaughterhouse is lacking electricity, cooling rooms and water facilities (responsibilities of ACOPELI).
- Pre-war figures show the importance of livestock in Ituri as an economic activity, but transport facilities like good roads (except to Kisangani) and cooling vans are lacking.
- Especially with livestock and its value chain, veterinary control and quality inspection (now in the public sector) are important in order to ensure food safety throughout the chain. In the long run, veterinary services and drug systems, and new reproduction bulls are to be introduced.

As already mentioned in all other sectors, collaboration with the DRC public sector is rather problematic. But in the livestock value chain quality and food safety inspections are a rather important aspect. For the time being the public sector seems incapable of ensuring these services. The question is who else may play such a role? Would it be an idea to create a consumer organization who will obtain the technical know how for such inspections?

### ***Financial performance***

The livestock sector in itself can become financially viable if some investments are being made to get the slaughterhouse in Bunia operational. But these investments do not require any external support at the first glance, because its owner – ACOPELI- has quite some capital to be used as an investment but seems paralysed by aid dependency inertia.

The ACOPELI is the overarching herdsmen association for the entire district of Ituri. It possesses six real estate properties in Bunia town and a large number of communal grazing areas totalling around two thousand hectares. These lands belong to the state but they have been put at the disposal of ACOPELI. There are around fifteen agents at the head office and another thirty seven on technical leave. The association is just subsisting on the remnants of their possessions. It largely depends on projects initiated by UNDP, who have rehabilitated the slaughterhouse main hall, and the FAO who intends to restore one cooling facility. Other donors have a specific area or target group approach in mind resulting in the usual random patchwork of future projects. Oxfam wants to support herdsmen families in Irumu, ADRA are planning to rehabilitate the cattle raising sector in Djugu, the Japanese government wants to invest 5 million US to support amongst others twenty herdsmen associations.

Most support goes to herdsmen associations and not to other stakeholders who play key roles in the value chain. The interview with the butchers' association indicates that the creation of a revolving fund that enables them to buy enough cattle in line with consumer demand will also contribute towards improved harmonization and efficiency in the beef chain.

Also support is needed in order to ensure food safety issues, but at this moment no stakeholder seems to be capable of taking up this responsibility. This issue needs further clarification.

## **6.9 Opportunities for PPC reducing charcoal production and consumption**

If at all, PPCs could be envisioned for the reduction of charcoal production and consumption. Different initiatives are already taking place. FAT (*fondation des amis de la terre*) states that

after the installation of a micro power-station for hydro-electricity in Kiondo 2000-2002, charcoal consumption was reduced with 18 % because after cooking people extinguish the cooking fires immediately because they have electricity for light. Furthermore the Dutch Government is about to start a project around the National Parc Virunga in May 2009. They will support the introduction of a non-woody biomass-briquettes by the Africa Conservation Fund. Biomass briquettes are made from the likes of leaves, grass, coffee husks, sawdust, and scrap paper. They are pressed into briquettes using simple wood presses that can be made anywhere with a minimal amount of tools. In the 2000-2002 period, some 10.000 energy saving stoves were disseminated in the Beni area. At that moment they seemed rather popular and were locally made by women's groups. At that moment it was calculated that women could save some 7-8 USD every month with the introduction of these wood stoves.

There are possibilities to create public-private collaborations that aim at reducing the consumption of charcoal by the provision of cheaper energy saving cooking devices. Major strategies are to invest in electricity (see previous chapter) or to introduce new technologies at a reasonable price. At the moment the Dutch government is already collaborating with the Africa Conservation Fund. But with many of these projects collaboration with the private sector has been weak. It is recommended to set up a PPC where the Dutch government invests in development costs of the new technology and a starting fund for a private entrepreneur, a local NGO develops the technology together with a Dutch NGO, and national private entrepreneurs work together right from the beginning. Involving private entrepreneurs at the very start of the project will increase the chances of producing a technology that is marketable.

## 7. Conflict transformation perspective

The economic sectors in which the research team has identified a number of possible multi actor projects all contribute to the improvement of the socio-economic context. However, some sectors in particular have great potential to contribute to initiating economic growth and improving the security setting.

### 7.1 Sectors with perspective in conflict transformation

The energy sector, more specifically the production and distribution of electric power, seems by far the most important sector in this regard. Many interlocutors both in North Kivu and in Ituri emphasized the side effects of electricity on public and community security.

Lack of access to land, reduction of average acreage per family in combination with the phenomenon of land pressure (too many people and too much cattle surpass carrying capacity) has often been a root cause of conflict in the Great Lakes area. Hence, increased productivity and processing of agricultural produce will alleviate land pressure to some extent. Indirectly, the provision of electricity contributes to this process and therefore contributes to a conflict transformation perspective. Increased household access to electricity will profoundly change family life, reduce costs of living and improve the quality of life.

