



Events Coverage:
July 2008 to December 2008

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COUNTRY INDICATORS FOR FOREIGN INVESTMENT

Country Report No. 8

December 2008

The Democratic Republic of the Congo (DRC)

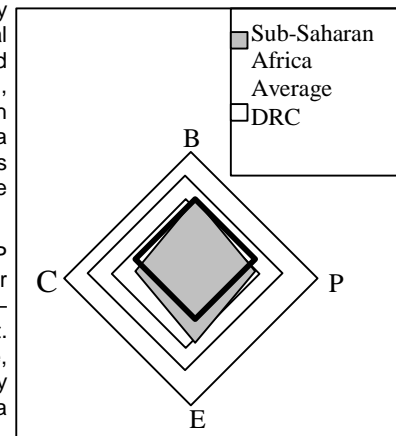
OVERVIEW AND KEY JUDGEMENTS

The Democratic Republic of the Congo's (DRC) long history of instability and violence is the source of many of its current problems. The country scores below regional averages in terms of Crime and Security, Political Stability, Economic Structure and Business Environment. The government's low score in **Crime and security** are illustrated by the government's inability to control rebel group activity, particularly along the border with Rwanda, or to provide basic security to most of its citizens. On the contrary, the DRC's national armed forces (FARDC) are responsible for many reported incidents of civilian abuse. State **Political Stability** is improving due to recent multiparty elections. However, state **Economic Structure** is weak; real GDP growth – 6.5% in 2007 (World Bank) – has not translated into tangible benefits for the majority of inhabitants. Indeed, with an average annual inflation rate of 16.4% in 2008 and high reliance on informal markets, the DRC's economy remains a serious concern. Further, **Business Environment** remains challenging due to the lack of controls provided by the government and the high ramping corruption.

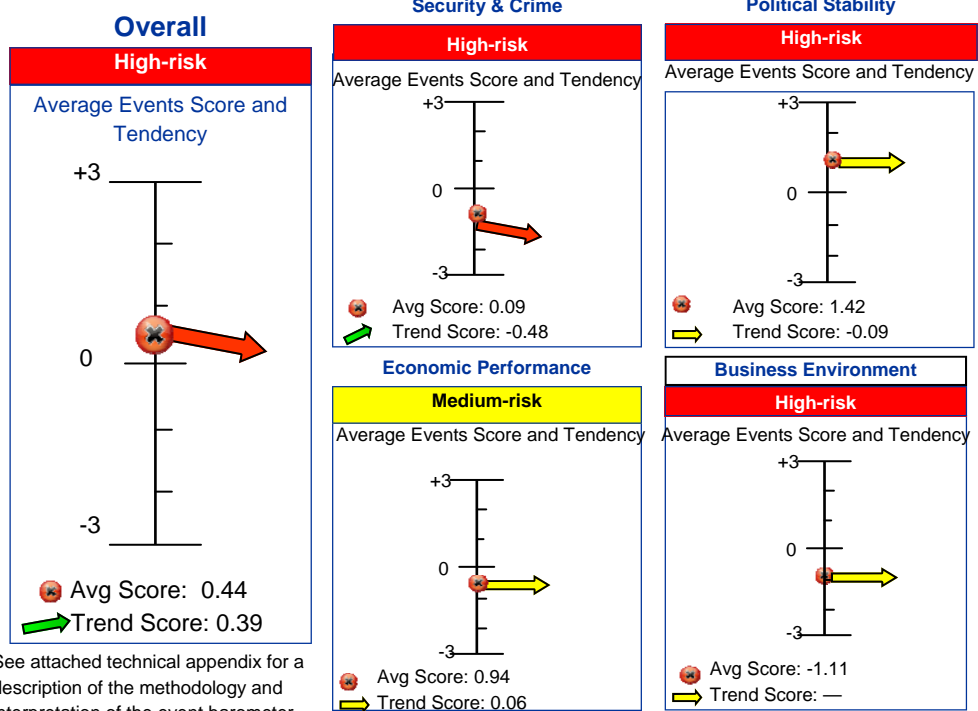
While some areas of relative strength – such as real GDP growth and low population density – suggest a foundation for future stability, others – including a small ecological footprint – are partly a reflection of significant under-development. Concerns related to government effectiveness, infrastructure, production of refugees and IDPs, and regulatory quality support an overall finding that the DRC is unlikely to meet a majority of its MDGs.

Events analysis paints a slightly better picture. Events recorded between July and December 2008 were moderately destabilizing on average, largely due to the worsening of the security and crime situation. International engagement in the DRC remains a high risk proposition.

DRC's 4 Pillars for Foreign Investment



STRUCTURAL BASELINE & EVENTS BAROMETER



See attached technical appendix for a description of the methodology and interpretation of the event barometer.

SUMMARY

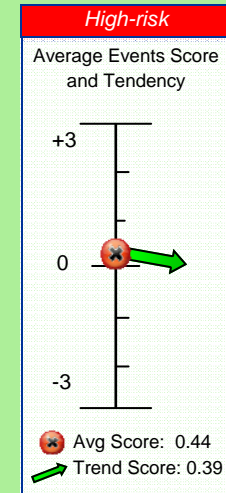
STRUCTURAL ANALYSIS

The DRC's structural baseline performance measure is heavily influenced by its poor governance record and the persistent low-level violence between government and rebel forces. The DRC's human development is the biggest area of concern. Its infant mortality rate is among the world's highest and less than half of the population has access to improved water and sanitation. Risk scores in security are tempered by the DRC's military expenditures as a percentage of GDP. However, risk score for levels of large scale armed conflict has worsened in the past year due to resumed fighting in North Kivu and Ituri district. Demography is also worrisome. The country's high risk score in this area is linked to high urban growth rates and youth bulge. Economic development in the DRC registers as an area of moderate risk, with a low risk score in reliability of electricity supply offset by high risk scores in GDP per capita, inflation, and the informal economy.

The successful conclusion of the first multi-party elections in 46 years and its eventual acceptance by all parties bodes well for state legitimacy. Worsening of the security situation affects government cohesion and overall authority. Capacity also continues to be challenged by the state's inability to deploy resources toward productive ends, as demonstrated by the country's lacklustre development and economic performance.

