Real Governance in the DRC (2003-2016): between reforms and white elephants

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August 2018

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**ABSTRACT**

In this study, we explore if claims of ‘good’ (improving) economic governance are factual in DRC, particularly over the 2003-2016 period. We analyze the role of institutional reforms (mainly those of former P. M. Matata Ponyo) for gains in economic governance and how this compares to failures in basic functions of the state. We show how recent gains in economic growth and contentions of ‘good’ governance (in public institutions, big projects, etc.) overlap a ‘real’ governance composed of competitive clientelism and elite capture. In this regard, we document a list of major reforms and the ‘resistance’ to such reforms posed by the political elite. We also discuss the economics and governance of mega projects (often termed as ‘white elephants’) in the agribusiness sector, i.e. Parcs Agro-Industriels. By focusing on one major project (Bukanga-Lonzo), we depict the role and dynamics of key private actors and personalities.

1. **INTRODUCTION**

A number of studies on DR Congo featured in recent editions of ‘Conjonctures congolaises’ (during 2011-2016 period), showed that there was a clear divergence between the resumption of economic activity and tortuous path of politics – at least in regards to sovereign functions of the State (Police, Justice and Army).

On the economic sphere, progress began with reforms of liberalization in 2001. After the assassination of Laurent Kabila (who followed an unsustainable inward looking economic policy with controlled prices for commodities such as bread and petrol, leading to extensive black markets and high inflation) his son, Joseph Kabila, was installed as new president and almost immediately reversed his father’s economic policy. The inexperienced young president’s first official journey was to Washington where he sought to reinstall contacts with the Bretton Woods institutions. Thereupon, the international community quickly resumed economic support to the country through conditional access to the HIPC (Highly Indebted Poor countries) program. That program offered the perspective of redeeming an unsustainable foreign debt through monitoring macroeconomic stabilization and introducing structural reforms – thus, liberalizing the economy. The reforms which were endorsed by several governments, and especially the ones steered by prime minister Matata Ponyo (2012-2016), ended a long lasting economic decline and implosion of State apparatus by resuming economic growth (Marysse; 2005, 2012, 2015).

On the political sphere (between 2001 and 2005, a period marked above all by the need to end the war and restore territorial integrity), an overwhelming support of the international community strengthened the weak foundations of fragmented political elite that were torn apart by warfare and competitive clientelism. The international community brokered a peace deal at Sun City in 2003, installed the largest UN peace keeping force (MONUSCO) and backed the Kabila regime upon its pledge for fair and free elections in the framework of a new democratic constitution. This combination of liberalization of the economy coupled with more political accountability of politicians through democratic reforms has been called then ‘new post-Washington consensus’. This consensus enforced by the international community and endorsed, at least in words, by DRC’s political forces quickly created a renewed confidence. In the meantime, this attracted foreign investment in the mining sector, sparking economic growth.

After 2005, and the elections that ensued, political elites legitimized their power and took advantage of the economic revival. By gaining access to economic rents, they fortified
the country’s economic base and its independence towards the outside world. Little by little, the divergence between the polity and economy manifested itself in broad daylight. With contested elections in 2011 and especially by the end of 2016, the Presidency has set aside the respect of the constitution, in pure Mobutu style, and unraveled a divided political opposition. The price of the continuation of the Kabila regime is a deterioration of security and human rights. This may very well lead the country back into a period of instability, violence and impoverishment (Bouvier & Omasombo, 2017; Englebert, 2016; Marysse, 2016).

The above explanation of the bifurcation between political and economic spheres is inspired by the theory of rent-seeking and political economy. Yet, that is not the only explanation (Marysse & Tshimanga, 2014). Former Prime Minister Matata Ponyo, in his book “Institutional quality and economic results in the DRC” (2016) – as well as in his doctoral thesis (forthcoming in 2018), tries to prove that it is especially the improvement of quality of institutions and good economic governance that explain growth and the improvement of the living conditions of the population. Of course, this pro domo plea of the Prime Minister (2012-2016), first in the history of independent Congo to exercise this function for four consecutive years, is not shared by everyone.

This paper addresses two interconnected research questions in relation to DRC. First, can we have good economic governance if the sovereign functions of the State (rule of law, police and defense) are withering away? Or formulated in another way, is growth and improvement in living conditions sustainable in a country where the autonomy of the institutions is dependent on political arbitrariness? Second, is inclusive growth and better governance due to the quality of institutions and reforms? Or is the discourse on good governance just a smoke screen that hides ‘real’ governance where competitive clientelism and elite capture is the norm? (Khan; 2011, 2014)

It is especially the second research question that will form the crux of this article. According to recent data on public investment in joint ventures in the agribusiness sector (i.e. projects heralded as technological innovations that will cater for the needs of the Congolese population), production plummeted after a first harvest. This, rather, seemed as the return of “white elephants” (public investments without tangible returns) that had generated unsustainable debt levels during the Mobutu period. Other data from parliamentary discussions and reactions from main political opponents reveal further what M. Khan (2004, 2011) has coined as ‘competitive clientelism’. This is a ‘political settlement’ typical of a great number of Sub-Saharan African (SSA) countries.