Road maintenance may enhance both economic growth and improved security. In Ituri district some interviewees asserted that roads are essential for the consolidation of peace. It is essential to involve the population, because presently there is large scale indifference among the population who do not realize the importance of roads and refuse to maintain them<sup>52</sup>. A *cantonier*<sup>53</sup> school should be erected where local youngsters can be trained for community road maintenance. Also, ex combatants should be massively involved in order to avoid frustration and the emergence of new rebel groups. High Intensity Manual Work (HIMO) is ideal to moralize ex fighters and help them restart their lives.

Furthermore, developing trans-lake transportation will increase safety for passenger and goods transportation across Lake Kivu and Lake Albert. Also, due to persistent insecurity important highways connecting regions are targeted by various armed militia, who eek out a livelihood by robbing travellers and capturing lorries. Promoting lake transportation therefore serves to increase security and trade and contributes to post war reconstruction.

It can safely be assumed that the economic activities assessed in chapter 5, selected because of their contribution to fair and sustainable growth discussed in chapter 4, contribute to improved security, an essential prerequisite for post conflict recovery. However, genuine conflict transformation largely depends on the political dynamics in the DRC. It is important to underline the importance of ethno linguistic power relations within the context of a fragile state. Only when minority rights are secured, state security services are capable to provide protection within a political system with checks and balances, will a conflict transformation process gradually materialize.

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<sup>52</sup> Interview CGRDAI, Bunia, 21-4-2009.

<sup>53</sup> For vocational training how to maintain drainage systems alongside roads and level gravel roads.

## **7.2 Problematic sectors**

Other economic sectors that have not been addressed in this study clearly remain problematic and may well work against post conflict recovery. Such is the case with the mining sector in the DRC. We assume that at present it is highly risky and problematic to engage in this sector. This is largely due to the fact that this highly profitable sector continues to attract so-called dividers, such as armed militia, army commanders and businessmen with political connections either in Kinshasa, Kigali or Kampala.

Finally, tourism has also been mentioned as a possible economic sector in which investments could yield economic growth. Again, the – no war no peace- situation prevailing in the ‘petit nord’ and in the southern fringes of the Lubero territory, makes any investment in the tourism sector hazardous. At present, only some foreign humanitarians working in the area organize short trips to the volcano’s or the higher peaks in the Virunga Park, which under current circumstances can rightly be labelled adventure tourism.

## 8. Main obstacles and Constraints

### 8.1 Fragile State institutions

In Chapter 3 the role of the state in the economy has already highlighted its major weaknesses; there is a multitude of taxes '*hyperfiscalité*', the decentralization is not being implemented and the state lacks institutional capacity to initiate and support economic growth. Moreover some respondents assert that there is no central authority anymore. "There is no rule of law. If you have money people take you to court to sue you in cahoots with the judiciary sector"<sup>54</sup>.

Often it is unclear on which laws or regulations taxes or fees are based which results in duplication and an image of a seemingly anarchic and predatory state. Any government agency might come to claim their share based on some invented relationship with the product that is being manufactured<sup>55</sup>.

The process of decentralisation has come to a grinding halt. The regions are exploited by the central government and the forty percent retribution never materializes. Only the governor of Katanga is claiming these funds but as he is independent financially he is the only one who is able to do so.

Most civilian and private sector actors fear any engagement with state representatives. This is exemplified in the drinking water sector, where since early 2009 a mixed consultation form has been initiated as a result of civil society initiative. A consumer organization REHA (*Reseau de l'Eau, Hygiene et Assainissement*) based in Goma has successfully lobbied for this). State and non state actors discuss subjects of mutual interest such as exchanging expertise and capacity building. However, the Ministry of Energy and Water legitimately is trying to harmonize the various interventions in the field of water provision but there are fears that they will simply try to nationalize the various private associations in the near future. In Goma, the Regideso (a state department clearly not belonging to civil society) has asked to become a member of civil society network REHA, which many feel would open the door for a state take over<sup>56</sup>. Also, in Butembo the CBCA (*the Communauté Baptiste au Centre de l'Afrique*), which is coordinating local water associations, has resisted any attempt by state officials to pay taxes as they feel that these officials are too eager to tap into their resources. They want us to join them in their old logic: "*qu'on entre dans leur ancienne logique*".

The profiteering attitude of some civil servants has become an additional obstacle to economic growth. If authorities do not receive their 'share' they will boycott or even undermine activities. This is the experience of anybody working in the DRC. For example the NGO peace network *Haki na Amani* in Bunia was forced to even close operations for some three months after a fall out with officials about per diems. ACIAR refused to hand out per diems during a meeting. They were accused afterwards by officials who claimed they were instigating ethnic hatred, a message that was widely diffused by Radio Okapi<sup>57</sup>. One has to either have influential friends in high places or make sure that civil servants have some

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<sup>54</sup> Quote from an interview with an official from ENRA, Beni, 20<sup>th</sup> of April 2009.

