

# The Path to Prosperity: The Rise of the DRC

BY PAUL TRUSTFULL

A fresh approach by leaders of the Democratic Republic of Congo (DRC) aims to create a new African success story. The transformation of the DRC presents investment and development opportunities to the international community, and changes already in motion seek to raise the nation's stature and bring social change and prosperity to its people.

**W**ith natural resources valued at \$24 trillion and a land mass rivaling that of Western Europe, the DRC has great potential. Until recently, that potential was dimmed by years of unrest and civil war. Now, under the leadership of President Joseph Kabila and Prime Minister Augustin Matata Ponyo Mapon, the DRC has set aside the past and is focused on becoming a regional superpower.

President Kabila's long-term plan to improve the lives of the Congolese people, *les Cinq Chantiers de la RDC* (the Five Pillars of the DRC), includes strategies that will expand international trade and boost domestic investments. By modernizing and rehabilitating the DRC, Kabila hopes to create substantial and lasting improvements in health care, education, employment, electricity, housing and infrastructure. While these are ambitious goals for a country just emerging from a long period of serious conflict, the plan already appears to be getting results.

In 2013, the DRC's GDP grew 8.3%. The nation's GDP is expected to grow 10.5% in 2014, based on estimates by the International Monetary Fund in its October 2013 World Economic Outlook. Prudent monetary policies have not only encouraged this growth, but have kept inflation at 1%, the lowest rate since the nation achieved independence over half a century ago.

Working closely with members of the international community, DRC leaders are enacting legislation to improve the country's business climate. They are focusing their efforts on creating more-transparent processes and anti-corruption programs, as



Prime Minister Ponyo and President Kabila after a cornerstone-laying ceremony for a new government building in Kinshasa



Dedicated in 2014, the 500-bed Jubilee Hospital serves patients in the capital city of Kinshasa. Construction of the hospital began in 1954 and was interrupted in 1960. A campaign launched by President Kabila in 2009 brought the project to completion, 50 years later.

well as minimizing bureaucracy for business start-ups. These changes, among many others still in progress, have been instrumental in fostering an investor-friendly environment and opening up numerous sectors throughout the country to private investment. As the DRC continues on its path toward becoming a strong pillar of Central Africa, the changes taking shape are indicators of the continent's potential and ability to transform itself.

### Inviting Partnerships for Health Care and Education

One sign of progress in the health care arena is the Jubilee Hospital in the capital city of Kinshasa, which President Kabila and Minister of Public Health Felix Kabange Numbi inaugurated in March 2014. Funded through a joint venture with Sinohydro, a large Chinese engineering firm, Jubilee is a 500-bed hospital that brings world-class medicine to the DRC. The hospital will be operated by the Padiyath group, which manages hospitals throughout India and the Middle East.

Another international partnership is helping the DRC train workers for high-tech fields. Huawei, a communication technology services provider based in Shenzhen, China, opened its regional state-of-the-art

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training center in Kinshasa in May 2012. The partnership is part of Huawei's global "Telecom Seed for the Future" program, which aims to promote local talent and enhance innovation. Up to 2,000 students per year will develop specialized skills, including cloud computing, videoconferencing, data communications and other current technologies essential for the nation's business infrastructure.

The prospects of international student and faculty exchanges are now under

discussion between representatives of DRC academic institutions and New Hampshire's Antioch University New England (AUNE). "The Congolese recognize the importance of building community capital and the internal capacity of the people to govern themselves," says Dr. James Gruber of AUNE's Department of Environmental Studies. "They want to explore how higher education can be a more effective partner in building a healthy economy, society and country."