The article will start off by contextualizing the case study in the theoretical debate on how to read and analyze the issues of development in many SSA countries (section 1). There is, indeed, a lot of rhetorical discourse on the ‘good governance’ agenda. Yet, between what is said and what is done, between the speech and the real motives of actors, between the formal rules and informal practices, everyone agrees that a large gap exists. This does not allow for an easy reading of reality (O. de Sardan & T. De Herdt, 2016).

Then, in the second section, we will analyze ‘economic governance’. This will be about reforms and improvements over the 2003-2016 period and especially the ones that have been well documented by the former Prime Minister, Matata Ponyo (from 2010 to 2016). We will start the section with an economic critique on Matata’s main thesis arguing that the prime contributors to the new period of growth were internal factors of ‘better governance’ – rather than external factors such as the new foreign investment in the (mining) sector. Then we will bring
the critique to a more political level, which is the ‘hidden transcript’ or gap between ‘what is said’ and ‘what is done’. Analysis of Bukanga Lonzo, the first agro-industrial park opened with great fanfare in 2014, in which the State is a majority shareholder and has invested 83 million dollars of public funds, will give us a concrete case to assess the gap between ‘good’ and ‘real’ governance. The final section will attempt to evaluate the consequences of this gap between rhetoric and underlying reality.

2. CONTEXT AND THEORETICAL DEBATE

In “Congo Blues”, Pierre Englebert (2016) sketches a very critical picture of the political situation in the DRC, which earned him a visa refusal blocking his entry into the country in December 2016. The work of this political scientist/Africanist is interesting as a starting point for the discussion on understanding the evolution of development in Sub-Saharan Africa. Further, in one of the best reviews on development ‘Solving the mystery of the Africa Dummy’. He argues:

“... governments face substantial limitations to their power and are constrained in their responses, deriving greater relative power payoffs from neo-patrimonial than from developmental policies. Differing levels of state legitimacy therefore largely account for the policy choices which characterize most of Africa.”

In other words, what normally determines the rate of growth and development of a country – the rate of investment, productivity, human capital, the application of new technologies, competitive markets – is much less the case for African countries. A lot of variation in the trajectories of development and growth cannot be explained by economic factors, but rather by political elements. This is what Médard, Bayart and many other political scientists call ‘neo-patrimonialism’ – a system whereby the head of state and political elites use state resources arbitrarily for private purposes and for maintaining a network of ‘clients’ who pay allegiance and support to their patrons.

It is this awareness in the academic world and major development institutions, like the World Bank and the IMF, that moved them into another policy direction dubbed as the ‘Post Washington consensus’. African countries not only needed better economic governance (by abolishing economic rents) but also a check on the power of elites by enforcing accountability. This required political liberalization that was best secured by new constitutions – where democratic reforms and ‘free and fair’ elections would lead to more accountable leadership, serving the interest of the people.

This principle underlies Pierre Englebert’s critique of the Kabila regime in ‘Congo Blues’.

“This piece provides a scoreboard on Kabila’s tenure and highlights his regime’s inept leadership, massive corruption and frequent resort to violence in face of criticism..., Congolese governance by and large shows no improvement over time”

He acknowledges that there were few positive changes such as growth and adherence to the rules of Extractive Industries Transparency Initiative (EITI). However, he argues that these improvements mean little for a population that remains poor and exploited. In the end, he concludes: ‘the Kabila regime is much more the successor to Mobutu than the pioneer of a new era’.

Englebert’s criticism of the Kabila era is still valid on a number of points – certainly in view of last year’s political developments that seem to confirm his thesis, e.g. the predomi-
nance of neo-patrimonial behavior of political elites. Yet, the political analysis of good governance and corruption is somewhat blunt. According to Englebert and other authors, Mobutu and Kabila are interchangeable. If one reads the famous 1982 report by E. Blumenthal on the Mobutu regime (second republic 1967-2016) or the actual critique by Englebert in 2016, the conclusions would remain the same.