<sup>55</sup> In Beni enterprise ENRA was charged five percent taxes on wood production by the Provincial agricultural service under the pretext that agricultural workers are involved in the production cycle.

<sup>56</sup> Interview with CBCA officials in Butembo, 29<sup>th</sup> of April 2009.

<sup>57</sup> Interview Haki na Amani chairman Eric Mongo, Bunia, 25-4-2009.



benefit somewhere. The state institutions do not deliver what they promise; there is a lack of leadership and the political elite has remained unchanged, implying that 'Mobutist'<sup>58</sup> reflexes still proliferate and that to date the political culture remains unchanged.

The relationship between the state and society at large can be viewed as one of mutual distrust: civil servants fear loosing out on all types of transactions and various non state actors distrust civil servants who collect money but are incapable to render sufficient and satisfactory services in return. There seems to be a lack of a 'social contract' between the state and the people as state institutions assume primacy without legitimacy. This is a serious constraint that requires long term gradual mentality change and continuing technical assistance.

## 8.2 Insecurity

There still is much insecurity. After the intervention by the combined forces the FDLR have come back to their former strongholds with a vengeance; again precipitating population displacement. The leadership of the FDLR has not been eliminated. The immediate result has been the mass displacement of some two hundred and fifty thousand civilians who have flocked to IDP camps around Goma. A humanitarian crisis situation still characterizes most of the 'Petit Nord' and in these areas it is nearly impossible to engage in peace time activities.

The CNDP movement, despite the arrest of its leader N'kunda, still remains militarily intact and the FARDC and the CNDP troops respect each other's 'boundaries' and co-exist more or less peacefully<sup>59</sup>. The CNDP control a part of the 'Petit Nord', the grazing areas in the eastern parts of Massisi and the Western parts of Rutshuru, as well as the strategic eastern area of Rutshuru where the borders of Uganda, Rwanda and the DRC meet<sup>60</sup>. The FARDC are deployed in separate army camps in urban centres in all of North Kivu, but large concentrations of troops are situated close to Goma. The FDLR have come back to their former strongholds in western Massisi, much of Walikale and on the northern fringes of Rutshuru and southern fringes of Lubero territories. MONUC is deployed near or in the most important urban centres. Finally, remnants of Mayi-Mayi groups, who used to oppose the CNDP, have engaged in acts of banditry in and around the Virunga Park. Overlooking this patchwork of different armed actors, it becomes clear that no single actor is able to impose complete control. Large scale rape and plunder takes place and there is much confusion about the identity of the perpetrators (FLDR, CNDP, Mayi-Mayi or free lancing FARDC?). Under these precarious security conditions it is still too early to speak of a post conflict situation in parts of North Kivu.

However, as has already been reiterated in this report there is peace in the so called '*Grand Nord*' of North Kivu and in most of Ituri. In these areas there are residual pockets of militia, who have become ordinary highway robbers to be able to survive. Their mere existence points again to the incapacity of the state security forces to impose rule of law.

These difficult security settings have led to different civilian response strategies. Armed militia groups of any kind in control of specific rural territories engage in tacit agreements with community leaders. In exchange for food they offer protection, enable the population to

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<sup>58</sup> Reference to the late dictator Mobutu, who used an intricate system of predatory taxation through local croonies and a variety of state organisations.

<sup>59</sup> Interview ICCO partner BOAD in Goma, 30<sup>th</sup> of April 2009.

<sup>60</sup> Stephen Spittaels and Filip Hilgert, 2008. Mapping Conflict Motives; Eastern DRC. Antwerpen: IPIS, pp. 7.

produce and to access their land, but at harvest time they are the first to harvest and at their discretion leave part of agricultural produce to the local population. Also, roadblocks manned either by militia or FARDC are in place in order to collect 'taxes' during transport of agricultural produce from field to house and from house to markets<sup>61</sup>. Cases have been reported where traditional chiefs collect money for armed groups in order to obtain a tranquil situation for some time. They are also said to pay different armed groups in turn. Despite all those 'taxes' there is still agricultural produce arriving at Goma.

### **8.3 Land use, tenure and natural resource depletion**

Rural populations face serious problems regarding secure access to land and natural resources. Major causes are population density, the dualism between customary and modern laws and regulations and land speculation. One of the major implications is that of the depletion of natural resources. A new agricultural policy is currently being drafted and also enhancing insecurity regarding access to land for small holders.

#### ***Population density***

Population density in the Eastern Congo is very high (approx 94.6 people per square kilometre). Family plots for agriculture or integrated agriculture- animal husbandry are rather small, varying from 0.25 hectare on the top of the mountains (high altitudes), between 0.5-1 hectare on the slopes of the mountains and at the foot of the mountains, aside or in the forests, as much as one can farm taking into account available labour force.