### Energy Independence Is a Catalyst for Economic Growth

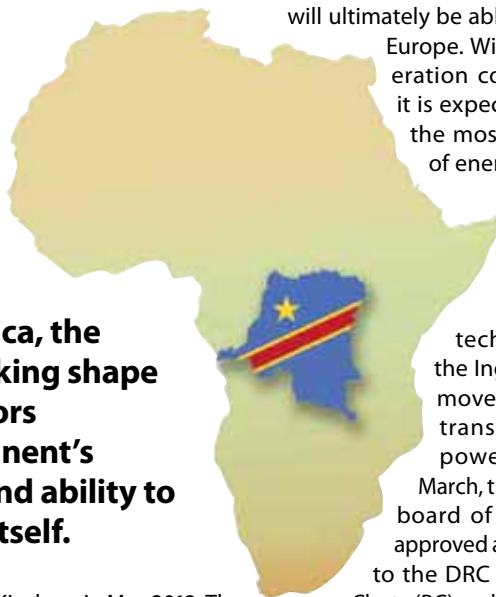
The energy sector is vital to economic growth within the DRC, especially as its large-scale mining and industrial sectors continue to expand. The centerpiece of the nation's energy strategy is the Inga dam project, one of the largest infrastructure projects ever undertaken. When complete, the project will be the world's largest hydropower site.

With the potential to generate 40,000 MW, the Inga dam on the Congo River will help provide low-cost power to the DRC, South Africa, Botswana and Angola, and will ultimately be able to export power to

Europe. With an estimated generation cost of US\$0.03/kWh, it is expected to create one of the most affordable sources of energy in Africa. The first part of the project, Inga 3, will top off at a nameplate capacity of 4,800 MW.

New funding for technical assistance on the Inga 3 dam project has moved the DRC closer to transformational hydropower development. In March, the World Bank Group's board of executive directors approved a US\$73.1 million grant to the DRC for the Inga 3 Basse Chute (BC) and Mid-Size Hydropower Development Technical Assistance (TA) Project. The funding, along with US\$33.4 million approved by the African Development Bank (AfDB) in 2013, will provide expertise that advances the country's efforts to develop its hydropower potential, estimated to be the third largest in the world after China and Russia.

The TA project will strengthen the DRC's institutional capability by establishing an autonomous and transparent Inga





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Development Authority, the World Bank reports. The authority will be charged with following best international practices in selecting a private concessionaire and negotiating power purchase agreements. The project will also finance technical, environmental and social studies to develop the Inga 3 BC and selected midsize hydropower projects sustainably.

The IDA TA project will form the foundation of a unified World Bank Group approach to support a government-led process for the transparent development of Inga 3 BC. The team working on the project will draw on the World Bank Group's expertise with large infrastructure projects.

"Inga 3 BC is undoubtedly the most transformative project for Africa in the 21st century," says Prime Minister Ponyo. "It is one of the strategic pillars of development for the DRC, which needs energy to expand growth and reduce poverty in a sustainable way. The World Bank Group's involvement in this project reinforces its mission to fight poverty and its ongoing commitment to help the Congolese government in its goal to move the country along the path to a strong development future."

### Africa's Regional Partnerships Accelerate Trade

Throughout the African continent, partnerships and alliances between neighboring countries provide a backbone that supports regional development and growth. The Common Market for Eastern and Southern Africa (COMESA) is among the most well-known regional organizations unifying Africa.

In February, the 17th Summit in Kinshasa brought together the COMESA heads of state, and DRC President Kabila took over the reins from the previous COMESA leader, President Yoweri Museveni of Uganda. The summit focused on the consolidation of trade within COMESA nations through micro, small and medium enterprise development. "After 20 years of growth characterized by an exemplary dynamism, COMESA has become a powerful tool for promoting



President Kabila took office as chairman for the Common Market for Eastern and Southern Africa (COMESA) at the 17th Summit in Kinshasa, February 2014.



