OUR LAND OUR BUSINESS

WORLD BANK'S BAD BUSINESS IN DEMOCRATIC REPUBLIC OF CONGO (DRC)

ABUNDANCE OF RESOURCES IN A POOR COUNTRY

Although it is among the world's resource-richest countries, the DRC ranks at the bottom of the World Bank's *Doing Business* ranking (183rd out of 189 economies ranked in 2014), with the US Bureau of Business Affairs qualifying the country as "a highly challenging environment in which to do business."[1] Invasions sparking consecutive conflicts in 1996-1997 and 1998-2003, fueled by foreign interests over Congolese resources, have played a big role in destabilizing the economy and governing institutions.

Yet less-than-ideal conditions have not deterred investors. Since 2003, foreign direct investment (FDI), directed towards the extractive sector (minerals coal and petroleum), the service and infrastructure sectors, and increasingly agriculture and forestry-logging sectors, has grown. With Congo's weak institutional structures, investments are hardly controlled leaving the estimated $24 trillion in untapped raw mineral ores[2] vulnerable to extraction and looting. Its own experts point out that a "better investment climate" can enhance deforestation, yet the Bank continues to finance projects aimed at attracting foreign investors.

DOING BUSINESS REFORMS IN DRC[16]

✓ In 2014, the World Bank judged that DRC made paying taxes more costly for companies by increasing the employers' social security contribution rate.

✓ Between 2003 and 2014, the World Bank estimates that its Competitiveness and Private Sector Development Project led to cutting the number of taxes for businesses from 118 to 30.[17]

✓ In 2011, DRC reduced the tax on property transfer by half, to only 3% of the property value, thus easing land buying and transfer.

THE DRC AND THE WORLD BANK

With help from the World Bank's Foreign Investment Advisory Service (FIAS), the country set up a new investment code that led to the creation of DRC's national investment promotion agency (ANAPI) in 2002.[3] ANAPI serves as a one-stop-shop to investors—registering enterprises, providing advisory services, and granting customs and tax incentives. The World Bank went on to support improvement of the business climate with the 2008-2011 Country Assistance Strategy (CAS), which led to a series of reforms breaking the state away from public enterprises while further promoting the adoption of a private-sector based economic model in the country.[4] The Congolese government put in place a specific Steering Committee for the Improvement of Business and Investment Climate (CPCAI) in 2009, with the goal of implementing the Doing Business prescriptions and boosting its score in the World Bank's ranking.[5] As a result of reforms aimed at attracting investors, FDI rose from $72 million in 2000 to a record $3.3 billion in 2012.[6] However, DRC's human development index remains the next-to-lowest on Earth (186th of 187 countries surveyed in 2013), and FDI has failed to deliver development outcomes for the country.

GROWING FDI IN AGRICULTURE AMIDST LAND GRABS IN DRC

Timber resources, vast tracts of arable land, availability of water and cheap labor make DRC an attractive destination for investors in agribusiness. ANAPI advertises DRC as the country with more than 45% of the African equatorial forest and 6% of the world's tropical reserves, containing highly valued wood species. The agency claims that 120 million hectares (ha) of land are suitable for farming, with "only 10% currently used."[7]

Agriculture and forestry investments in DRC grew from $29 million in 2006 to $323 in 2010.[8] From 2004 to 2012, over 2.7 million ha of land were leased to investors, mainly for forestry and palm oil production.[9] The largest deal is a 1.9 million ha forestry concession to Siforco, which until 2012 was a subsidiary of the Swiss-German Danzer Group.[10] Siforco has been accused of grave human rights violations against local communities including providing financial and logistical help to police forces committing violence (beatings and rapes) against civilians in the village of Bongulu, northern DRC, in May 2011.[11] According to reports, Siforco had been in a long-running conflict with local communities over its failure to fulfill social commitments demanded by law.[12]

In 2013, the World Bank loaned $110 million to finance the implementation of 'growth poles' in the Western part of DRC, with a specific zone dedicated to the development of agriculture value chains. As the Bank emphasizes the objectives to promote "proactive business development," with increased funding for investment promotion, regulatory reforms, infrastructure and trade,[13] there is a risk that the growth poles will result in more land grabs. The World Bank admits that their economic prescriptions could have negative effects, in as much as the construction of infrastructure and roads "could cause a subsequent increase in deforestation first by decreasing the production costs of agriculture products, but also by increasing the movement of illegally logged timber to regional and international markets."[14] Ironically, the Bank's last Improved Forested Landscape Management Project still emphasizes, "improving the enabling environment for investment in rural areas."[15] So far, investments trends in DRC have largely concentrated on extractive industries, yet the push to increase FDI in forestry and agriculture is poised to further perpetuate a development model based on the exploitation of natural resources by foreign entities.

ENDNOTES

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