Increasing pressure on land for agriculture is one of the main driving forces behind forest clearance in the region. According to the Congo Basin Forest Partnership (CBFP), over 168,000 people have invaded Virunga National Park over the last seven years, thereby degrading 90,000 ha. Although a number have been relocated elsewhere, still 80,000 people still live inside Virunga National Park<sup>62</sup>.

Encroachment of forest zones not only leads to severe conflict with the ICCN in charge of protecting DRC's national Parks like Virunga National Park and Kahuzi- Biega Park, but also with forest populations in non-protected areas (FAT). Those populations (pygmies and bantus) live from non-timber forest products like caterpillars, honey, leaves, slash and burn agriculture etc and see their livelihoods endangered by the felling of important forest zones. In the Walikale areas clashes between new settlers and forest people have been registered.

A resettlement project that aims at moving people from the high altitudes and at the border with the National Park Virunga into non-protected forest areas so far concerned a mere one hundred and fifty households. Conditions for people to resettle are very harsh, no transport, no education and health facilities, no other infrastructure available to ensure some standards of living and no agricultural equipment to cut trees and prepare land for agriculture. Parcels are approx five ha, to be exploited without mechanization (Réseau CREF and FAT). The organizations that are coordinating those resettlement projects did not make any preparations, like an appropriate allotment of parcels to new settlers.

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<sup>61</sup> Similar experiences observed in 2003 in South Kivu by Dieuwke Klaver

<sup>62</sup> Charcoal in the mist Charcoal in the Mist; An overview of environmental security issues and initiatives in the Central Albertine Rift; May 2008; Eric van de Giessen; Institute for Environmental Security

### ***Dualism***

The dualism in various laws related to land tenure and natural resource management is having serious consequences for securing land use for small holders. The constitution states that all natural resources, including minerals, water, forests and land belong to the state. The land tenure law makes a distinction between public and private lands. Both belong to the state but individuals and organizations have the right to negotiate concession or exploitation rights on private lands (until so far those private lands have not been identified at national level). With this rule the state leaves the management of the public lands to customary law. This means that local traditional authorities play an important role in providing their own population and 'outsiders' with land use rights. Local chiefs are therefore key actors in land use and tenure ship issues. Both the traditional chiefs and the Government of the DRC ask royalties for land use.

This has even been formalized in the forest law, where concession holders first pay royalties to Kinshasa and then have to start negotiations with the local chiefs prior to forest exploitation. FOPAC also signals the contradictions between the land law and the Forestry and Mining Laws. These laws take large parts of the country, and give the authorities the right to dole out the land concerned, although farmers are living on it, and have been working there for a long time. The mining law concerns 35-40 % of the national territory.

This dualistic system is impacting severely upon rural populations. Entrepreneurs like industrial farmers, those who extract minerals, big livestock keepers, timber companies obtain concession rights with the Government of the DRC on day one and on day two they impede local populations to enter these concessions, where local populations used to have their fields according to their agreements with the traditional chief<sup>63</sup>.

With the usual bribery of concession holders, traditional chiefs are inclined to give way to the detriment of the populations they are supposed to represent. For an average rural household it is far too difficult to obtain an official concession right with the state. The most nearby competent service is at provincial level, where the cadastre is (operational or not operational).

### ***Land speculation***

Taking into account population density and the dualistic system, many opportunities are given to people with financial means to speculate on land. SYDIP, an agricultural union, has been created in 1993 in reaction to land speculation. In those days the Butembo traders started buying up large tracks of land in response to the insecurity and plunder of their warehouses. Also the construction of new roads to make low lands more accessible for markets, to enter forests as well as the rehabilitation of roads provides the opportunity to entrepreneurs to obtain concession rights and to intensify the exploitation of natural resources. The FAT mentioned that entrepreneurs succeeded in obtaining land titles along newly constructed roads, forcing rural people to settle further into the forest<sup>64</sup>.

### ***Depletion of resources***

With the current dualistic system on natural resources, land use is not being secured for rural populations, providing fewer incentives to investments in soil conservation, in forest resources and in fishery grounds. The tops of the mountains have been denuded and soil

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<sup>63</sup> Case reported by BOAD in 2005 between big livestock keeper and local populations (DK) and case reported by CREF network between ENRA and forest population (2007).

<sup>64</sup> Interview FAT, Goma, 29<sup>th</sup> of April 2009.

fertility is very low, requiring extra investments in terms of reforestation with nitrate fixing species. The forest soils are very fertile for the first two years but also require integrated agricultural practices (small livestock, agro-forestry) in order to maintain fertility. Fisheries grounds in all lakes (Edward, Albert, Kivu) at the Congolese side have been depleted because Congolese fishery men use fine-maize nets and fish on the reproduction grounds. Actually the Ugandans who are at the other side of the lake are exporting their fish to the Congolese side.