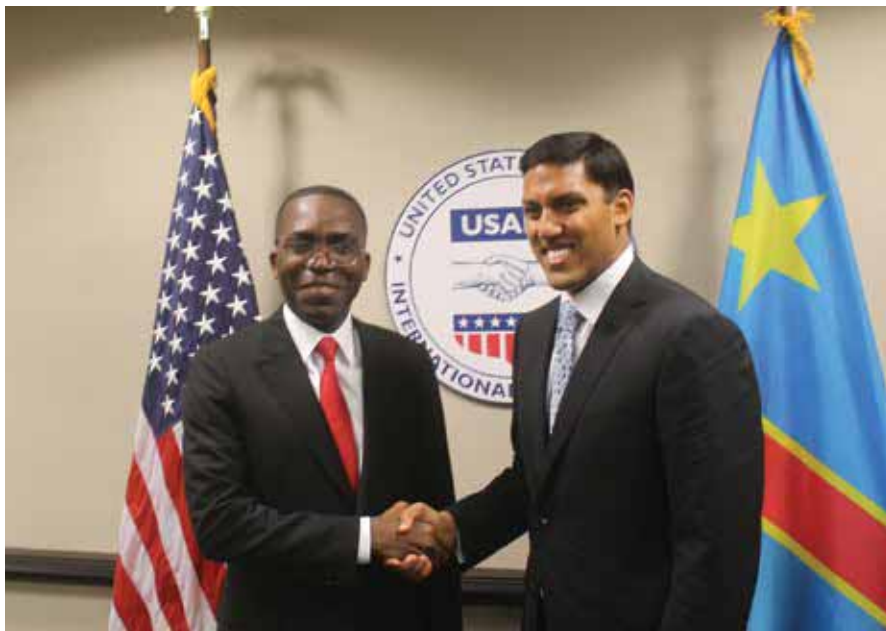
President Kabila and outgoing COMESA chairman President Yoweri Museveni of Uganda

the development of its member states and the integration of their economies," said Kabila. During the summit, Kabila and his counterparts focused on advancing economic integration of the member states. They spoke at length about the increase in opportunities and investment that regional cooperation would bring. The nations that make up COMESA occupy 165 million square kilometers and have a population close to half a billion.

Within the last decade, trade between member countries has increased by 600%.

That figure is continuing to rise as intra-country ties strengthen and newer alliances form. One example of a highly successful program is the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA). ACTESA was formed to accelerate the implementation of regional initiatives in agriculture, trade and investments. Its main goal is to increase farmer productivity and incomes in the Eastern and Southern Africa region through trade in strategic agricultural commodities.

While the summit highlighted the success



Prime Minister Ponyo and USAID Administrator Rajiv Shah

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of previous endeavors, President Kabila made it very clear that more work needs to be done to unleash the economic capabilities of the region. The efficient use of natural resources to benefit COMESA countries is one of his priorities.

“The development of the continent and the quality of peoples’ lives depend on the ability of African leadership to organize and efficiently use resources to fuel and empower the African economy,” Kabila stated.

### Engaging the International Community

As regional partnerships in Africa continue to mature, President Kabila and Prime Minister Ponyo are encouraging the international community to invest in the DRC and share their vision for growth and development.

One such development partner is the government of South Korea. In a recent visit to the DRC, a South Korean delegation demonstrated the power of international alliances. The South Korean delegation was most interested in the Congolese leadership’s commitment to progress and the DRC’s abundance of natural resources.

A few decades ago, South Korea was in a position similar to the one seen today across Africa. With a disciplined approach to economic growth, human resource development and foreign investment, South Korea was able to develop into the thriving economy it is today. Acknowledging these similarities, the South Korean government is looking forward to partnering with its counterparts in the DRC to replicate this process for economic growth.

Dr. Seung-hun Chun, the President of the Korean Institute for Development Strategy, is particularly interested in helping advance governance practices in the DRC, and is supportive of the rigorous management principals which Prime Minister Ponyo is applying to policy and governance. With help from countries like South Korea, the prime minister is confident about the future of the DRC.

“While the economic growth and eventual dominance of South Korea is often noted as a miracle, it is truly a product of sustainable growth fueled with disciplined investments. The DRC looks to learn from South Korea’s journey,” he says.

