



May 2014

## Democratic Republic of Congo: is economic recovery benefiting the vulnerable?

# Special Focus DRC

- Economic growth has been moderately high in DRC over the last decade, with real GDP growth averaging about 6% a year. However, it is yet to significantly translate into poverty reduction, food security and nutrition improvement due to low public expenditure in social sectors, protracted conflict and governance issues.
- Extreme poverty, food insecurity and malnutrition are widespread in the country. Up to 95% of the population in DRC earn less than \$2 a day. Almost 10% of the population face acute food insecurity (i.e. humanitarian crisis level according to the Integrated Food Security Phase Classification - IPC).
- Under-five chronic malnutrition rate is critical (43%) and acute malnutrition rate is high (9%) with some areas above the critical thresholds.
- Recent declines in foreign aid to support humanitarian assistance, combined with low levels of government spending on socio-economic sectors (education, health, sanitation, infrastructure and agriculture) is likely to further undermine food security and nutrition in DRC.

### The decade long economic growth is yet to translate into better social indicators

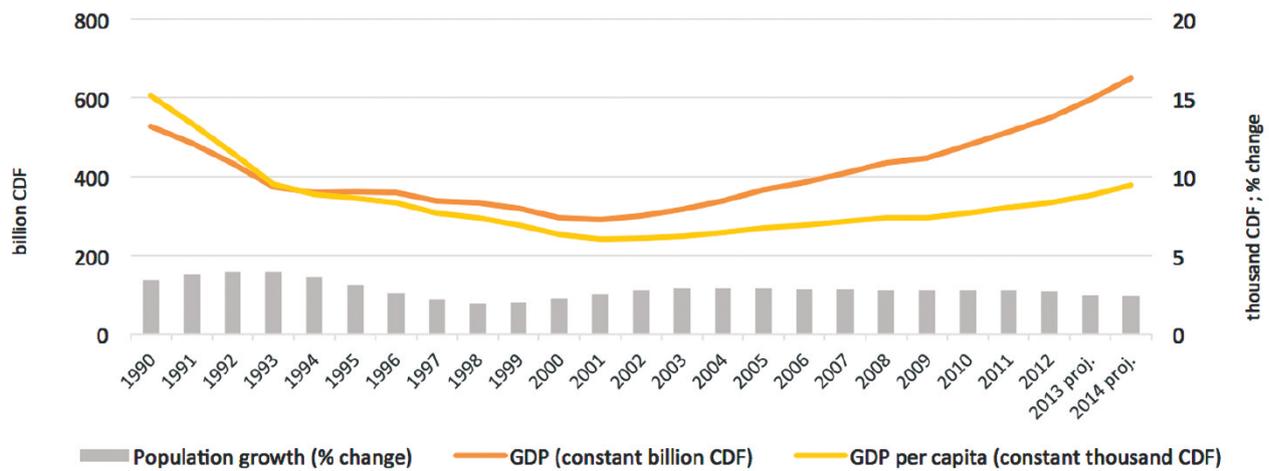
Since 2002, DRC has recorded a fairly good economic performance, following several years of recession. The average real growth rate stood at 6% per year over the period 2002-2012, against an average yearly decline of 5.3% from 1990 to 2001. The economic recovery over the last decade coincides with economic and structural reforms initiated in 2001 by the government with support from the International Monetary Fund (IMF). These

reforms aimed at stabilizing the macroeconomic situation, particularly inflation, promoting economic growth and tightening public finance management. Despite the upsurge of armed conflict in the eastern provinces since April 2012, DRC's real economy grew by 7.2% in 2012 and 8.2% in 2013, driven mainly by the mining sector. Economic growth is expected to be even higher at around 9.4% in 2014.<sup>1</sup>

1. African Economic Outlook website, Data and Statistics, <http://www.africaneconomicoutlook.org/en/data-statistics>, Accessed as of May 2014.



**Figure 1. GDP and GDP per capita from 1990 to 2014**



Source: World Bank Open Data and African Economic Outlook for projections.