The reappearance/continuation of authoritarian political regimes in Sub-Saharan Africa (with presidents who extend their political life using repression), questions the effectiveness of the ‘Post Washington consensus’ and the discourse on ‘good governance’. As for the international community, the insistence on democratization as a safeguard against the abuse of power, is becoming less and less the required standard. Instead, the donor community puts up with ‘stability’, because it isn’t prepared or able to provide the means of its policy?

How can we understand this failure of political reform, democratization and improved governance and the abdication of the international community? The new political economy, inspired amongst others by the work of R. Bates (2001) and especially M. Khan (2003, 2011), sheds more light on the complexity of the current evolution.

The starting point of the (new) political economy (NPE) is that economic growth occurs through the generation of economic surplus (profit and taxes) and is used in a productive way (investments) and not squandered or drained to foreign destinations. This is a necessary condition for this transformation towards sustained economic growth (Khan, 2004).

There are, however, fundamental differences between the NPE standpoint and the prevailing views of the international community (Post Washington consensus) inspired by political scientists such as Englebert but also supported by A. Sen, in his book “Development as Freedom” (2000). They concern the interpretation of the causality between ‘good governance’ and democracy on the one hand, and economic and social development outcomes (the so-called ‘developmental state’) on the other hand. If there is a correlation between the two in a number of empirical studies, Khan (2004, 2011) questions the direction of causality. While good governance and democratization are undoubtedly valuable assets, they are rather results witnessed in countries that have completed their transition to capitalist economies. Based on the historical trajectories of societies, one hardly witnesses states being able to firmly establish democracy, the rule of law and low corruption before the advent of sustained growth (Khan, 2003; 4-9).

Realizing an ideal Weberian State, which ensures the rule of law, the rights of property and the functioning of the markets, is a demanding agenda. In countries characterized by competitive clientelism, it assumes that those in power give up many privileges and rents linked to land or mining, provision of public services, political mandates, etc. In these countries, the institutions and administrations are poorly equipped to lead a universal transformation on all actors from the judiciary to the army, from the central bank to public services, from ministers to police officers, etc. Breaking up all these clientelistic ties (controlled by different competitive factions) is an ambitious task. Therefore, it might be more feasible to develop a less ambitious agenda by targeting sectors and stimulating the productive use of economic rents. In a country like the Congo, the resistance to reforms entails a huge political struggle because it endangers entrenched interests and rents (Marysse & Tshimanga, 2014).

“The most promising strategy may be to identify a small number of areas where an improvement in governance capabilities is both feasible and has the greatest chance of making an impact on welfare – enhancing growth by improving the enforcement of a number of smaller institutions” (Khan, 2011,20).
Because of their dependence on foreign aid and investment, it comes as no surprise that many Sub-Saharan Africa countries are paying lip service to ‘good governance’ and ‘democratization’, while adhering to their ‘real’ hidden agenda. This phenomenon has been termed by political analysts as the ‘rhizome state’ (F. Bayart) or as ‘real governance’ (O. de Sardan). In order to capture the gap between formal and ‘real’ governance, M. Khan uses the concept of “political arrangement” (political settlement), where the state – far from being the guarantor of the public interest – is “an instrument in the hands of groups or factions striving for the capture of rents and resources and thereby determine the form of the transformation of society” (Khan, 2003; 8).

These “political arrangements” are unique and differ from country to country. Thus, for instance, the successful transformation of Southeast Asia is not easily reproducible in developing democracies characterized by competitive clientelism. As the history of African countries after independence shows, the political conditions for the stability of this model are frequently violated because the groups in power are tempted, by their control of the government institutions, to exclude rival factions and opposition groups (C. Young, 2012).

“…as a result, democracy is not always a stabilizing factor in developing countries and does not necessarily generate developmental outcomes if appropriate governance capabilities cannot be developed…” (Khan, 2011;19)

3. **Real Governance: between reforms and white elephants**

After decades of economic decline, culminating in two devastating wars, the country is recovering. Following the murder of L. Kabila in 2001, in circumstances still not clarified, his son Joseph Kabila succeeded him. Under the auspices of the international community, the country, partially occupied and torn apart by foreign armies and rebellions, reached a peace agreement in Sun City in 2003. After a period of transition (with power sharing in a transitional Government), universal suffrage confirmed the president in power in 2006 (Reyntjens; 2010, de Villers; 2016).

In terms of economic reconstruction, the country entered a period of reforms under the aegis of the Bretton Woods institutions (IMF and World Bank). First, from 2001 to 2003, there were reforms to restore macroeconomic disequilibria (inflation control, liberalization of the exchange rate, curbing budget deficits). These were the preconditions to enter the program of Highly Indebted Poor Countries (HIPC) that allowed DRC to decrease its debt burden by 90% in 2010. In just a few years, other structural reforms were launched: more liberal investment codes, privatization of state companies, new mining code (2002), etc. In short, the nation witnessed liberalization and opening-up of its economy. Renewed aid flows and international investment (especially in mining, communications and construction) ignited the engines of economic growth and development (Kabuya Kalala & Thiunza Mbiye, 2006; Marysse, 2012, 2016).