EVENTS

Events over the six month monitoring period exhibited an overall destabilizing trend mainly because of the fighting between the Tutsi rebel militia and the government forces, which broke out in August 2008 and the associated rape, murder and pillage associated with the conflict. These positive developments were largely driven by positive events recorded in the Political Stability and Economic Structure clusters and tempered by a slightly destabilizing trend in the Security and Crime cluster. The regional context is extremely important to the DRC, and there has been greater cooperation with neighbouring countries of late. However, relations are far from normalized, with occasional bouts of violence and health epidemics continue to cause problems regionally.



"The DRC's human development is the biggest area of concern."

KEY ISSUES AND FACTS

Security and Crime:

- Renewal of fighting in North Kivu and the Ituri district
- Poor enforcement of arms embargo feeds violence
- Porous border is problematic for the containment of rebel groups

Political Stability:

- Media under fire and facing censorship in run-up to election
- Nomination of a new Prime Minister (Adolf Muzito) following the resignation of Antoine Gizenga
- Government lacks full territorial authority

Economic Structure:

- Several international agreement reached on improving regional transportation and technological infrastructure
- Announcement of new mining developments
- Global economic crisis and falling copper price limit foreign investment

Business Environment:

- Corruption is rampant
- Control of natural resources by rebel groups constitute a risk

PRIMARY DRIVER

SECURITY AND CRIME

STRUCTURAL ANALYSIS Security and Crime continues to be a high risk area for the DRC, and is a reflection of both internal rivalries and the general instability of the Great Lakes region. Poor compensation for FARDC officers and soldiers under Mobutu Sese Seko (1965-1997) led to a history of civilian exploitation by the army. This continues to be a problem under the current regime. The DRC's neighbours have had a tradition of interference in its internal affairs for complex political, security, and economic reasons. Rwanda, in particular, has taken advantage of DRC's instability in order to exploit the country's resources. The primary concern of neighbouring states, however, is security. Weak state capacity allows rebel groups to operate in the DRC and launch attacks on its neighbours. President Kabila's ability to bring these elements under control will be crucial to regional stability in the long run.

EVENTS Renewed spikes in violence over the periods monitored (July-December 2008), have contributed to the deterioration of the security situation in the DRC and to the slightly negative trend in this cluster. In August 2008, fighting between dissidents Laurent Nkunda (National Congress for People's Defence), and the government forces broke out in the North Kivu province forcing approximately 250,000 people to flee the region. Fighting has also resumed in Orientale province, characterized by Uganda's Lord's Resistance Army (LRA) attacks against Congolese villages. Regular reports continue to be received of child rebel soldiers being pressured to conceal their age so as to remain in the regular forces. In addition, the army, police, and rebel groups continue to abuse civilians, especially in Eastern DRC.

KEY EVENTS

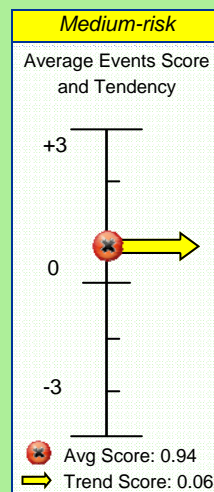
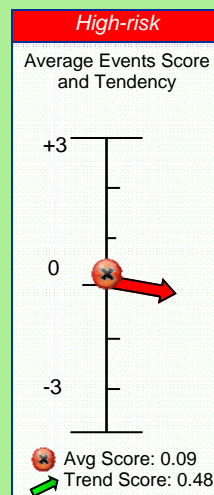
- **Fighting resume in North Kivu between Laurent Nkunda's militia and government forces causing thousand to flee the region**
August 2008 - BBC
- **Fighting began again in the Iture district. Militia attacks UN forces**
- **Uganda's Lord's Resistance Army attack Congolese villages**
December 2008 - Guardian
- **MONUC reports that the human rights situation continues to deteriorate in the**

October 2008 - Relief Web

SECONDARY DRIVER

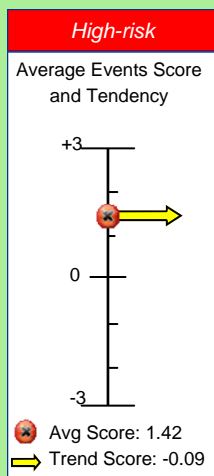
ECONOMIC PERFORMANCE

STRUCTURAL ANALYSIS Economic development is the only area that is at medium risk in the DRC, due largely to the reliability of its electricity supply – provided by its abundant water resources – and a relatively low level of external debt. Since the end of the conflict construction, telecommunication and mining have been import sources of foreign investment. However, the World Bank's "Doing Business 2008" report ranked the DRC at the bottom of the 181 countries rated. State agencies collecting taxes even if not allowed to do, such as the armed forces, the police and the immigration services, so remain a problem. The informal economy – especially in the mining sector – continues to be a drain on the regular economy and thus on government capacity, with black market activities estimated to account for income equal to the nation's GDP. In an effort to regain control of the sector, the DRC has signed on to the Extractive Industries Transparency Initiative (EITI) in late 2005, and is a member of the Kimberley Process. Overall, the economic situation deteriorated at the end of 2008 due to the global economic crisis and more difficult borrowing conditions which have both contributed to reduce foreign investment.



PRIMARY DRIVER

POLITICAL STABILITY



STRUCTURAL ANALYSIS

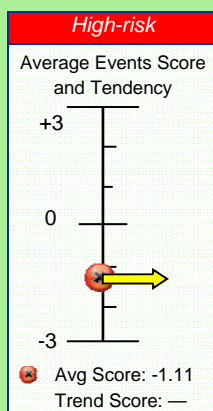
Governance in the DRC shows weakness with respect to permanence of regime type, rule of law, and government effectiveness. Three decades of corruption and abuse under Mobutu Sese Seko, a history of violent regime transitions and political rivalry, and regular interference by regional neighbours has contributed to the country's poor governance record. Survival, rather than delivery of services, has been the primary concern of the DRC's government officials. The media is widely reported to sell columns or air time to the highest bidder and is often accused of acting as the "mouthpiece" of politicians. Threats and arbitrary arrests provide little incentive for responsible journalism. In 2006, the DRC tied with Sudan, Bangladesh, and Chad as the world's 4th most corrupt nation (of 163 states, Corruption Perception Index, Transparency International). On the positive side, the DRC's participation in international organizations, its efforts to democratize, and its percentage of female parliamentarians present areas of strength; they are also partially reflective of recent international engagement in the country.