**Despite the robust increase of GDP over the last ten years, real GDP in constant terms in 2012 is close to the level in 1990 and GDP per capita is lower than in 1990.**

However, the embellishment of the economic situation is yet to translate into a significant improvement in social indicators. The per capita income and the real gross national income per capita only increased by an average of 3.3% between 2002 and 2012 and remained 58% lower in 2012 than in 1961.<sup>2</sup>

Extreme poverty also persists throughout the country with 95% of the population living with less than \$2 per day,<sup>3</sup> the highest level in Sub Saharan Africa. It is noteworthy that DRC had the lowest Human Development Index (HDI) in the world in 2012.<sup>4</sup> Almost 70% of the youth have no job. This makes them highly vulnerable to recruitments as child soldiers or other illegal activities. Under-five mortality rate is one of the five highest in the world, with about one in seven children dying before the age of five in 2012. According to UNICEF, under-five acute malnutrition rate is generally poor (9%) and chronic malnutrition rate is critical (43%). Less than 30% of the population had access to improved water sources in rural areas, and only 15% of the population had access to electricity in 2011.<sup>5</sup>

According to the World Bank, gender inequalities are profound. DRC ranks 148 of 157 countries in the Gender Related Development Index.<sup>6</sup> Education is particularly gender biased. An estimate of 28% of women have never gone to school, the double of men. Four times more women than men lack education (21% compared to 5%). As a result, women participation in the workforce is low at 55% compared to 85% for men.

Economic growth is seemingly not pro-poor, partly because of the concentration of growth in the mining sector, governance challenges and socio-political instability led by protracted conflict in the eastern parts of the country. Reportedly, the government faces challenges in adequately managing revenues from the mining sector and state-owned companies. The World Bank Country Policy and Institutional Assessment (CPIA) scores only 2 on a scale of 1 (= low) to 6 (=high) for DRC. The CPIA measures the extent to which a country's policy and institutional framework supports sustainable growth and poverty reduction, and consequently the effective use of development assistance.

2. World Bank website, World Bank Open Data, <http://data.worldbank.org/>, Accessed as of May 2014.

3. Ibidem.

4. UNDP website, Open data, <https://data.undp.org/>, Accessed as of May 2014.

5. World Bank website, World Bank Open Data, <http://data.worldbank.org/>, Accessed as of May 2014.

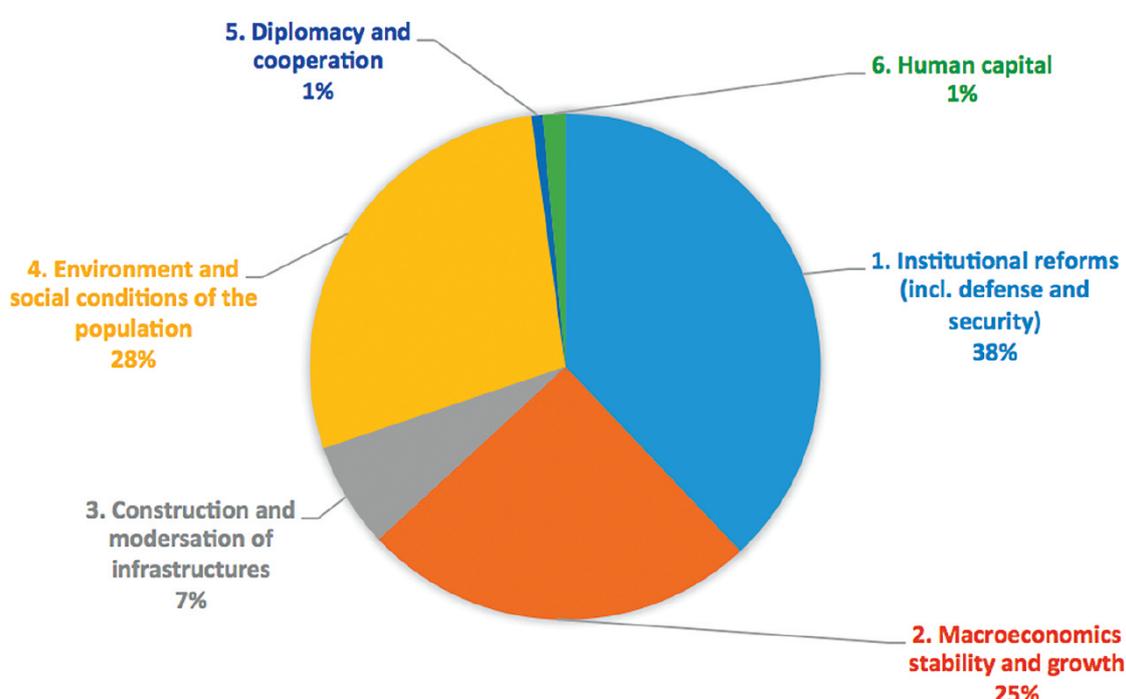
6. World Bank (2013), Democratic Republic of Congo, 2013-2016 Country Assistance Strategy, April.