### ***The new agricultural policy; a new thread to family farming***

At this moment, the Government of the DRC is drafting a new agricultural policy. According to FOPAC, SYDIP and VECO, the new agricultural policy is - like the forestry law – favouring industrial farming against family farming. Industrial farms are expected to obtain concessions without any limits, whereas those of small holders will be limited to a maximum of 3 hectares. Producer organizations are currently negotiating with GoDRC to expand the minimal acreage for small holders to 10 hectares.

### ***Land as source of perpetuating conflict***

Land has always been a very important and highly contested resource in the region. As noted in many earlier studies, land has been closely related to politics and conflict for at least four decades. Although the conflicts in Rwanda of 1959, 1963, 1973, 1980, 1990, and the genocide of 1994 were all politically motivated by politicians, evidence has shown that fertile land was a large factor behind social tensions before these erupted into violent conflicts. The same holds true for the conflicts in Ituri region and, to a lesser extent, the Kivu provinces in DRC. As mentioned, the struggle for land is very intense and land scarcity is increasing. Therefore, in order to prevent further social and violent conflicts, improving land security is one of the most urgent agenda points for the Rwandan and Congolese governments<sup>65</sup>.

### ***A suggestion to help defuse the land issue***

Civil society has made many efforts to manage conflicts related to land at local level, as well has prepared its own guides for land use with the traditional chiefs. The most important strategy in this was to make traditional chiefs aware of the major challenges their populations face when traditional chiefs ‘give’ land to outsiders.

On the long run however, these local solutions will prove to be insufficient against the ‘modern’ way of obtaining concession rights. It is therefore recommended that civil society organizations prepare local populations to obtain their own concession rights vis-à-vis Kinshasa. This also implies that CSO’s should negotiate performing cadastre services at provincial level (where they are supposed to operate) and that they should held Provincial Government accountable for secure access to natural resources. This provides a useful starting point for a possible PPC with Dutch Kadaster International.

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<sup>65</sup> Charcoal in the Mist; An overview of environmental security issues and initiatives in the Central Albertine Rift; May 2008; Eric van de Giessen; Institute for Environmental Security.

## **9. Conclusions Public-Private Cooperation possibilities**

In view of the ongoing security problems in the areas adjoining the city of Goma, the team recommends that for the time being economic reconstruction initiatives be focused on the so-called 'Grand Nord' and the district of Ituri, notably in the Mahagi area. The 'Petit Nord' and Walikale require pacification first and a return to some semblance of normalcy prior to any such initiative.

The 'Grand Nord' has been a relatively neglected area for decades. There are virtually no public services in the major cities; no roads; no electricity and a rudimentary drinking water system which only services a fraction of the population.

In Ituri, the main conflict areas receive the bulk of the attention of the international community. Peripheral areas such as Aru and Mahagi have equally been affected by the effects of the civil wars (mass population displacement and militia violence). Mahagi and notably Aru have also been neglected areas since independence. These areas have become more or less integrated into the Ugandan economic sphere, to which the wide spread use of Ugandan currency testifies.

The political environment still is dominated by a host of spoilers and dividers; the government of the DRC, the FARDC, the dominant ethnic communities, former rebel groups turned into political parties, foreign governments, local militia and rebel forces (FDLR, Mayi-Mayi). Civil society is the only potential connecting force, although it is weakened by internal rivalry and division.

Overall, the economic role of the government is counterproductive; a host of state services levy a variety of taxes on import, export and productive activities. It is often unclear upon which texts these taxes are based and how tariffs are determined. Also, the lack of retribution by the central bank to the various new Provincial entities has a crippling effect on decentralisation and local governance. Furthermore, the reality of substantial salary arrears has created an environment in which civil servants cater for their own needs, and this also applies to the army and state security forces, greatly enhancing the predatory image of the state. The private sector is largely atomized and individual businessmen follow their own strategies. They are mostly compelled to engage in illicit deals with civil servants and government officials to be able to retain a profit margin, thus bypassing official taxation which leads to loss in state income and the prevalence of widespread corruption. However, the private sector is also the only domestic sector capable to generate financial means to initiate new activities or to organize and contribute to public service delivery, the latter often to the benefit of their own constituencies. Civil society consists of multiple actors, most of whom have a limited role in the economy. The churches are important providers of public services such as education and health. Local NGOs mostly depend on large foreign NGOs and are mere implementers of humanitarian programs, with limited means and reaching only small groups of beneficiaries. Foreign NGOs are primarily engaged in humanitarian aid and follow the dynamics on the ground. Although they do provide necessary services to people in need, long term economic effects seem rather limited.