EVENTS

The survival of the 2006 elected government and the lack of opposition faced by President Kabila contributed to making the overall trend in the period measured slightly stabilizing. The detention of Jean-Pierre Bemba, leader of the main opposition party in Congo, has significantly decreased the level of opposition faced by President Kabila and left a political vacuum that no one has stepped up to fill. With many of the key milestones now achieved – such as the formation of the government and key governance institutions – the crucial factor will be the extent to which the Kabila government is able to deliver on its promises of national reconciliation, unity, and prosperity.

KEY EVENTS

- **Adolphe Muzito takes the role of Prime Minister following the resignation of Antoine Gizenga**
October 10, 2008 - RFI
- **A new Cabinet is appointed. Poorly performing Ministers are demoted.**
October 26, 2008 - Taipei Time
- **Jean-Pierre Bemba is arrested and detained. He will face the International Criminal Court for war crime in 2009**
May 26, 2008 - Independent UK



SECONDARY DRIVERS

BUSINESS ENVIRONMENT

STRUCTURAL ANALYSIS

The DRC's medium risk score in its business environment performance is more a reflection of its lack of government control than of sensitive policies. Corruption remains a problem and the rebel control of vast amount of natural resources is worrisome. The Government's review of existing mining and logging contracts initiated after the 2006 election is dragging on and the opaque process has contributed to dampen the interest of foreign investors and the wave enthusiasm that followed the end of the conflict.

EVENTS

Despite the historic and successful completion of basic business regulations, the overall trend in the period measured has remained slightly destabilizing. Doing Business in the DRC remain challenging due to the lack of infrastructure and the complicated procedures associated with every step of managing a business. Illegitimate tax collection and corruption also increase operation costs significantly.

CANADA AND THE DRC

CANADIAN CONTRIBUTIONS

- **More than \$10 million** has been devoted since 2004 to support the **electoral** process, through bilateral and multilateral channels
- **\$15 million** has been contributed to a **multi-donor project against gender-based violence**, particularly in Nord Kivu and Sud Kivu
- **\$1.2 million** has been donated to **Doctors Without Borders** for emergency action in Nord Kivu and Sud Kivu
- Canada funds **projects to rehabilitate and reinforce the community health services** (PROSAKIN) in three health zones in the Province of Kinshasa, and contributes to regional projects fighting malaria and onchocercosis.
- Canada supports a **capacity-building project** with the Central Bank of Congo, the reinforcement of financial systems adapted to women (RSFF), and the Regional Program for the Reinforcement of the higher institutions of control.

(Data from CIDA, 2007)

LINKS

- **Development Engagement:** Canada has been involved in the DRC since the 1960s, with the exception of a period between 1992 and 1998. Canada has donated more than \$170 million since 1998 to the areas of humanitarian assistance, peace and security, and basic human needs. Future priorities will include governance (political and economic) and health, with a strong emphasis on gender equality.
- **Canadian Exports to the DRC (2006):** \$20,070,182 total for all industries out of a total of \$439,500,467,011 (Canadian Dollars).
- **Canadian Imports from the DRC (2006):** \$535,744 total for all industries out of a total of \$396,442,922,679 (Canadian Dollars)
- **DRC Diaspora in Canada (2001):** 6,235
- **Canadian Military presence in DRC (2006):** 9 total

(Data from CIDA, 2007, and DFAIT, 2006)

CANADIAN NGOS IN THE DRC

Canadian Catholic Organization for Development and Peace (Montreal)
Canadian Center for International Studies and Cooperation (Montreal)
Canadian Friends Service Committee (Toronto)
Canadian Nurses Association (Ottawa)
Canadian Red Cross (Ottawa)
CARE Canada (Ottawa)
Centre for International Cooperation in Health and Development (Quebec)
Collaboration santé internationale (Quebec)
Light Up The World Foundation (Calgary)
Mennonite Central Committee - Canada (Winnipeg)
Mining Watch Canada (Ottawa)
Oxfam Québec (Montreal)
Presbyterian World Service and Development (Toronto)
Terre Sans Frontières (La Prairie)
UNICEF Canada (Toronto)
United Church of Canada (Toronto)
World Vision Canada (Mississauga)

12 MONTH SCENARIOS

NAME BASE CASE (60% PROBABILITY)

The DRC's nascent democracy holds and the security situation continues to stabilize. Peace agreements with the nation's disparate rebel groups continue, and their reintegration into the FARDC is successful. As security improves, the DRC becomes a more attractive place for licit foreign investment, and the formal economy slowly begins to recover. Environmental degradation increases as improved roads for legal logging projects facilitates illegal logging and poaching. The DRC begins to bring foreign rebel groups under control, improving regional relations and making border regions safer for its citizens. Corruption remains endemic and uneven development persists.

In an alternate likely case, while peace agreements with the rebel groups hold, their integration into the FARDC results in a less disciplined military that increasingly subjects ordinary citizens to abuse. The DRC continues to be unable to exercise effective control over foreign rebel groups, putting additional pressure on regional relations and exacerbating the IDP problem as attacks on DRC citizens by these groups also increases. While the security and economic situations remain precarious, they continues to gradually improve.

BEST CASE BASED ON ASSUMPTION THAT THE SECURITY SITUATION STABILIZES

As the security situation stabilizes, IDPs and refugees are able to return to areas where they have better access to humanitarian aid. The DRC, with its abundance of natural resources, becomes an attractive place for foreign investment, which is handled responsibly and with an eye to sustainable development. As the economy improves, reliance on the black market for income decreases, and government revenue begins to improve with the rapid growth of taxable income. Revenue is invested in infrastructure and social programs, and life for the average citizen begins to improve.

WORST CASE BASED ON ASSUMPTION THAT POLITICAL DISPUTES ESCALATE INTO VIOLENCE

The volatile supporters of Bemba and Kabila begin to believe that their candidates have been slighted in the course of the democratic process. With successful elections and because of the high cost of the mission, the UN begins to reduce MONUC's strength. Without a strong international military presence, violence erupts, and the government falls and militias are again the dominant actors in society. International civil society organisations continue to provide their services to the beleaguered DRC population, but their ability to do so is compromised by the growing number in need.

