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Originally published in African Arguments. By Hans Hoebeke, Crisis Group Senior Analyst, Congo and Philippe Kadima Cintu, Fellow Central Africa

Hungry for Change: The Economics Underlying DR Congo's Political Crisis

At the heart of disenchantment with President Kabila's government lie deep economic woes.

High taxes. Harassment by the revenue authorities. Lack of a stable exchange rate. Cheap imports from neighbouring countries. Lower demand.

All these factors and more were cited in a 4 November letter sent by the local Federation of Congolese Enterprises (FEC) to Kongo Central province officials, in western Democratic Republic of Congo. The revealing message was informing the authorities of the forthcoming closure of the Bralima brewery, a major employer in the city of Boma.

The concerns raised echo structural problems expressed by other Congo-based businesses contacted by Crisis Group during the past year in Bukavu, Lubumbashi and Kinshasa as well as by the national FEC.

As the DRC's political crisis deepens – with the official end of President Joseph Kabila's mandate on 19 December fast approaching – the combination of political uncertainty, predatory state institutions and low commodity prices are contributing to an increasingly toxic situation.

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Recent street protests, in which dozens are estimated to have died, have focused on the constitution and delays to the electoral process. But the wish for change, usually focused on Kabila's failure to improve the lot of ordinary people, has a strong economic sub-text.

Stagnant GDP, Shrinking Budget

Over the last ten years, the government has focused on macro-economic stability and investment in high-profile prestige projects such as Congo Airways, a new government building, airports, and roads in the wealthier parts of Kinshasa. This has done little to alleviate Congo's deep inequalities. Nevertheless, riding on high mineral prices, Congo's GDP growth averaged 7.7% from 2010 to 2015.

This year, however, the economy has hit a slump, leading official growth projections to be revised down to 4.3% for 2016, only slightly outpacing demographic growth. This stagnant outlook has seriously affected the already meagre state budget. Over the course of the year, the government lowered spending from $8 billion to $6 billion, though actual expenditure will come in even lower at around $4.5 billion. This leaves very little for new policies or to fund future elections whose cost is estimated at over $1 billion.

In January 2016, then Prime Minister Matata Ponyo announced a package of 28 measures to restructure the economy. In

October, the government and parts of the opposition reached an agreement following their National Dialogue to push the presidential election due this year back to 2018. African regional powers quickly backed the deal, and soon afterwards opposition figure Samy Badibanga was appointed prime minister in accordance with the agreement.

But Badibanga will struggle to continue his predecessor's donor-friendly reform programme at the same time as responding to various political pressures. This is especially the case since the reforms' impacts – including desperately needed diversification of the mining-dependent economy – will only be felt in the medium-to-long term at best.

Currency Troubles

The economic crisis has also caused a serious depreciation of the Congolese franc (FC). This currency was stable at 920/930 FC per $1 for about three years, but has recently dropped to 1,170 officially, though rates are even lower on the street. Confidence continues to wane amid fears of a return to undisciplined money printing and consequent spiral of inflation.

The Central Bank's resources to support the franc are also decreasing; foreign reserves are currently estimated at below $1 billion, less than four weeks of imports. Meanwhile, the government has reverted to paying the money it owes large companies in Congolese francs, drawing the ire of the business community.

In October, the government announced measures to cushion the effects of currency depreciation, including reducing import taxes and making available hard currency to import basic foodstuffs such as sugar and palm oil. But their impact is expected to run out in March 2017, after which price evolution will become more uncertain according to businesses consulted by Crisis Group. Fuel prices cause greatest concern; they have been stable due to subsidies and the low international market price, but any rise would have knock-on effects on commodities and urban transport relied on by most city dwellers.

Corruption is also an ongoing drag on the economy. The government's anti-corruption taskforce, led since June 2015 by a former justice minister, has had little impact, though several high-level cases have recently come to light, including one that touches on election financing.

Former PM Ponyo previously complained that he had no control over large parts of the economy, including the mammoth parastatal mining company Gecamines, and that he had to "navigate crocodile infested waters". Large-scale corruption scandals damage the economy, though citizens and businesses suggest they are most concerned by the omnipresent, mid-level or "petty" corruption which permeates their daily lives.