## Public expenditure in socio-economic sectors is low

Government budget allocated to socio-economic sectors is low. Trends in public expenditures suggest that priority is given to strengthening institutions (38% of the total budget) and consolidating macroeconomic stability and growth (25%). Expenditures on defence and security account for about 40% of the budget allocated to institutional reforms. The improvement of the living conditions of the population is the second highest government expenditures, with 28% of the executed budget in 2013. Education took up more than 50% of this share. Only 6.7% is allocated to building and rehabilitating infrastructure, which has been

identified by the African Development Bank as a main constraint to development in DRC.<sup>7</sup> The share of the national budget allocated to human capital is insignificant (1%). Similarly, the share of the budget dedicated to agriculture development is minimal at 1.6% of the 2013 budget, although this sector accounts for 40% of the GDP and employs 62% of the male and 84% of the female workforces. The budget allocated to agriculture falls far short of the minimum of 10% of the national budget targeted by the Comprehensive Africa Agriculture Development Program (CAADP) for agriculture production and productivity growth.

**Figure 2. Allocation of government budget by main policy objectives (2013)**



Source: DRC Ministry of Budget.

**The strengthening of institutional reforms and the consolidation of macroeconomic stability and growth are the main priorities of the government as opposed to public investment in social sectors.**

DRC has been in a protracted conflict situation but the upsurge of the conflict in Eastern DRC since April 2012 has led to an increase in military and security spending to the detriment of socio-economic sectors. The total executed budget has been stable since 2011 but the share of social sectors is decreasing, unlike

military spending. The share of expenditures on social and public facilities<sup>8</sup> as a percentage of the total budget decreased from 11.1% in 2011 to 8.7% in 2013. In contrast, spending on defence and public security increased from 12.9% to 16.4% of the total budget over the same period.

7. African Development Bank (2013), Democratic Republic of Congo, 2013-2017 Country Strategy Paper, June.

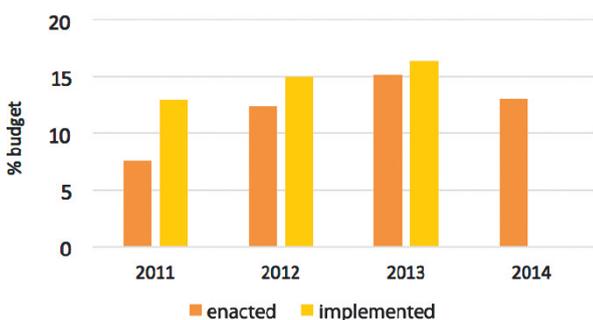
8. Include health, housing and public facilities as well as social protection and social affairs.

Spending on social sectors suffers the most from the low level of implementation of the planned budget. The actual budget spent was on average 45.6% lower than the planned budget over the last three years (2011-2013). This low execution level of the budget is detrimental to investment in socio-economic sectors. Road construction, drinking water

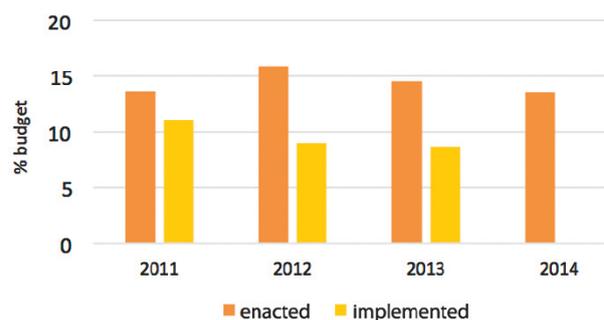
and health are particularly affected. In 2013, over the 14.5% of expenditure allocated to social spending and investment, only 8.7% of the budget was finally implemented for social spending. To the contrary, 16.4% of the budget was executed for military spending against 15.2% originally planned.