HUMANITARIAN ENTRY POINTS

Demography:

- A youth bulge will increase the pressure on DRC's already deficient infrastructure
- Employment program to allow the economy to absorb a surge in labour force
- Support and humanitarian aid to refugees and IDP returning to the DRC

Governance:

- Professional training programs for journalists to improve reporting practices and media reputation
- Capacity-building programs with a focus on transparency and accountability

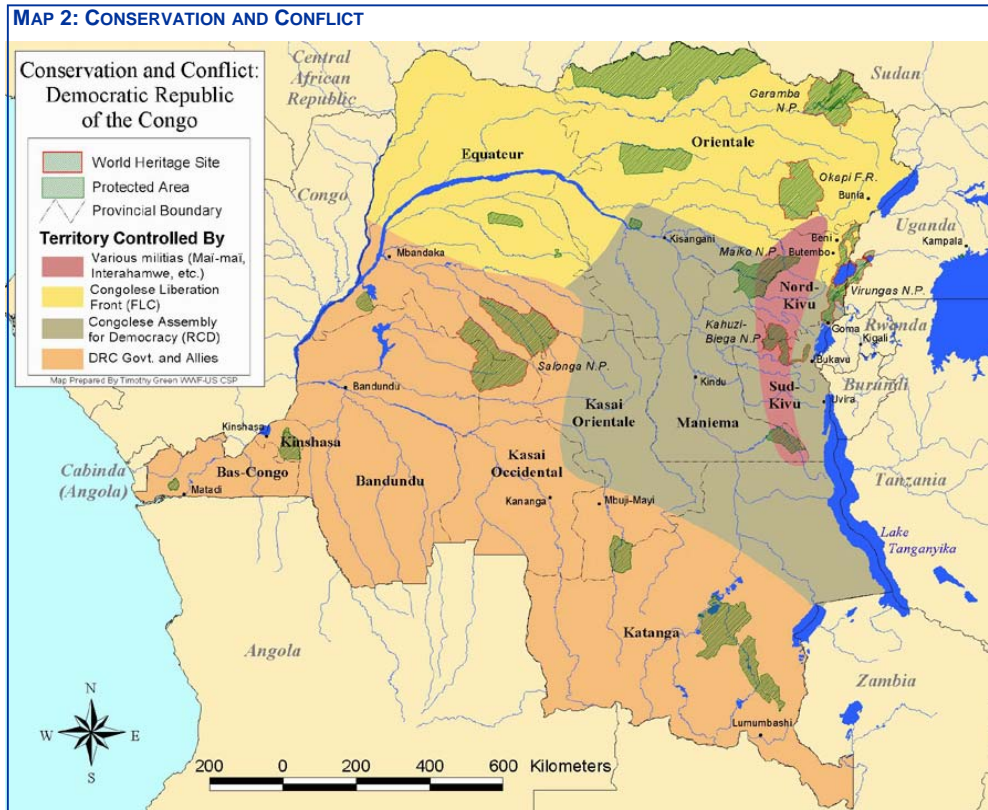
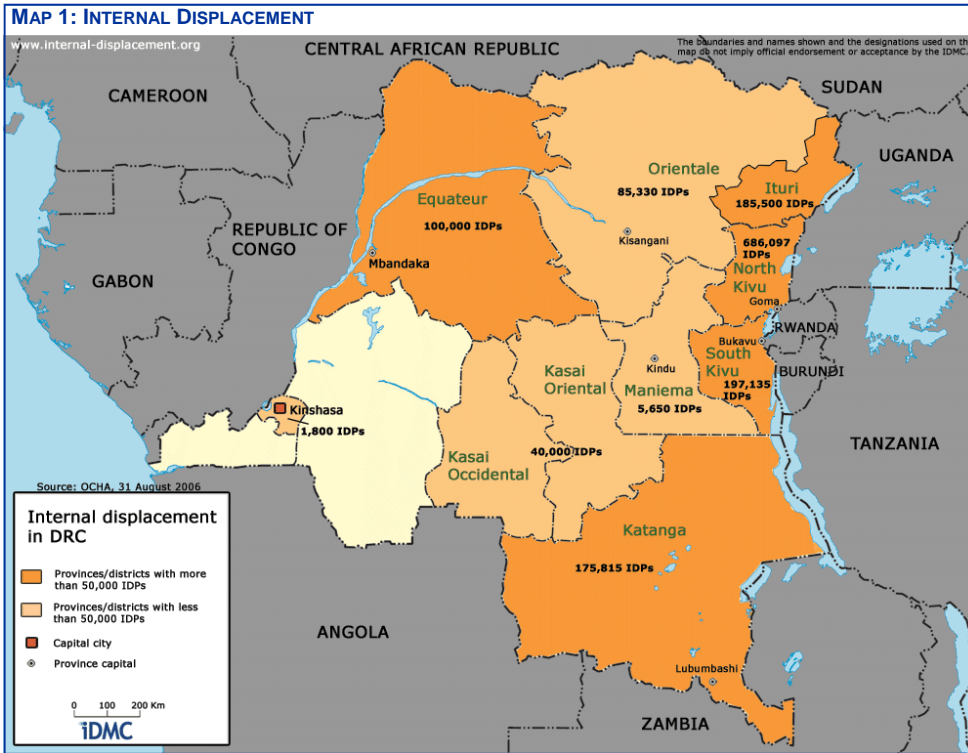
Human Development:

- Programs aimed at improving sanitation and water sources, especially in growing urban areas
- Funding for HIV/AIDS treatments
- Provision of basic medical supplies to major hospitals
- Programs to improve transportation infrastructure

Environment:

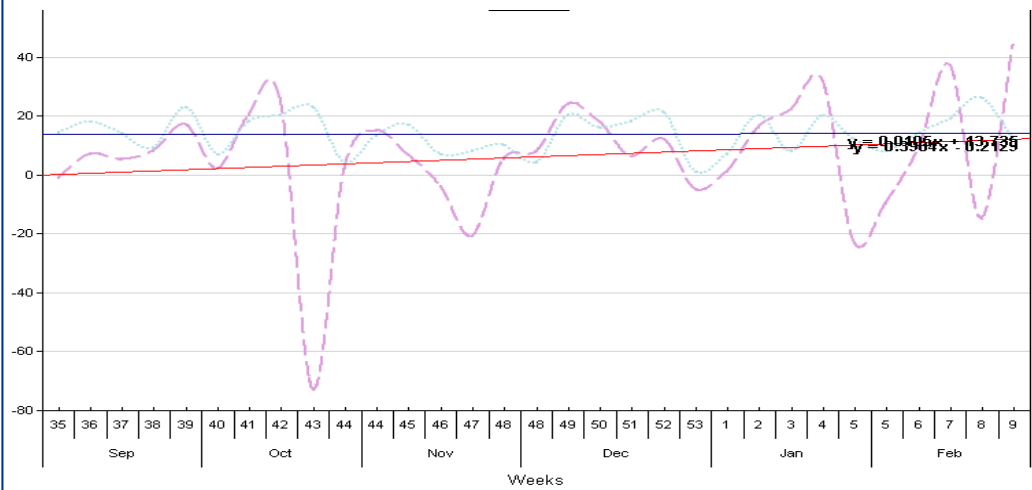
- Programs to encourage responsible and sustainable development practices

MAPS



EVENTS MONITORING CHARTS

TABLE 1: OVERALL EVENTS CHART



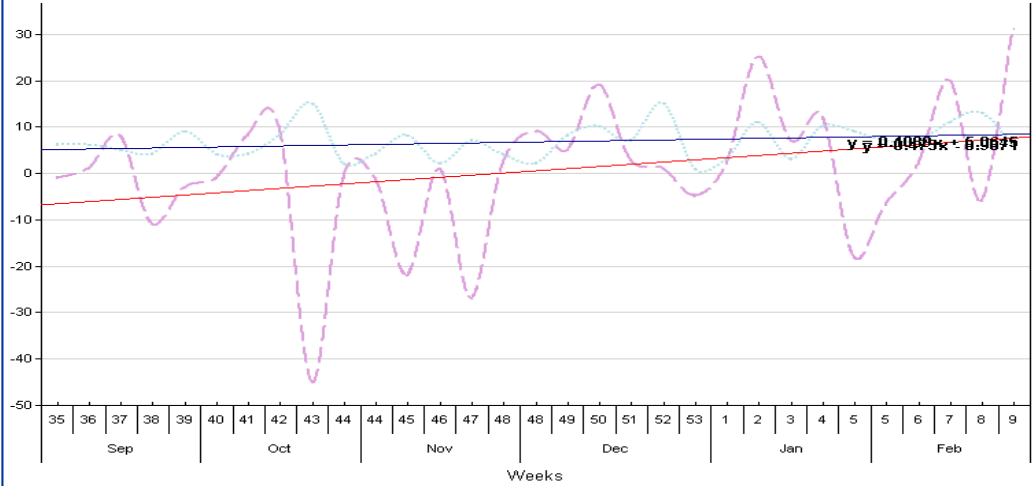
READING THE EVENTS CHART

Red line (solid): Trend line for events; downward slope left to right is negative

Blue line (solid): Trend line for number of events

Purple line (dotted): This indicates the sum total scores of events (positive or negative), as coded in the event monitoring process; the red trend line is derived from these values.

TABLE 2: SECURITY AND CRIME EVENTS CHART



READING THE EVENTS CHART

Red line (solid): Trend line for events; downward slope left to right is negative

Blue line (solid): Trend line for number of events

Purple line (dotted): This indicates the sum total scores of events (positive or negative), as coded in the event monitoring process; the red trend line is derived from these values.

STAKEHOLDER ANALYSIS

DRC CENTRAL GOVERNMENT

- After emerging victorious in the 2006 presidential elections with 44.81% of the popular vote, Joseph Kabila continued his control over the DRC. Although his party emerged victorious in the elections for the National Assembly (111 of 500 seats), Kabila's party did not win a majority; however, it has since formed an alliance with the third-most popular party, the Unified Lumumbist Party (PLU).

OTHER DRC POLITICAL PARTIES

- The Movement for the Liberation of Congo (MLC), a rebel group turned political party, was a strong challenger in both the National Assembly and presidential races. The MLC is led by Jean-Pierre Bemba, a vice president in the 2003-2006 DRC transitional government and runner-up in the presidential elections. Relations between Bemba and Kabila have been acrimonious, and their supporters have often clashed. Bemba has agreed not to contest the results of the election, and was elected to the Senate. Bemba was arrested in 2008 and has been detained since. He will be tried by the International Criminal Court for war crime in 2009. None of the other 64 parties with seats in the National Assembly are capable of dominating the vote themselves, but each plays an important role in forming coalitions with the

INTERNATIONAL CIVIL SOCIETY

- The presence of the major civil society organisations, such as the UN, MSF and HRW on the ground in DRC represents a strong commitment to making DRC a viable democratic state. Many have encountered tremendous hardships within the population, but their efforts continue in the hopes of improving the largely destitute conditions that exist.

ARMED FORCES OF THE DRC (FARDC):

- Many rebel groups within the DRC have disbanded, and as a result of their negotiations, have agreed to become part of the FARDC. Their addition has done little to temper inappropriate actions of many soldiers, who have often been accused of sexual assault, murder and other indiscriminate acts of violence. Additionally, there have been incidents where rogue FARDC commanders have become dissidents and taken their subordinates under their personal command. One such incident occurred in the North Kivu province late in 2006.

UN ORGANISATION MISSION IN THE DRC (MONUC)

- The UN has had a presence in DRC since 1999. The introduction of MONUC, with a large contingent of African peacekeepers has been to the benefit of the country, but there have been a number of problems with the forces, including accusations of sexual assault and other activities that have created additional unrest.

NEIGHBOURING STATES

- Located in the heart of sub-Saharan Africa, the DRC is both influenced by and influences events in its border states. The presence of internally displaced persons from states such as Sudan is a critical problem. Many of the DRC's neighbouring states are experiencing internal conflicts of their own, which oftentimes spill into their neighbours' territory.

INTERNATIONAL DONOR COMMUNITY (IMF, WORLD BANK, STATES)

- Major providers of financial assistance have been involved in Africa for many years, and in DRC for a significant amount of that time. One of the primary concerns affecting these institutions today is the issue of debt relief – how much is necessary, what is required, and should any conditions be attached to this process.