## **Outcomes**

The research team has tried to identify the possibilities for Public-Private Partnerships in Eastern Congo. These projects would (1) have to be feasible in the Congolese circumstances, (2) have to be profitable in order to get the cooperation of private partners, (3) would need to contribute to fair and sustainable development and finally (4) include a partnership with government, private actors and (I)NGOs

All existing economic sectors were studied and discussed with Congolese stakeholders: businessmen, representatives of civil society and governmental institutions. A number of sectors were identified where in varying degrees and with different coalitions of partners opportunities exist that will meet these criteria, and contribute to sound economic growth:

Examples are:

- The provision of water and electricity services to the larger urban centres, such as Massisi, Rutshuru, Goma, Lubero, Butembo, Beni and Bunia. This will benefit economic growth, diminish environmental degradation (through charcoal production and woodcutting) and increase health and security.
- Processing of agricultural products, especially soap from palm oil, but also certification of coffee, processing of staple foods such as cassava and corn flower, rice and possible new products such as vanilla.
- Road construction and maintenance; in the field of maintenance local NGOs have build up experience and there is a strong conflict transformation potential as many ex-combatants could be employed.
- Lake transport; in view of poor road conditions and insecurity trans-lake transportation across Lake Kivu but also across Lake Albert will increase inter regional trade between North and South Kivu as well as between eastern Uganda and Ituri (Lake Albert).

In the abovementioned sectors parties have been identified that are interested in participating in PPC projects, businessmen as well as (I)NGOs . Various public institutions at a lower level, especially in Ituri and in Butembo are interested to cooperate as well. The involvement of the Provincial government or the Central Congolese Government complicate the setting up of PPC projects because they still are institutionally weak and therefore require thorough technical support. Also, reform of government institutions in view of structural weaknesses and constraints is beyond the scope of the present endeavour. The Dutch Government and its institutions (Embassy, FMO etc.) could have a catalyzing role in some projects that have been discussed for a long time but which need a stimulus to the organization, financial backing and technical support. Also, the Dutch government presently has focused its attention on Security Sector Reform.

## ***Water and Power***

- In Butembo the SENOKI company wants to enter into a PPC in order to rehabilitate their hydro plant, and to set up water production and distribution. The entire civil society of the city Butembo, as well as local government supports this project wholeheartedly.
- In Goma there is the possibility to use the gas reserve that is beneath the Lac Kivu to fuel gas powered generators. It needs negotiations with the Congolese Government on the conditions under which a PPC may explore this stock. Various businessmen, Modee Makabussa a.o., that already have their own (large) generators are interested in investing in this venture.
- In Bunia the possible privatization or the split up of the OKIMO company gives the possibility to take over its hydro plant and to start a PPC project in (hydro) power

generation. Local business people such as Pacifique are interested, but contract conditions need to be clarified beforehand.

- In all cities, but especially in Beni and Bunia, there is the possibility to start a PPC project in water production and – distribution. The future role of the Regideso is an important issue to follow, to see if cooperation with this organization is possible or not. Tariffs should be negotiated and cover costs.
- In Butembo the Saibu Company would like to enter into a PPC with a partner that is knowledgeable in the field of hydro power production, and can participate financially. With the involvement of a NGO as a watchdog and responsible for distribution of power to villagers this PPC can be a valuable pilot project for a broad based cooperation in this field.

### ***Road construction and maintenance***

Infrastructure is essential for economic development. In Eastern Congo infrastructure is very much lacking, or is in a bad state. In all areas visited there are civil society organizations and businessmen (or their organizations) willing to participate in PPC projects. An international NGO like AAA as well as local associations already have a vast experience in road construction and maintenance, but lack a long term horizon and organizational model. Important is to ensure that the Provincial or Central Government does not interfere in toll taxes meant for the operations. This means that a monitoring committee and involvement of foreign donors is essential.

### ***Lake transport***

Improved lake transport can lower transport cost between Uganda and Congo and between Rwanda and Congo, and between Goma and Bukavu. It can also improve cooperation in the Great Lake Region. Transport companies are quite interested in cooperation with Dutch ship yards for their expertise, as well as with an institution like FMO to get loans for new ferries, warehouses and quay construction.

### ***Processing of agricultural products***

There are various possibilities for collaboration between the Dutch private and public sector and partners in DRC. An option would be to have the Dutch private sector directly dealing with an entrepreneur in DRC (for instance in the coffee, quinine, cacao and vanilla).

Organizations like Agriterro (NGO) or Fair Trade (private sector) could provide technical assistance to farmer's organizations for production, quality control and certification. Another model is where the Dutch private sector concludes contracts with farmer organizations like SYDIPs federations and where the Dutch public sector ensures technical assistance.