### Directing Aid Where It’s Needed Most

An information gap has presented a major barrier to the delivery of effective support to community-based organizations in the DRC. Without precise information about these organizations and their capacity to meet their communities’ needs, funders have been wary about giving financial assistance.

Now, an innovative database makes it easier for funding agencies and philanthropists to assist community-based organizations in Eastern Congo. The project partners, the Eastern Congo Initiative (ECI) and the U.S. Agency for International Development (USAID), launched the database in 2012.

With the support of USAID, the ECI performed a landscape analysis of existing community-based organizations across the country’s Maniema, Orientale, North Kivu and South Kivu provinces. “Data-driven insights are critical to creating effective and efficient partnerships,” says Ricardo Michel, USAID’s Acting Director for the Office of Innovation and Development Alliances.

The online database gives policy leaders, investors and analysts insights into the work being done to create sustainable and successful change in the Eastern Congo. “Through the database and the landscape analysis, USAID and ECI have laid the



The Inga 2 dam, part of a hydropower mega-project to develop a power grid across Africa



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groundwork for augmenting foreign assistance in the Eastern Congo," says Christopher Jurgens, director of USAID's Global Partnerships Division. "Serving as a model of strategic investment in the region, the partnership's assessment will shape future engagement and elevate awareness and commitment to the region within international development and donor communities."

### Transformation in the Mining Sector

The DRC's economy depends heavily on its natural resources. The nation's mineral wealth includes oil, copper, diamonds and coltan—a mineral used in laptop computers, tablets, cell phones and other electronic devices. Its coltan resources make the DRC vital to technology all over the world and to the growth of the consumer electronics market. In February, Prime Minister Ponyo presided over a large mining summit in Goma attended by leaders of



China's Ambassador to the DRC Wong Yingwu, Huawei Senior Vice President Guo Tian Min, President Kabila and Prime Minister Ponyo officiate at the opening of Huawei's regional training center, which will enroll up to 2,000 students per year for technical training.

the International Conference on the Great Lakes Region (ICGLR), a consortium of the DRC's neighbors.

The conference focused the leaders' attention on sustainable and transparent management of natural resources in post-conflict DRC. The prime minister expressed the government's desire to improve the social conditions of its people via sustainable

long-term management of the DRC's mineral resources.

"The government should promote the creation of jobs in the mining sector, fight against fraud and crime in mining areas, mobilize and maximize mining revenue, and, most important of all, ensure compliance with social and environmental obligations by mine operators," Ponyo said.

### Transportation Infrastructure Gets a Boost

Work is now under way on a road project that will open up the DRC's Bandundu and West Kasai provinces. The project aims not only to improve transport logistics along the corridor, but to raise living standards of people along the route. The African Development Bank Group is financing the Lovua-Tshikapa section of the Batshamba-Tshikapa road project with the help of two grants and a loan equivalent to US\$105.26 million. Work is expected to continue through December 2018.

Boulevard du 30 juin (right), Kinshasa's main artery, is an example of the modern road construction happening in the DRC.



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**— President Joseph Kabila**



Congolese government experts inspect the land at Bukanga-Lonzo Agro Park.



Investment in farm equipment, like the combine harvester above, will help the DRC's National Agricultural Investment Plan build its agriculture sector and enhance food security.

## Balancing Energy Needs With Green Growth Goals

The DRC is actively seeking solutions that employ principles of sustainable development as it plans for the energy requirements of industrial growth. Earlier this year, a DRC team participated in a regional forum held in Kinshasa to explore opportunities for green growth in Africa. Representatives from the World Bank, the African Development Bank (AfDB), public and private development, organizations and academic institutions discussed issues and regional goals for balancing energy needs with sustainable development.

According to Martin Kabwelulu, the Minister of Mines, “The transformation of the mining sector, one of the primary drivers of this nation’s economy, is thoroughly under way. We are beginning to see greater transparency and governance that is allowing the sector to thrive and the people of this country to benefit.”