MILITANT GROUPS

- While some of the domestic militant groups have agreed to join the FARDC, others continue to remain on the loose, resisting efforts to integrate them into the state structure. The Congolese Tutsi militia *Congrès national pour la défense du peuple* (CNDP) led by Laurent Nkunda has refused to lay its arms and has imposed several defeats on the government forces in the region of North Kivu in the last half of 2008. Violence against towns and their citizens is common, often to gather food and other supplies. Militant groups originating from other nations also operate in the DRC's border regions. Among the most prominent groups is Rwanda's Interahamwe, also known as the *Rwandan Liberation Army*. Prominent during Rwanda's period of ethnic violence in the 1990s, many group members fled to DRC for refuge. *Uganda's Lord's Resistance Army* (LRA) is also active along Congo's northern border. Attacks on villages and abduction of women and children have forced thousand to flee.

| STRUCTURAL DATA (SOURCE AND | Cluster avg. | Fragility index score | Fragility index rank | Raw Data -- Five year avg | Last Year of Data | Trend Score |
|--|--------------|-----------------------|----------------------|---------------------------|-------------------|-------------|
| 1. Political Stability | | | | | | |
| Political Stability (WB GM, deviation from mean) | | 8.1 | 20 | -1.4 | 2005 | * |
| Rule of Law (WB GM, Deviation from mean) | | 8.8 | 58 | -0.8 | 2005 | * |
| Level of Democracy (Polity IV, index, (-10 - 10)) | | 7.3 | 33 | -4.0 | 2004 | s.q. |
| Level of participation in international political organizations (CIFP) | | 4.5 | 23 | 8.3 | 2005 | * |
| Freedom of the Press (FH, index, 0-100) | | 8.7 | 91 | 45.4 | 2006 | neg |
| Permanence of Regime Type (Polity IV, years since regime change) | | 5.4 | 56 | 9.0 | 2004 | s.q. |
| Refugees hosted (UNHCR, total) | | 5.5 | 13 | 231135.8 | 2005 | neg |
| Restrictions on Civil Liberties (FH, index, 1-7) | | 8.8 | 63 | 4.2 | 2005 | s.q. |
| Restrictions on Political Rights (FH, index, 1-7) | | 7.7 | 51 | 5.4 | 2005 | pos |
| Voice and Accountability in Decision-making (WB GM, Dev. from mean) | | 6.6 | 58 | -0.7 | 2005 | * |
| Checks and Balances | | 9.0 | | | 2004 | s.q. |
| Degree of Party Dominance | | 9.0 | | | 2004 | s.q. |
| Polity Score | | .. | | | | |
| Executive Constraints | | .. | | | | |
| 2. Economic Structure and Performance | | | | | | |
| Economic growth — Percentage of GDP (WB WDI) | | 8.9 | 149 | 5.4 | 2005 | s.q. |
| Economic Size — Relative (WB WDI, GDP per capita, constant 2000 US\$) | | 7.1 | 20 | 258.0 | 2005 | s.q. |
| Economic Size — Total (WB WD, GDP, constant 2000 US\$) | | 5.7 | 81 | 6.95E+0 | 2005 | s.q. |
| External Debt — percentage of GNI (WB WDI) | | 5.7 | 98 | 33.4 | 2004 | * |
| FDI — percentage of GDP (WB WDI) | | 3.1 | 73 | 3.0 | 2004 | s.q. |
| Foreign Aid — percent of Central Government Expenditures (WB WDI) | | 8.3 | 8 | 69.8 | 2003 | pos |
| Foreign Aid — Total per capita (WB WDI) | | 3.8 | 72 | 34.1 | 2004 | s.q. |
| Inequality — GINI Coefficient (WB WDI) | | 7.6 | 42 | 43.0 | 2003 | * |
| Inflation (WB WDI) | | 9.0 | 85 | 4.2 | 2005 | neg |
| Informal Economy — Black Market (Heritage Fund, Index, 1-5) | | 5.2 | 38 | 4.2 | 2006 | pos |
| Informal Economy — Ratio of PPP to GDP (WB WDI) | | 7.5 | 15 | 5.1 | 2005 | s.q. |
| Level of participation in international economic organizations (CIFP) | | 2.7 | 125 | 6.0 | 2005 | * |
| Remittances Received — percentage of GDP (WB) | | 7.1 | 37 | 0.1 | 2005 | s.q. |
| Reserve Holdings — Total (WB) | | 7.7 | 81 | 1.13E+0 | 2005 | s.q. |
| Trade Balance — percentage of GDP (WB) | | 6.4 | 49 | -4.8 | 2005 | s.q. |
| Trade Openness — percentage of GDP (WB) | | 5.7 | 14 | 39.5 | 2005 | s.q. |
| Unemployment — Total (WB) | | 4.7 | 92 | 3.2 | 2003 | * |
| National Savings Level | | 7.5 | | | 2005 | s.q. |

STRUCTURAL DATA (CONT'D)

