

**Dismantling the war economy:
*The private sector and the imperative of good governance in DRC***

A presentation at the Global Compact Symposium, New York , 13 December 2004

Excellencies,
Ladies and Gentlemen,

1. Introduction: the progress of the peace process in DRC

Let me first thank the German government, the Friedrich Ebert Foundation and Global Compact, for this meeting and the invitation extended to me. I am speaking on behalf of the many human rights and church and development organisations in DRC which have been struggling for peace in DRC since 5 years. They are organised in a national advocacy network of NGOs called “Réseau Ressources Naturelles – RRN”, working in close collaboration with some Canadian (PAC) , British (Global Witness), Norwegian (Rainforest Foundation), Dutch (NIZA) and Belgian NGOs (11.11.11).

The crisis in DRC has been one of the most deadly crises in the world today, causing more than 3.5 million dead, 2 million IDPs and about a million refugees, but also causing insecurity in the whole region. The crisis in DRC is national and regional in nature. It requires both national and international efforts to end it.

At the national level, the Inter Congolese Dialogue in 2002, organised within the context of the Lusaka Ceasefire Agreement in 1999, in Sun city (South Africa), succeeded in bringing agreement between all participating parties for a government of national unity set up in July 2003. Its main objectives are reuniting the country and organising free and fair elections.

The unity of the country is almost done, except for the eastern provinces of Kivu, where we still have to convince our neighbour, the Republic Rwanda, to reduce its grip and manipulation of local military and political actors. Preparation of elections is starting now with laws being examined in Parliament. The process is still weak and requires international political, diplomatic and financial support.

On the regional level, the UN peacekeeping forces have been deployed, making the withdrawal of foreign troops easier. Civil society recommends to strengthen the mandate of the UN mission in DRC to finally disarm by force residual “interahamwe” militias who are a serious security concern for the local people in the Kivu provinces, but also for the Republic of Rwanda. This would take off all justification of Rwanda from sending its troops in DRC.

2. An overview of the war economy and the involvement of the private sector

Among the root causes of the conflict in DRC, illegal exploitation of natural resources was identified. Some mineral wealth like coltan, diamond, gold, germanium and timber, has become a key source of competition between national and neighbouring countries’ companies during the war. Their high value in the international market and their relative easiness to exploit even brought in international companies giving a global dimension to the conflict in the area.

Civil society raised the issue on the national and international level. European and North American international NGOs came in solidarity to the Congolese people and together a fantastic job of advocacy was done to the UN, to EU, Canadian, British, German, Dutch, Belgian governments and others. Their reports showed the acting companies' networks and how they fuelled conflicts in the region.

(Internal political and military networks, Rwandan networks, Ugandan networks, Indo-Pakistani networks, Lebanese networks, European networks, North American networks, Russian networks).

The reports showed the relationship between arms flows and war in the region and illegal exploitation of resources.

3. Peace process and dismantling of war economy:

a. At the national level

The issue of dismantling the war economy was debated during the Intercongolese Dialogue in Sun City. Option was taken for a free market system. It was recognised that there could be no economic recovery if the issue of the illegal exploitation of resources was not addressed and sustainable conditions for business were not re-established.

The following solutions were proposed:

- First stop illegal business operations with companies that do not comply with national laws;
- Ban all business operations with companies linked to criminal activities;
- Renegotiate leonine contracts signed with some companies in the mining sectors that do not guarantee national interests;
- Reinforce law and order in the private sector, mainly in the mining sector.

- Since then, most of the rebel leaders have joined the transition government. They have taken the responsibility to implement decisions about good governance in the business sector. Although some of them were clearly identified in the UN expert panel on DRC's war economy, the chosen principle seems to be that of "saving peace first, justice next".

- The effort of administration control, combined pressure from government and the business organisations have reduced the negative effects of mafia business companies. The adoption of laws organising the mining sector "*Code minier*", and that organising the exploitation of forests "*Code forestier*", have made breakthrough in the will of the government to install good governance in the business areas.

- There are still challenges to be met, especially in the eastern provinces (Ituri and the Kivu), where war economies are not totally dismantled yet. There are indications that tensions in Ituri and conflicts in the Kivu, as well as illegal arm flows in these areas, have business connections. In Ituri, despite the fact that the Porter Commission in Uganda did call for sanctions against military elites responsible for illegal arms flows to the Congo, there are indications that insecurity is still fuelled by the same networks operating in shadow.

In North Kivu, the about 20.000 men strong militia controlled by the governor of North Kivu with the support of Rwanda helps not clearly identified groups with a connection to Ruanda keep control of the province's coltan-rich areas. "*Global Witness*" has just released a

declaration showing the link between economic reasons and the present military intervention of Rwandan in DRC.

- The government still faces:

- The issues of corruption and inequity over resource exploitation: Policies of decentralisation and support to business sector in provinces are key to economic recovery.
- The issue of promoting a better investment environment: local companies still complain of harassment from the public services. Either because of illegal taxation, or too much taxation.
- The government should ensure that the banking system, which has collapsed long ago, is restored, and that serious efforts are made for business to have access to funding, import and export facilities....This is the best way to get rid of corruption and smuggling practices.
- A sustainable policy of mining exploitation must be reinforced: By some foreign companies, DRC is seen as a country to exploit raw materials. Companies seem to be concerned simple about digging out, packing up, and exporting the raw materials. The issues of sustainable job creation, support to local communities, protection of the environment and local economy are not priorities. This is the case in the mining sector in the Katanga and Kasai provinces.

b. At the regional and international level

At the international level: two mechanisms have helped to improve the context:

- *Pressure to comply with OECD principles:*

In the UN expert panel reports, many Western companies were identified as not complying with the OECD principles in a conflict situation. Experts recommended that companies identified be obliged to comply with the OECD regulations. NGOs have the impression that government actions are insufficient and would like to see more pressure on companies. This helps in changing attitudes and policies of international companies toward local people. That's why they are organising for these mechanisms to be really efficient.

- *The impact of the Kimberly process certification scheme in DRC:*

The Kimberley certification scheme is one of the most efficient mechanisms put in place by the international community to prevent diamond-fuelled wars in Africa. In DRC, the effect is very positive bringing important financial resources to the government. The certification scheme has reduced illegal exploitation and exportation from countries such as Rwanda, Uganda, and Congo Brazzaville.

From 180 million dollars annually, the government now can expect at least 300 million dollars a years.

Conclusion

Economic recovery of DRC is key to economic recovery of the whole region. This lies mainly in the capacity of the transitional government to carry out economic recovery and growth policies in this period and in the near future. How the government would improve the private

sector environment is essential: The huge natural resources potential of DRC, largely unexploited, is a source of competing interests and struggle for control not only by national companies, but also by neighbouring countries' business actors, and multinational companies.

But for the Congolese and all the people of the region, the country's economic potential is seen as a chance to end poverty and starvation imposed upon them today. A dynamic private sector is possible if combined efforts are put together:

- Internal political will to improve private sector legal frameworks;
- A private sector ready to engage not only in wealth creation, but also to contribute to solving social and environmental problems,
- Regional leaders to refrain from fuelling conflicts in DRC
- International companies to insert their work in the line of state reconstruction efforts.

At the International Conference for peace, security, democracy and development held in Dar es Salaam, Tanzania, last month on November 20, 15 Heads of States of the African Great Lakes Region and neighbouring countries, after having recognised that the illegal exploitation of natural resources is, among others, a major source of conflict in the region, have committed to "*Adopt regional policies to promote a dynamic private sector, socially responsible, in the framework of a context that stimulates investment...*" (§43 of the Dar es Salaam Declaration)."

I thank you very much.

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