Prices Rise, Salaries Fall

With the prices of bread, rice, cornmeal and palm oil rising steadily over the past six months, poorer urban families are seeing their precarious living conditions eroded. A normal loaf of bread still costs 200 FC but now it is much smaller. Households dependent on cornmeal have seen their food expenditure increase by 12%.

Corn is particularly important in southern provinces, where a price spike earlier in 2016 added to local political tensions and led the government to send senior officials to Zambia to try to increase imports. But Congo's southern neighbours have themselves been hit by a recent drought. In early December 2016, prices increased again.

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The salaries of public servants, except for those in the security services, have declined by 30% since June, typically from the equivalent of $100 to $70. Food allowances were also cut for soldiers. In the private sector, business-women called maman ya zando have struggled because of the franc depreciation. Commercial banks contacted by Crisis Group said they have recently seen more small businesses defaulting on debt repayments.

Particularly vulnerable groups such as sex workers, often the sole bread winners for their households, are also feeling the pressure. The numerous, mostly young, street traders selling shoe shines or paper handkerchiefs for 250 FC barely survive in normal conditions. Even a small increase in their costs can push them and their dependents into hunger.

Financial pressure on families also puts the solidarity system within communities under stress, particularly in dealing with illness and schooling. In Ituri, primary school fees have increased dramatically from 1,500 to 5,500 FC for the 2016-2017 school year. The minimum fees in Kinshasa are around $350 per year, an ever-increasing sum in local francs. This has pushed numerous children out of school. Education, a cornerstone for social change, is a high priority for the population, but both access and quality have suffered.

The Economy Turns Political

Economic troubles are gaining political prominence. In a defensive 15 November state of the nation address, President Kabila painted a positive picture of his 15 years in power, but also acknowledged that "the absence of jobs and the resulting idleness obscure future prospects". He warned that such frustrations should not be used for political ends.

At the start of the school year in September, the opposition platform le Rassemblement attempted to tie the economic and political crises together through actions known as écoles mortes (school boycotts). Many children did stay away from school, partly for fear of violent incidents.

Youth groups, in particular Lutte pour le changement (Lucha), focus on the economy and unemployment, but they too see politics and economics as two sides of the same coin. Initially campaigning for better public services in Goma, they are now focused on protecting the constitution, particularly the provision that the president can only serve two terms.

Students are easily mobilised when confronted with rising costs, such as tuition fees. In early November, a fee increase at a higher education institute in Kinshasa led to violent riots. The measure was quickly reversed and the institute's director sacked. On 19 November, one month before the end of Kabila's second term, Lucha in association with other youth platforms launched the new campaign "bye bye Kabila" on social media and on the street, but it was quickly repressed by authorities.

The economic slowdown is most visibly felt in the cities. Illuminating new research shows differences in the evolution of prices across the country, pointing to possible different political reactions in rural areas. This suggests that economic decline will not necessarily lead to more coherent political protest as people are driven first and foremost by survival, something the government is keenly aware of. But as the government's resources for patronage shrink, things could unravel even in remote areas. New provinces hurriedly established through the breakup of existing provinces (decoupage) in 2015 lack resources, and the appearance of new armed groups in North Kivu and recent violence in Kasai Central province are provoking considerable stress.

Prime Minister Badibanga and his new government have to allay social unrest while funding what will be a costly election process. This may prove a near-impossible task, while the

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combination of political uncertainty and a major economic recession is creating a dangerous impasse. The risk is not just an explosion of anger on 19 December when Kabila's term was supposed to end, but a slow atrophy thereafter. A major concern is the funding of salaries and operational expenditure for the army and other security forces. If this significantly deteriorates, it is likely to cause major disorder as was the case in 1991 and 1993.

The population is hungry for change, but is frustrated by the lack of development and socio-economic opportunities, and by the complacency of the governing elite. Economic mismanagement fuelled popular anger during the slow decline of the Mobutu regime in the 1990s.

Political change through elections symbolise hope, and the government and the international community should do all they can to make them happen in the right conditions, with no further undue delay.