

## Democratic Republic of the Congo: Lessons from the ashes of conflict

**T**he Democratic Republic of the Congo (DRC), the third largest country in Africa, is making significant strides to extricate itself from one of the bloodiest wars in the continent's history, which resulted in millions of deaths. Focusing on the DRC's turnaround as well as its considerable stabilization and reconstruction challenges, *Postconflict Economics in Sub-Saharan Africa draws lessons for postconflict countries worldwide*. The IMF team leader and book's editor, Jean A.P. Clément, and three contributing authors, Bernardin Akitoby, Ragnar Gudmundsson, and Charles Amo Yartey, spoke with Jacqueline Irving of the IMF Survey about what can be learned from the DRC's experience.

**IMF SURVEY:** Why did you choose to focus on the Democratic Republic of the Congo, and what were the main lessons learned?

**CLÉMENT:** The DRC's remarkable turnaround on both the political and economic fronts holds important lessons. It particularly underscores the importance of the international community's proactive engagement, even before the signing of a peace agreement. The IMF's early involvement was key in catalyzing international support and providing timely policy advice to pro-reformers in the government, which gave added momentum to the recovery process.

Another lesson is that ownership of the reform program at the highest levels of government is essential, as is coordination between international partners and the participation of civil society representatives at a very early stage. In the DRC's case, the president himself, Joseph Kabila, took ownership of the program.

In postconflict cases, the IMF staff and the donor community need to show flexibility. Thinking "outside the box" and not losing track of the broad picture—including the regional dimensions of a conflict—are crucial in sustaining the momentum of reforms and consolidating the peace process.

Also, a peace agreement that lacks an economic pillar can quickly fall apart, and the population will be unlikely to reap

peace dividends, thereby increasing the chance of a return to war.

We believe these lessons are valuable for other postconflict countries. We also thought it important to document what had been accomplished not only for the international community but for the people of the DRC. In fact, the Congolese people themselves asked us to document these experiences to ensure that the lessons would not be lost.



Michael Spilner/IMF

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Jean Clément



Michael Spilner/IMF

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Amo Yartey

**IMF SURVEY:** What does your study show to be the main causes of conflict and the characteristics of the conflict cycle?

**YARTEY:** We examined the causes of conflict using the Collier-Hoeffler model but focusing it only on sub-Saharan Africa and introducing measures of institutional quality and corruption. Our results show that the basic causes of conflict in sub-Saharan Africa are slow growth, weak institutions, corruption, and poverty. Dependence on primary commodities is another major causal factor, but good economic policies and transparent management of the related revenues can mitigate this. We found that the Great Lakes region has a much higher probability of civil war (27 percent) than sub-Saharan Africa as a whole (9 percent).

**CLÉMENT:** The book also analyzed the conflict cycle over the past three decades for 20 countries. It shows that conflicts were more prolonged in the decade prior to the fall of the Berlin Wall. Since 1990, conflicts have tended to be deeper but shorter. Unlike in the case of earlier conflicts, countries have emerged from conflict since 1990 with more sharply contracted output and very high inflation. This calls for a period of macroeconomic stabilization in the immediate aftermath of the conflict. There also has been a marked change in the amount and profile of aid to conflict countries. Pre-1990 aid to conflict countries tended to continue during the conflict because of geopolitical considerations. Since 1990, assistance generally has declined once a conflict has started and resumed after its termination. The average length of a conflict cycle is about 15 years (preconflict, conflict, and postconflict).

We found that too often international aid to postconflict countries seems to taper off shortly after a peace agreement is reached, whereas, in fact, appropriate and prolonged aid is needed to consolidate peace and avoid a reemergence of conflict.

**GUDMUNDSSON:** Aid flows need to be well sequenced and provided over a sustained period of time. A recent World Bank report shows that foreign aid tends to be most effective in stimulating economic growth five years after the end of a conflict. So it is important that donors focus on more than just very short-term humanitarian aid. During the conflict and in its immediate aftermath, aid resources are best devoted to humanitarian aid. In the following postconflict phase, however, reconstruction aid should focus on stimulating the development of the tradable goods sector, with an emphasis on rebuilding key public services and infrastructure that facilitate the resumption of growth.

Also technical assistance is crucial, as countries emerging from conflict tend to have significantly weakened administrative capacity. Technical assistance is needed to increase tax revenue, enhance public expenditure management, establish an independent monetary policy, rebuild an efficient payment system, ensure effective banking supervision, and facilitate the implementation of structural reforms including the adoption of sound and transparent public procurement practices. The last is crucial to assure external partners of the efficient and transparent use of aid flows.

**IMF SURVEY:** The book stresses the importance of designing and implementing a multidimensional package of policies. How do you square this with the need to prioritize?

**CLÉMENT:** The DRC case demonstrates that it is crucial from the outset to have a good diagnosis of the economic and institutional situation—one that is owned by the national authorities and civil society. This was the purpose of the IMF's multisectoral mission headed by our African Department in February 2001 in collaboration with the World Bank ahead of the signing of a peace agreement. Policies formulated without a clear diagnosis run the risk of failing.

Early on, the IMF provided assistance on fiscal, monetary, financial, and exchange rate policies and statistical data com-

pilation. The early focus on technical assistance and capacity building—with the involvement of all IMF departments concerned and the World Bank—allowed for a broad-based diagnosis of the economic situation, as well as the design of a clear road map for a well-targeted and well-coordinated technical assistance strategy. At the request of President Kabila, priorities were defined, identifying what needed to be done immediately as well as in the medium and long terms.