**Figure 3. Defence and security spending vs social spending**

**Defence, order and public security**



**Health, housing, public facilities and social protection**

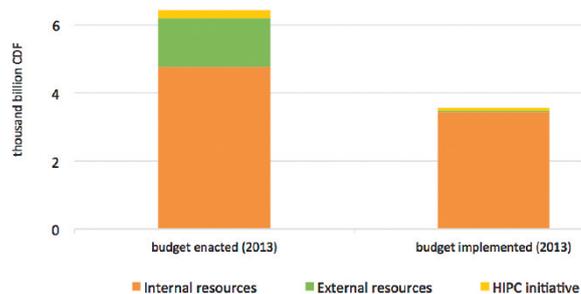


Source: DRC Ministry of Budget.

**Defence and public security spending is increasing to the detriment of social spending.**

Low budget execution rate and low investment in social sectors are due partly to both internal and external funding gaps. In 2013, only 2% of government expenditures budgeted on external resources were actually executed. Conflict, socio-political instability and governance issues undermined the government’s ability to effectively mobilize and manage foreign aid. As a result, the proportion of the budget funded by foreign aid (excluding debt relief) decreased sharply by 38% from 2011 to 2012 and almost halted in 2013 (-94% from 2012).

**Figure 4. Planned and implemented government budget in 2013**



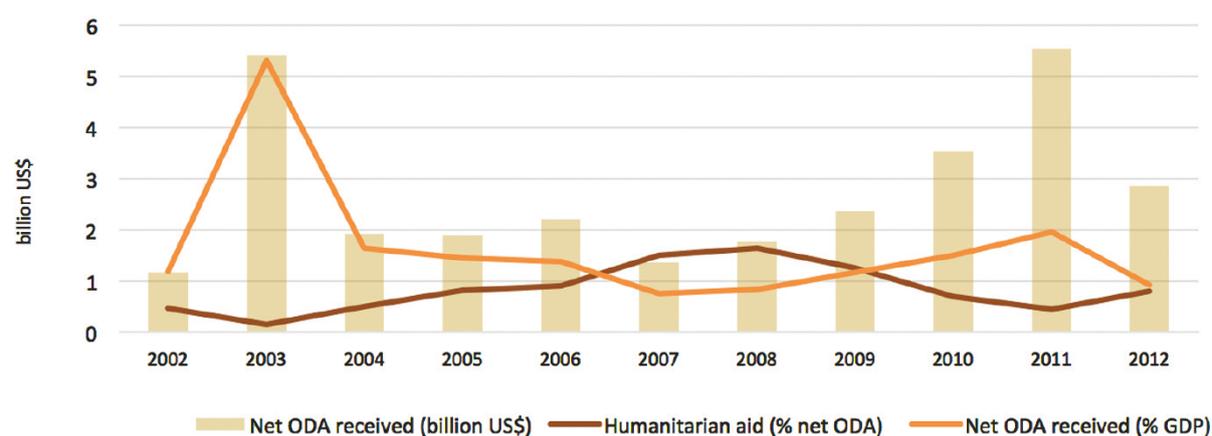
Source: DRC Ministry of Budget.

**The gap between the enacted and implemented budget is high in DRC.**

Governance issues are constraining the sustainability of foreign aid, hence the government's investment capacity in socio-economic sectors. Between 2001 and 2012, the net ODA represented 27.5% of the GDP, on average. However ODA flows are volatile, with a substantial decline to 16.6% of the GDP in 2012, following 4 consecutive years of increase (2007-2011). This is

due to the suspension of the IMF-supported economic programme as a result of governance problems in the mining sector.<sup>9</sup> Between 2002 and 2012, humanitarian aid stood at about 15% of net ODA, on average a year. This is an indication of a protracted crisis in DRC. However, after having increased steadily, humanitarian aid (in % of net ODA) has been trending downward since 2008.

**Figure 5. Net Official Development Assistance and Humanitarian Aid Flows in DRC (2002-2012)**



Source: World Bank Open Data and OECD-DAC.