### Support for Agricultural Investment

In addition to the DRC’s vast mineral resources, the nation’s agricultural sector is of great importance to future economic growth. To support agriculture and encourage private-sector participation, Prime Minister Ponyo developed and launched a nationwide program known as the National Agricultural Investment Plan (NAIP).

NAIP’s main objectives are ensuring food security and developing the agribusiness sector. “The agricultural sector is where we can have the most significant impact on the population,” says Ponyo. He points to projections that agriculture sector growth of 6% over the next decade could cut the level of Congolese poverty in half.

Many of the overarching issues plaguing the nation today can be resolved through investment, organization and proper management. The creation of food security, paired with an increase in employment and social welfare, will help the country continue on its path to prosperity.

The NAIP strategy involves developing 16 large agro-parks. As locations are chosen, the mandate of the agro-parks will be to obtain funding, implement joint management between the government and the private sector, and quickly begin production.

Councilor John Mususa is one of the leaders spearheading the project. “We conducted preliminary agricultural studies,” he explains, “including soil analyses to verify potential and determine the type of agricultural output that will be developed, ensuring a diversity of products. These parks will serve as an important part of the country’s rehabilitation and construction process by providing access to agricultural products and by combining laboratory, training facilities,





Worker with processed copper starter sheets at the Lulu Metallurgical Plant, which has a potential capacity of 175,000 tonnes of copper and 8,000 tonnes of cobalt per year



Prime Minister Ponyo addresses the Corporate Council on Africa Summit, Chicago 2013.

Photo: The Corporate Council on Africa

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storage centers and health facilities." Each agro-park site will be designated as a special economic zone (SEZ) and granted leases with a minimum tenure of ten years and land use rights in consultation with communities.

### Economic Zone Courts International Investors

The Maluku SEZ is the first of the 16 economic opportunity zones to open. In September 2013, South Africa's Deputy Minister of Trade and Industry Elizabeth Thabethe visited the site, which is located next to the Congo River. Among the goals of her visit was to encourage South African investors to consider opportunities in the zone, which offers access to the vast interior of the country.

"The Maluku special economic zone has a potential for developing into an agri-business hub for central Africa," said Rémy Musungayi, Minister of Industry and Small and Medium Enterprises in the DRC, who accompanied Thabethe on her site visit. "Our government is encouraging investment in the country. It will provide access to land,

infrastructure and a conducive business environment to national and international investors," added Musungayi.

### Showcasing Congo's Economic Success

As international leaders and investors begin to take a closer look at opportunities available in the DRC, they are taking note of the nation's recent economic success as well as its economic policies and stewardship of its natural resources.

"The DRC has shown great resilience after decades of instability by posting high economic growth rates in the last three years," says World Bank Country Director Eustache Ouayoro. "The end of the war has created new opportunities for the country to make good use of its vast mineral and water resources."

Beyond growth figures, other macro-economic indicators show encouraging signs of progress. The nation's currency, the Congolese franc, has remained stable, the national wealth has doubled due to more efficient tax collection, and, perhaps

most important, public and private investment has increased significantly. The U.S. State Department reports that there are currently two sources of information on foreign direct investment in the DRC: the Central Bank of the Congo (BCC) and the National Agency for Investment Promotion (ANAPI). BCC statistics reported by the U.S. State Department show that foreign direct investment exceeded US\$1.9 billion in 2012, the most recent year reported. That number exceeded 2011 FDI by more than US\$200 million.

"Building a strategic vision for long-term development requires sound political leadership, tireless reform efforts aimed at reinforcing the quality of the administration and vital institutions, and adhering to the rules and practices of good governance regarding our natural resources," says Ponyo.

With its path to prosperity becoming more clear with every improvement, the Democratic Republic of the Congo is rising, moving forward and leading the charge to show Africa and the world its true potential. ■