Openness was crucial to the success of the new strategy. Together with the national authorities and with participation by representatives of the private sector, trade unions, and the press, we identified priority measures and their sequencing. The press was helpful, too, in asking pointed questions that helped identify some critical problems and in providing feedback. An intra-Congolese dialogue involving about 350 representatives of rebel movements, the unarmed political opposition, and civil society endorsed the new economic and social strategy. This support illustrated the ownership of the new strategy by a broad spectrum of Congolese civil society. Without this sort of national ownership from the outset and given the vested interests in a postconflict situation, problems would likely have reemerged very quickly.

**YARTEY:** For postconflict countries, the priority should be to prevent a new war because these countries tend to have a much higher risk of further conflicts. Priority should be given to supporting existing peace agreements and preventing tensions from reemerging. Furthermore, because weak institutions and corruption are among the key risk factors that make countries prone to conflict and civil war, one priority in the DRC's case was developing quality institutions. If the key to conflict prevention is the ability of the entire population to have its views represented in a nonviolent way, this calls for the reform and development of some form of appropriate political and governance institutions.

**IMF SURVEY:** How did you determine priorities?

**CLÉMENT:** Three main phases—stabilization, reconstruction, and development—were defined and later included in the country's poverty reduction strategy. The stabilization phase sought to remove the most severe distortions and break the vicious cycle of



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**Bernardin Akitoby**

hyperinflation and declining value of the currency. Priority had to be given to paying the wages of civil servants and the military on time to defuse social tension and rebuild confidence in the public administration. In parallel, with the help of the World Bank, the administrative capacity of key ministries, including the finance ministry and the central bank, had to be buttressed. Replacing lost administrative capacity is a lengthy process because many civil servants were killed during the war. It takes time to train replacements, which underscores the importance of prolonging foreign aid. At the same time, the foundations of a level playing field for the private sector were put in place.

**AKITOBY:** Policymakers also identified key bottlenecks to growth and drew up some projects that could be started right away and would have a highly visible impact. For example, with World Bank assistance, the DRC began rebuilding arterial roads to Kinshasa, the capital, to make staple goods more readily available to the population. Sequencing is also crucial. Priority should be given to restructuring sectors that will have the quickest impact. In the DRC, these were mining, forestry, and transportation.

Another major aspect of stabilization for the DRC was liberalizing exchange rate policies and unifying the foreign exchange market. As expected, breaking the cycle of hyperinflation stabilized the exchange rate. Since the introduction of a floating exchange rate system, the parallel market exchange rate premium has fallen from 500 percent to less than 2 percent.

**IMF SURVEY:** The most recent review of the three-year economic program supported by the IMF's Poverty Reduction and Growth Facility concluded it was generally on track but that target levels of "pro-poor" budget spending had not been met. What needs to be done?

**CLÉMENT:** A comparison of public expenditure at end-2004 with early 2001 shows that poverty-related spending on social services increased sharply. The DRC also designed a poverty reduction and strategy paper including this main objective. At the same time, we have learned that the particular characteristics of a postconflict country require flexibility in policy design. There are bound to be certain developments, including a resurgence of violence in certain parts of the country, that cannot be foreseen. What is important is that the overall

trend of reform is in the right direction and that the overall macroeconomic framework remains stable.

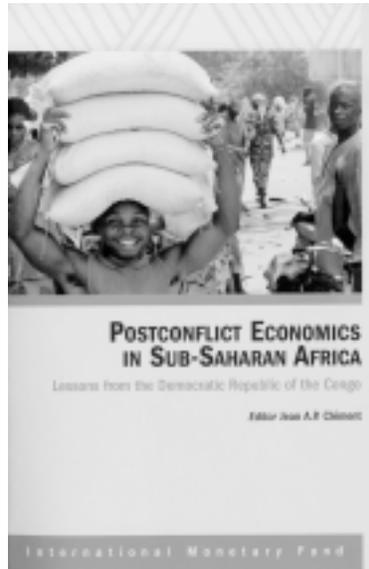
**IMF SURVEY:** What do you see as the principal challenges over the coming year?

**CLÉMENT:** One priority is maintaining and consolidating national ownership of the DRC's economic program. The DRC's transitional government includes representatives of many parties and the former rebel movement, so it is very important that this cohesiveness be maintained. Many political, social, and economic measures must be taken ahead of the elections, and this requires cooperation within the government. So continued involvement at the top is very important. National ownership also means continued discussions with civil society and a free press.

A second challenge will be to make further strides in developing a culture of good governance and transparency. You can create any institution you like, but if you don't change the culture, it will not work. To do this effectively, sanctions need to be applied when there is corruption or misconduct.

The international community must also remain involved to ensure that peace is consolidated in this still very volatile region. Proper security in the country as a whole is key, so financial support for creating professional and accountable army and police forces will be crucial.

Consolidating macroeconomic stability and continued deepening of structural and sectoral reforms will also remain essential and will require continued support and coordination from the IMF, World Bank, and other international partners, as well as flexibility and innovative solutions. It will also require an effective decentralization policy. The DRC's multiethnic society and 11 different provinces mean that administrative capacity must be buttressed at the provincial level. The dividends of peace have to trickle down from the capital. And, last but not least, the upcoming election process must be seen by the Congolese people as transparent and fair. ■



Copies of *Postconflict Economics in Sub-Saharan Africa*, edited by Jean Clément, are available for \$28.00 each from IMF Publication Services. See page 64 for ordering details.