**ODA flows (in % of GDP) decreased sharply since 2011 while humanitarian aid (in % of net ODA) is trending downward since 2008.**

## Low foreign aid, low investment in socio-economic sectors and conflict are fuelling food insecurity and malnutrition in DRC

Food insecurity is widespread and increasing in D.R.C. The 10<sup>th</sup> analysis cycle of the Integrated Food Security Phase Classification (IPC) undertaken in December 2013 categorizes 6.7 million people (almost 10% of the population) in acute food insecurity (i.e. in humanitarian crisis level - phases 3 and 4) throughout the country, from 6.4 million in the previous cycle (June 2013). Food insecurity in DRC is mainly caused by protracted conflict, high prevalence of under-five acute malnutrition, inadequate food consumption and unbalanced diet of poor families, high vulnerability to diseases and natural disasters. The latter often causes major disruptions to crops, livestock, and infrastructure.

In general, rural areas suffer the most from poverty, food insecurity and high prevalence of

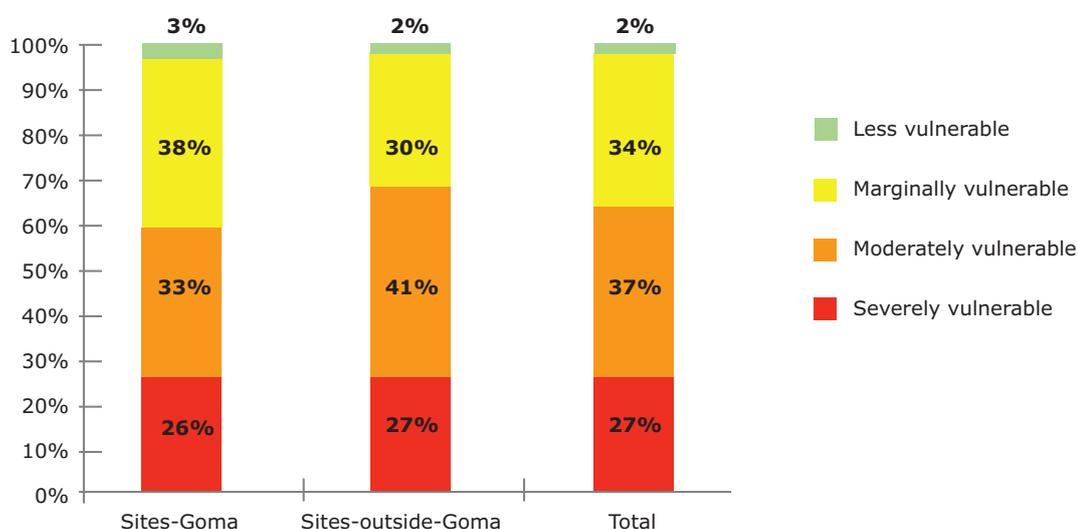
malnutrition, partly due to the low capacity of the government to support social and economic development. These areas experience a lack and high deterioration of basic infrastructure and social services (roads, water supply system, etc.). The recrudescence of conflict in April 2012 is further contributing to the deterioration of the food security situation, particularly in the eastern parts of the country. The conflict has direct impacts on communities through damage of basic services (e.g. health and education), population movements, loss of assets and livelihoods. It also affects them indirectly through the prioritization of military and security spending over expenditures in social sectors and infrastructure.

9. African Development Bank (2013): Democratic Republic of Congo, 2013-2017 Country Strategy Paper, June.

Host communities, internally displaced persons (IDPs) and refugees from the Central African Republic are particularly vulnerable to food insecurity. As of mid-2013, there were close to 2.8 million IDPs and refugees in DRC (i.e. about 3.7% of the population). A joint vulnerability assessment carried out in February-March 2014 in North Kivu (Eastern Congo) indicated that 64% of displaced households living in camp settings are vulnerable to food insecurity.<sup>10</sup> Over ¾ of vulnerable households assessed are female-headed. Vulnerability to food

insecurity in camps is generally driven by extreme poverty which affects 95% of the entire population in DRC. According to UNHCR, around 80% of the IDPs are hosted by families and communities. This is a huge challenge for host communities who are facing already chronic poverty, limited livelihood opportunities, social services (e.g. health, sanitation, education) and are likely to be further pushed into unsustainable coping mechanisms and livelihood strategies.