For coffee in the Mahagi but also in Butembo area: In Mahagi territory alone some six thousand tons of high quality Arabica were produced this year but most of it flows across the Ugandan border illegally. Major issues to tackle here are to establish collaboration between traders and coffee producers, financial services, local added value to the coffee in order to decrease transporting costs, quality control of the coffee beans exported (humidity), a certification system and harmonization of trans border trade in coffee.

Another promising industrial activity in Eastern Congo is the production of soap bars, using palm oil. The soap bars are sold locally and as far away as Kisangani, priced from \$ 0.70 to \$ 1 and quite popular. Even export to Uganda takes place. Two small factories were visited, one located close to Butembo (Saibu) and one close to Beni (at a lower altitude and centre of the

palm tree production) The (small) factories are important outlets for farmers that have palm trees.

Public Private Collaboration for staple foods would aim at substituting imports and improving the asset base and incomes of small holders, especially those who are operating at subsistence level and sell surpluses if possible. In urban areas there is potential to sell table oil, based upon palm oil (federation of palm oil producers) and cassava- maize flour for instant cooking purposes (SYDIP). New varieties for palm oil are currently being introduced and will double yields.

### **Conflict transformation perspective**

Genuine conflict transformation largely depends on the political dynamics in the DRC. It is important to underline the importance of ethno linguistic power relations within the context of a fragile state. The provision of minority rights, organizing state security services that are capable to provide protection as well as the development of a political system with checks and balances, will greatly contribute to a conflict transformation process. However, it has become clear that specific sectors such as energy, water, road construction and maintenance, water transportation and agricultural production and product processing all may contribute to increased socio-economic stability, growth and hence to a more stable human security environment. Other sectors, notably mining, but also timber exploitation remains problematic due to the linkages with powerful divider groups in the DRC and abroad.

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## Annex 1: Exports / Imports of DRC

### EXPORTS FROM DRC (2005)

Ranked by Volume	Volume
Crude oil	9,216,249 barrels 1,2 million tons
Timber	146 000 tons
Copper	26,389 tons
Zinc	15,100 tons
Palm oil	15,000 tons
Diamonds	29,447 carats
Cobalt	8,234 tons
Cassiterite	8,950 tons
Wheat flour	7,764 tons
Rubber	5,578 tons
Coffee	4,900 tons
Gold	2,244 tons
Cacao	1,289 tons
Wolframite	444 tons
Coltan	152 tons
Alcohol	2,272,488 Hl
Soft drinks	1,036,963 Hl

**Source:** OFIDA and CBC

Ranked by Value	Value (US\$ Millions)
Diamonds	858
Crude oil	459
Cobalt	59
Copper	58
Timber	32
Coffee	8
Cassiterite	6
Rubber	3
Coltan	1
Gold	540 000
Zinc	-
Palm oil	-
Cacao	-
Wolframite	-
Wheat flour	-
Alcohol	-
Soft drinks	-

### IMPORTS INTO DRC (2005)

Ranked by volume	Volume (tons)	Value (US\$ millions)
Oil products	1,007,000	432
Food products	499 000	196
Chemicals	83 000	99
Machines/domestic appliances/metal products	73 000	187
Transport equipment (excluding spare parts)	42 000	99

**Source:** OFIDA and CBC

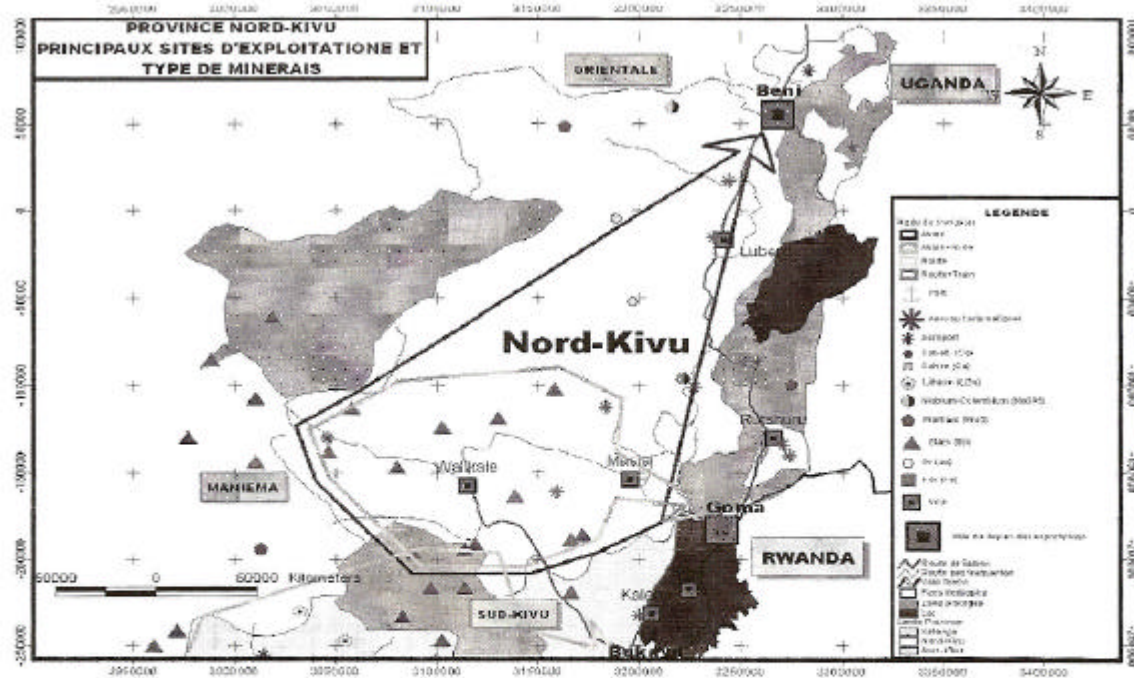
Ranked by Value	Value (US\$ millions)	%
Oil products	432	17%
Food products	196	37.7%
Machines/domestic appliances/metal products	187	8.5%
Chemical industries products	99	16%
Transport equipment (excluding spare parts)	99	8.5%