| 3. Business Environment | | | | | |
|--|-----|-----|---------|------|------|
| Investment Climate — Contract Regulation (Heritage Foundation, | 4.8 | 84 | 3.8 | 2006 | neg |
| Ease of doing Business | 9.0 | | | 2006 | * |
| Starting a Business | 8.8 | | | 2006 | * |
| Protecting Investors | 7.6 | | | 2006 | * |
| Trading Across Borders | 8.1 | | | 2006 | * |
| Foreign Investment Freedom | .. | | | | |
| Intellectual Property | .. | | | | |
| Contact Regulation | .. | | | | |
| Enforcing Contracts | 8.8 | | | 2006 | * |
| Dealing with Licenses | 7.4 | | | 2006 | * |
| Registering Property | 7.4 | | | 2006 | * |
| Closing a Business | 7.8 | | | 2006 | * |
| Level of Corruption (TI, index, 0-10) | 7.3 | 43 | 2.4 | 2006 | pos |
| Paying Taxes (WB Doing Business, global rank) | 2.9 | 130 | 44.5 | 2006 | * |
| Regulatory Quality (WB GM, deviation from mean) | 4.5 | 110 | 0.0 | 2005 | * |
| Infrastructure — Reliability of Electricity Supply (WB, % output lost) | 5.9 | .. | .. | .. | .. |
| Infrastructure — Telephone mainlines per 1000 inhabitants (WB) | 7.2 | 6 | 2.3 | 2004 | s.q. |
| Infrastructure — Internet Usage per 1000 inhabitants (WB) | 5.2 | 31 | 3.9 | 2004 | neg |
| Population Growth (WB, annual percent) | 3.3 | 7 | 3.4 | 2005 | neg |
| Urban Growth Rate — Annual percent (WB) | 4.8 | 24 | 4.2 | 2005 | neg |
| Youth Bulge — Percent aged 0-14 of total population (WB) | 6.9 | 1 | 50.4 | 2005 | neg |
| Literacy (WB, percent of population age 15 and above) | 7.4 | 24 | 66.8 | 2004 | * |
| 4. Security & Crime | | | | | |
| Conflict intensity (Uppasala PRIO, number of conflict-related deaths) | 8.8 | 5 | 994.5 | 2005 | * |
| Dependence on External Military Support (FFP, Index, 1-10) | 3.5 | 25 | 7.4 | 2006 | * |
| Military Expenditure — percentage of GDP (WDI) | 4.8 | 52 | 2.2 | 2004 | neg |
| Police, Law and Criminality | 8.9 | | | 2005 | * |
| Judicial Independence | .. | | | | |
| Refugees Produced (WB, total) | 6.3 | 29 | 36038.0 | 2004 | pos |
| Risk of ethnic Rebellion (CIFP, based on MaR dataset) | 4.3 | 77 | 2.5 | 2005 | * |
| Terrorism -- Number of fatalities (US NCTC, number of fatalities) | 3.7 | 37 | 191.5 | 2005 | * |
| Terrorism -- Number of Incidents (US NCTC, number of incidents) | 2.3 | 22 | 21.0 | 2005 | * |
| Human Rights — Empowerment (CIRI, Index, 0-10) | 8.7 | 39 | 3.0 | 2004 | s.q. |
| Human Rights — Physical Integrity (CIRI, Index, 0-8) | 8.1 | 32 | 3.0 | 2004 | s.q. |

For trend scores, (s.q.) indicates continuation of status quo, (pos) indicates a positive trend toward stability, and (neg) indicates a negative trend toward fragility. (*) indicates insufficient data for calculation of trend and volatility scores.

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Greenpeace. www.greenpeace.org

EVENT MONITORING SOURCES

| | |
|-----------------------------------|-----------------------------|
| Africa Mining Intelligence | ITAR-TASS |
| Agence Congolaise de Presse (WNC) | MENA |
| Agence France Presse (WNC) | Mineweb |
| AllAfrica | OSC Report (WNC) |
| Associated Press | PR Newswire Europe |
| BBC Monitoring | States News Service |
| BBC World News | The Guardian |
| Business Day | The Monitor |
| Deutsche Presse-Agentur | The Nation (Kenya) |
| Financial Gazette | The New York Times |
| Financial Times | UN IRIN (WNC) |
| Indian Ocean Newsletter | UPI |
| IRNA | Xinhua General News Service |

INDEX METHODOLOGY

Like its predecessor the CIPF conflict risk index, the fragility index employs a methodology of relative structural assessment. The analysis begins with a structural profile of the country, a composite index that measures overall country fragility along six dimensions or clusters: governance, economics, security, human development, demography and environment. Each of these clusters is based on a number of indicators; for example, indicators under the 'economics cluster' include economic growth, gross domestic product, inflation and unemployment, etc. The data is further analyzed to provide insight into relative state strength and weakness along three dimensions of 'stateness', namely authority, legitimacy, and capacity. This multidimensional assessment methodology is a direct response to the multi-causal nature of fragility and failure; states can weaken in any number of ways, such that any attempt to attribute fragility to a single deterministic set of causal variables inevitably remains underdetermined, capturing only a limited subset of all fragile states. Instead, CIPF adopts a more inductive approach, identifying areas of relative strength and weakness across all measures of state performance.

In ranking state performance on a given indicator, global scores are distributed across a nine-point index. The best performing state receives a score of one, the worst a score of nine, and the rest continuously distributed between these two extremes based on relative performance. As country performance for some types of data can vary significantly from year to year – as in the case of economic shocks, natural disasters, and other externalities – averages are taken for global rank scores over a five-year time frame. Once all indicators have been indexed using this method, the results for a given country are then averaged in each fragility cluster to produce the final scores for the country.

In general, a high score – 6.5 or higher – indicates that a country is performing poorly relative to other states. Such a score may be indicative of an arbitrary and autocratic government, a history of non-transparent government, the presence of significant barriers to political participation, the absence of a consistently enforced legal framework, or a poor human rights record.

A low score – in the range of 1 to 3.5 – indicates that a country is performing well relative to others, or that a country's structural conditions present little cause for concern. Values in the moderate 3.5 to 6.5 range indicate performance approaching the global mean.

| Score | Description |
|---------|----------------------------------|
| 1-3.5 | Country performing well relative |
| 3.5-6.5 | Country performing at or around |
| 6.5+ | Country performing poorly rela- |

EVENTS MONITORING METHODOLOGY

SUMMARY

The purpose of CIPF event monitoring is to observe and report on events within a country to better understand the dynamic trends affecting democratic processes and governance in the country. This data, when combined with structural data, provides a more comprehensive analysis of both the underlying conditions and recent developments, thereby informing a more nuanced and ultimately policy-relevant analysis.

In CIPF event monitoring methodology, events are all coded using a number of criteria. First, each event is assigned to the specific cluster area to which it is *most directly* related, either governance, economics, security and crime, human development, demography, or environment. Second, the event is coded as being either stabilizing or destabilizing to the state. The event score is then determined by answering the following three questions:

1. How direct is the impact of the event on state stability?
2. How broad is the impact of the event?
3. How intense is the event, in comparison with past events in the country?

Each question is answered quantitatively using a three-point scale.

EVENTS MONITORING METHODOLOGY

COMPONENTS OF THE COMPOSITE EVENT SCORE

- CAUSAL RELEVANCE**
1. Event is relevant, but with no clearly delineable direct causal linkage to state stability or fragility (e.g. an announcement of funding, or an international soccer friendly).
 2. Event is relevant, with a delineable, though indirect causal linkage to state stability or fragility (e.g. New legislation enhancing minority rights is passed, or a bomb detonates within an ethnically divided region).
 3. Event is relevant with a delineable and direct causal linkage to state fragility (e.g. Declaration of a ceasefire or the assassination of a government minister.)