**Figure 6. Household Vulnerability in Camp Settings (North Kivu, %)**



Source: WFP et al (2014).

**Majority of households in camps are moderately to severely vulnerable to food insecurity.**

Low levels of foreign aid for socio-economic sectors and lack of income generating activities for the vulnerable, will result in further increase of food insecurity and malnutrition in DRC. The absence of an economic programme with the IMF since 2012 and the continuation of the conflict have two main implications:

- Further decline in foreign aid inflows. This will further exacerbate the decline in a range of key social

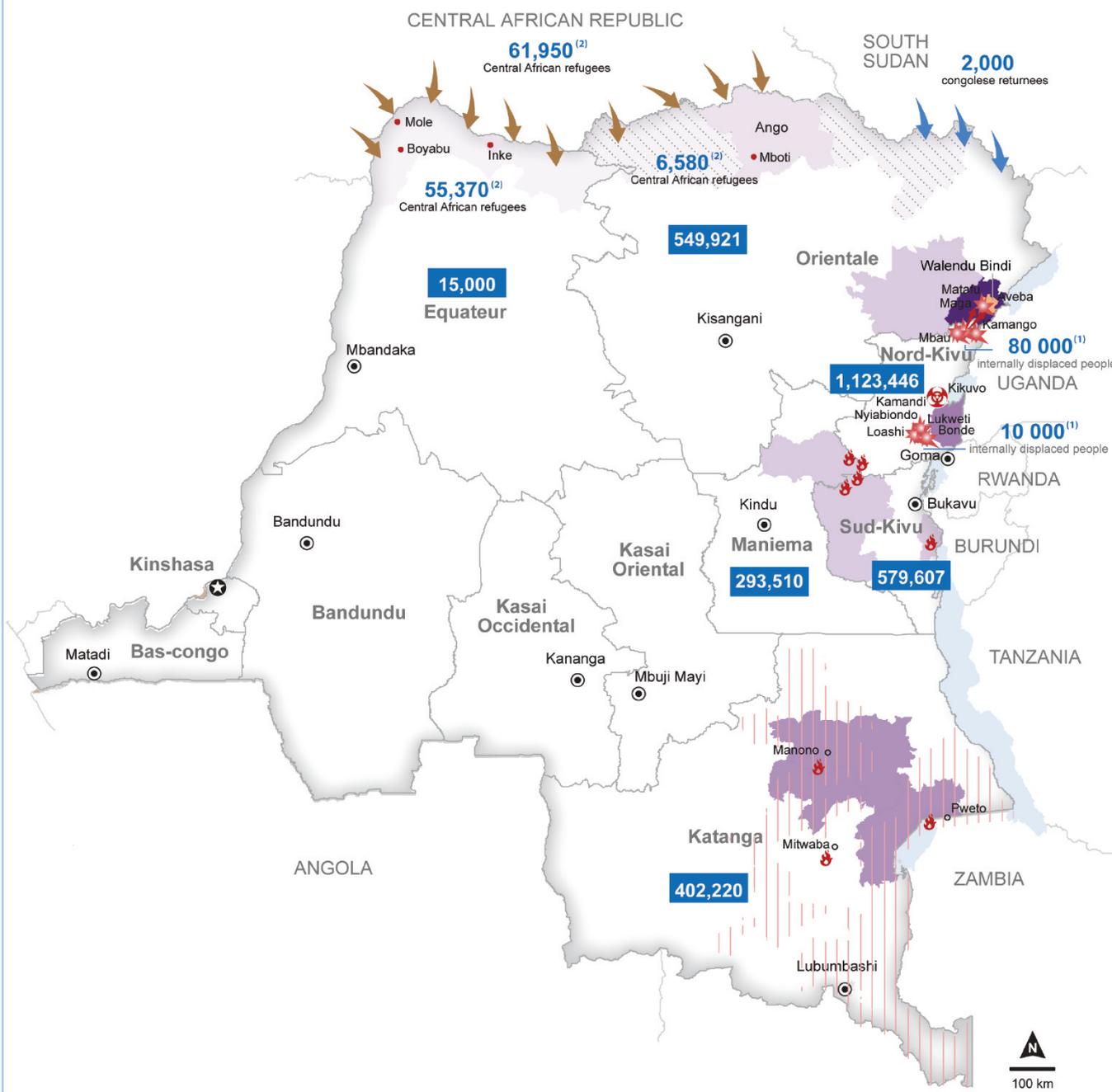
indicators, particularly food security, child health and protection, and access to clean water.