**Source:** OCC

Ranked by Value based upon CBC statistics	Value (US\$ millions)
Consumer goods	540
Energy (oil)	431
Capital goods (domestic appliances)	150

**Source:** BCC

## Annex 2: Principal mineral production sites in Kivu's



North Kivu's mineral production, from sites mainly around Walikale and Masisi, are sent to three main destinations: Beni, Goma and Bukavu. These three towns are the exit points for minerals from North and South Kivu. Thanks to their administrative status, airport facilities and warehouses, they are centres for regrouping and storing mineral production. Transportation, both via air and road, spreads the flux of minerals across the two provinces. The mining economy of North Kivu is therefore well integrated into the commercial dynamics of the greater Kivu.



## Annex 3: Exports from North Kivu

Exportations du Nord Kivu hors Beni-Butembo en 2002							
Produits	Qté en kg	Valeur en FC	Valeur en \$	% Goma-Ville	% Banagana		
Café arabica	2 106 950	312 617 179	625 234	100%			
Thé	398 197	17 555 589	35 111	54%	46%		
Pyrochlore	502 472	296 480 000	592 920	100%			
Cassitérite	224 089	37 655 200	75 310	100%			
Autres minerais	101 556	18 325 200	36 650	100%			
Exportations du Nord Kivu en 2006							
Nature produits	Quantité (kg)	Valeur FOB (FC)					
Café arabica	1 579 460	1 123 738 481	2 247 477				
Café robusta	1 545 700	531 051 562	1 062 103				
OR	-	-	-				
Pyrochlore	-	-	-				
Cassitérite & or	2 876 517	1 796 003 959	3 592 008				
Wolfram	64 400	36 082 200	72 164				
Scories & déchets	78 344	1 579 292	3 159				
Autres débris	58 600	6 743 369	13 487				
Thé	306 770	91 615 044	183 230				
Bois	3 250 834	372 419 064	744 838				
Papaine	258 388	777 194 922	1 554 390				
Ecorces pigeon	460 800	42 334 700	84 669				
Ecorces Quinquina	4 559 045	848 556 684	1 697 113				
Raoniolia	65 345	50 028 138	100 040				
Export Nord Kivu par corridor en 2006							
	BENI (kg)	GOMA (kg)	ISHASHA	TOTAL (kg)	Valeur /kg fob Goma	TOTAL \$ FOB	%
Cassitérite	22 000	2 748 094		2 770 094	2 5505	7 065 125	20%
Coltan	2 000	56 924		58 924	3 6926	217 583	1%
Wolfram	104 190	367 992		472 182	2 25	1 062 410	3%
OR	26	9		35	14500	507 500	1%
Autres minerais	4 350	29 992		34 342		-	
Café	6 556 230	916 181	-	7 472 411	1 05	7 846 032	22%
Quinquina	5 323 000	461 488		5 784 488	0 603	3 488 045	10%
Thé	129 300	178 046		307 346	0 37	113 718	0%
Bois brut	2 453 000			2 453 000	0 13155	322 692	1%
Bois finis (planches)	1 086 147			1 086 147	0 3664	397 964	1%
Autres produits agr (papaine pigeon)	1 584 220			1 584 220	2	2 982 713	8%
TOTAL	23,820,693	5,674,907	-	29,495,600		35,248,610	100%
Part en tonnage exporté	81%	19%	0%	100%			
Droits de douane perçus							352 486

**Source:** OFIDA 2007

According to OFIDA the FOB value of exports for 2006 from North Kivu were USD 14,121,849 with the customs duties paid being USD 106, 724 at the official tax rate of 1%.

## Annex 4: Map of North Kivu





## Annex 5: Map of DR Congo



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