CENTRALITY

1. Event affects less than 25% of political stakeholders.
2. Event affects 25% - 75% of political stakeholders.
3. Event affects more than 75% of political stakeholders.

INTENSITY/ESCALATION

1. Event is comparable to others experienced in the state in the previous six months.
2. Event is more intense than others experienced in the state in the previous six months.
3. Event is more intense than others experienced in the state in the previous five years.

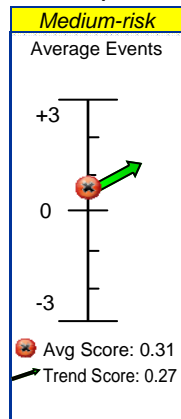
STAKEHOLDERS

As part of the initial country profile, the analyst compiles a list of stakeholders. Stakeholders are those individuals or groups that possess an identifiable, broadly similar political agenda and either have an effect on or are affected by state stability or fragility. They often have an organizational structure in addition to sufficient resources to pursue explicitly or implicitly articulated goals.

EVENT ANALYSIS

The analysis occurs in both aggregate (all events) and disaggregate (events analysed by cluster) by using quantitative data in two ways. First, **summary statistics** provide the analyst with an overview of the average event scores. Positive average event scores are indicative of an environment that experiences more or more significant positive events than negative events. Negative average scores indicate the opposite.

Example Summary Graph



| Tendency Key | Negative Slope | Status quo Slope | Positive Slope |
|-----------------|----------------|--------------------|----------------|
| OLS Slope value | Below -0.1 | Between -.1 and .1 | Above +0.1 |
| Symbol | | | |

The second avenue of analysis is via **regression lines** to observe whether the events demonstrate any positive or negative tendency over time (left).

These two types of information — average event score and event tendency — are combined into a single graph (see right). The graph may be thought of as analogous to a thermometer and

barometer. The risk score given at the top of the graph — color-coded as green, yellow, or red — is based upon the structural analysis for a given cluster. The colour indicates the relative level of risk in the cluster, and may be thought of as the “thermometer,” providing an indication of the overall risk in the country. The arrow and bar below may be thought of as the “barometer”, providing both the average event score and the event tendency, which are akin to the level and direction of barometric pressure, respectively.

SCENARIO GENERATION

The report includes scenarios for the country’s fragility over the short term, normally 6-18 months. Normally, the analysis includes four scenarios: a baseline case, an alternative case, a best-case, and a worst-case. Each is based on an analysis of overall and cluster summary statistics and trends, as well as stakeholder interests. The best-case identifies the most positive outcome possible (most conducive to stable democratic governance and poverty reduction) in the near future. Conversely, the worst-case scenario identifies the opposite. These two scenarios are intended to highlight different facets of the situation for the reader, by considering the strongest trends among stabilizing and destabilizing events, drawing attention both to dominant threats and potential points of entry. Finally, the baseline and alternative scenarios extrapolate future tendencies based on analysts best assumptions for the state, again combined with likely stakeholder interaction. Dominant trends—those most likely to continue in each of the 6 dimensions of fragility over the next six to eighteen months—become underlying assumptions. These are then combined to form an overall portrait of the country for the near term, providing a baseline “likely” scenario. The alternative case simply considers what would happen if the weakest of these assumptions did not hold, thereby giving some indication of the scenarios’ robustness. Taken together, the scenarios define both the probable and potential developments in the country over the near term. Such insights may inform contingency policy planning processes, and provide some basis for benchmarks with which to evaluate the success of initiatives intended to improve state fragility.

ABOUT THE STATE FRAGILITY PROJECT

This project is intended to contribute to a better understanding of fragility in the DRC, thereby providing support to decision-making for Canadian foreign policy and development actors in the country. The project aims to support informed, evidence-based decision making for Canadian foreign policy and development assistance related to fragile states. The report is intended to communicate the preliminary findings of the project; its findings should not be considered definitive or final.

The report is based on three elements. First, structural indicators are grouped into six clusters capturing different facets of state fragility: Security and Crime, Governance, Economics, Human Development, Environment and Demography. The structural data includes more than 80 separate structural indicators providing a detailed quantitative baseline portrait of the country.

Second, the analysis draws on event monitoring data compiled by CIFP researchers over a six month period extending from September 2006 to February 2007. Collected from a variety of web-based news aggregators, which include both international and domestic news sources, the events are evaluated and assigned quantitative scores to identify fragility trends. Third, the report includes a series of analytical exercises, including stakeholder analysis and scenario generation. This multi-source data structure enables more robust analysis than any single method of data collection and assessment.

ABOUT COUNTRY INDICATORS FOR FOREIGN POLICY

CIFP is a project located at Carleton University. Its core mandate is to develop analytical methodologies that will generate information on the key features of the political, economic, social and cultural environments of countries around the world, providing at-a-glance global overviews, issue-based perspectives and country performance measures. While the initial dataset focuses on measures of domestic armed conflict, as part of this project that database has been substantially revised to capture state fragility.

The CIFP database includes statistical data in the form of over one hundred performance indicators for 197 countries. With its focus on policy relevance, the CIFP provides a rich information resource to policy officers across all government departments. By offering a detailed assessment methodology for evaluating individual country performance, the CIFP provides guidance to program officers working in complex and fragile environments, enabling them to focus their efforts and resources on the root structural causes rather than the outward symptoms of a problem.

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ABOUT FRAGILITY

CIFP employs fragility as the most effective lens through which to view state risk, broadly understood. Though the use of the concept of the concept remains controversial, when properly understood as a technical term of country analysis, it enables analysts to conduct a more thorough assessment of country risk than more specific concepts such as conflict or human development, both of which are effectively components of overall state fragility. Further, the concept allows the incorporation of environmental, demographic, political, and economic considerations, providing a more complete portrait of a state's overall risk than narrow examination of any one of those factors. In effect, the concept incorporates all such areas of study into a complete analysis of the risks present in a given state or region.

When understood in this sense, all states exhibit some elements of fragility, whether in the form of demographic stress, politicized ethnic divisions, high levels of pollution, the presence of internal conflict, or low levels of human development. Through the use of transparent and quantifiable data, CIFP strives to bring together all such phenomena into a coherent country narrative, thereby rendering the concept of fragility an objective aid to country analysis, rather than a divisive element of subjective political discourse.

www.carleton.ca/cifp