- Increased needs for humanitarian responses. Faced with funding challenges, several international NGOs have already withdrawn from the Eastern Province during the last 9 months.<sup>11</sup> Similarly, funding gaps have led WFP to reduce food rations distributed in the Eastern province of DRC over the past six months.

10. WFP, UNHCR et al (2014): Assessment of vulnerability to food insecurity in resettlement camps and sites in North Kivu, February-March.

11. OCHA (2014): RDC, *Bulletin humanitaire numéro 03, Mars*.

Figure 7. DR Congo: Humanitarian challenges (February 2014)



- Major humanitarian crisis
- Number of internally displaced people as of Dec. 2013
- Areas of Katanga province affected by cholera
- Areas affected by security incidents due to LRA activities
- Central African Refugees into DRC
- Congolese returned from South Sudan
- Congolese returned from Angola
- Fights between FARDC and armed groups

(1) OCHA & Partners, Feb. 13 (2) UNHCR, Dec. 13 Feedback: ocha@drc.un.org www.unocha.org/drc www.rdc-humanitaire.net

Creation date: 20 February 2014 The boundaries, names and designations used on this map do not imply official endorsement or acceptance by the United Nations.

Source: OCHA

**In DRC, now as in previous years, repeated armed clashes are destabilizing millions of people. More than 2.9 million people were displaced, 60% of whom in the Kivus. In a volatile environment facing financial constraints, aid agencies provided relief to millions of people. Between 2011 and early 2014, the number of internally displaced people in Katanga increased from 50,000 to more than 400,000; an increase to 800%**

**Figure 8. Key figures**



**2.9 million<sup>(1)</sup>**  
internally displaced people  
**254,691<sup>(2)</sup>**  
refugees in DRC

**430,380<sup>(2)</sup>**  
Congolese refugees  
in African countries



**251 incidents<sup>(3)</sup>**  
against humanitarian  
workers



**2 million<sup>(4)</sup>**  
severe acute malnourished  
children

**6.7 millions<sup>(5)</sup>**  
food insecure people



**164 incidents**  
due to LRA activities<sup>(6)</sup>  
36 people killed  
180 abducted comprising  
26 children



**27,000<sup>(7)</sup>**  
**Cholera** cases  
491 deaths

**89,603<sup>(7)</sup>**  
**Measles** cases  
1,392 deaths



**\$78.2 million<sup>(8)</sup>**  
Financing of 109 projects  
by the Pooled Fund

**\$618 million<sup>(9)</sup>**  
total fund received by the  
HAP 2013 (69.2%)

**2014**

**6.3 million<sup>(10)</sup>**  
people in need of humanitarian  
assistance (8.1% of total pop.)

**4.7 million<sup>(10)</sup>** people  
targeted by humanitarians  
(6% of total population )

In DRC, now as in previous years, repeated armed clashes destabilizing millions of people.

More than 2.9 million people were displaced, 60% of whom in the Kivus.

In a volatile environment facing financial constraints, aid agencies provided relief to millions of people.

Between 2011 and early 2014, the number of internally displaced people in Katanga increased from 50,000 to more than 400,000; an increase to 800%

In an unstable environment, faced with financial constraints, aid agencies provide relief to millions of people

<sup>(1)</sup> CMP: Commission Mouvements de Population, Dec.13 <sup>(2)</sup> UNHCR, Dec. 13 <sup>(3)</sup> OCHA & Partners, Fev. 13, <sup>(4)</sup> UNICEF, Dec. 13, <sup>(5)</sup> IPC, Dec. 2013, <sup>(6)</sup> OCHA & Partners, Dec. 13 <sup>(7)</sup> Ministère de la Santé, Dec. 13 <sup>(8)</sup> Pooled Fund DRC, Dec. 13 <sup>(9)</sup> FTS, Dec. 13 <sup>(10)</sup> HNO DRC, Dec. 13

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