A rough representation of the economic dynamics experienced by DRC in the period since reform is displayed in Chart 1. The bar graphs show the annual percentage GDP growth (left scale). After more than two decades of economic regress, growth resumed by early 2000s. From 2003 on, growth rates between six and nine percent were observed. A sustained economic growth lasting more than a decade, for the first time since independence, gave rise to optimism. Indeed, sustained growth rates in that range (averaging around 7%) would double production every ten years. However, there were some exceptional years where growth was meager. For instance, in 2009, 2016, 2017 growth fell to 2.8%, 2.5% and 1.8% respectively. The exceptions are interesting because they show two things.
First, they reflect the vulnerability of a growth model based on raw material exports. In DRC, copper and cobalt account for 95% of the value of all exports. Indeed, unit export value of those two minerals fell heavily in 2009 and 2016. We immediately see the effect of this on consumer prices (yellow line, right scale). If the value of exports drop, forex earnings decrease and this pushes up the price of the foreign currency (USD). Since DRC is heavily dependent on imports of basic foodstuffs and other consumer goods, Congolese consumers have to pay more in national currency for the same quantity of imports and thereby see their real income dwindle. This shows how much the structure of production in the DRC remains vulnerable to external price shocks. DRC’s dependence on imports of basic foodstuffs seems to contradict its huge agricultural potential that could theoretically cater for much of Sub-Sahara Africa. However, the lack of road infrastructure, poor maintenance, a business climate stifled by non-functioning markets and harassment of all sorts, explains the contradiction.

Second, there are ‘political’ explanations that could explain lower growth. While price of copper fell 43% in 2009, and also dropped again by 26% in 2016 (explaining falling growth rates in these two years), this was not the case in 2017. In fact, international prices for copper and cobalt rose in 2017, reaching their 2015 level. Indeed, the estimated annual growth rate of 1.8% in 2017 is the lowest since the beginning of J. Kabila’s presidency. Given an annual population growth rate of 3%, this means that per capita income is decreasing. The key explanation is, of course, the political crisis where the president unconstitutionally sticks to power, that impacts heavily on growth. Insecurity and violence in the wake of unconstitutionality aggravated the economic crisis. This double shock, an extrovert economic model and subordination of public welfare to maintain political control, risks undoing the advances of reconstruction.

**Chart 1: Growth and Inflation in the DRC (2000-2017)**

This period of embellished growth (i.e. 2002-2016), which is the longest since independence, can be interpreted from two different angles. The first, dominant in the thought and

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[1] All figures are based on the IMF data, for the years 2015, 2016 and 2017 we had to highlight data from other institutions. Specifically, World Bank for 2016; DRC Institut National de la Statistique and Economist Intelligence Unit for 2017.
writings of political scientists, is that this reconstruction period has been an exception and is not sustainable. This is because ‘political settlements’ and a system of ‘competitive clientelism’ is ingrained in (political) customs of the DRC. This deters the potential sustainability of progress. The second, a more optimistic angle, claims that this period shows us the kind of reforms that are needed. It also reveals what kind of ‘resistance’ to reforms one can expect under this competitive clientelism regime, where access to rents by certain groups might become endangered by reforms. A country like DRC goes through a period of deep transformation with a lot of resistance to reforms that reshuffle or destroy rent capture by competing groups, thereby hampering this transformation.

It is the latter stance that was reflected in the writings of Matata Ponyo, who was the former Minister of Finance of DRC (2010-2012) and later the Prime Minister (2012 - 2016).² There is probably no politician in the country who tried so hard to defend his policy by developing an extensive intellectual discourse. He was an outsider and was chosen for his qualities as a technocrat. Different observers and political analysts had predicted a political career of a few months. Instead, he was the first Prime Minister in post-independent Congo to hold this function for four consecutive years – a technocrat who turned out to be a successful politician. The central thesis of his writings is the following:

“As stated by the World Bank, the prudent fiscal policy of the DRC, during this subsequence (2010-2015), is at the center of the remarkable macroeconomic performance. However, it is questionable to assign this budget success to favorable external conditions. Indeed, the DRC has known in its history economic episodes of strong improvements in international copper price and dire growth rates because of the mismanagement of fiscal policy and weak institutional governance. Such is the case of the sequence from 1986 to 1995 when the price of copper had risen from 1281 USD/ton to 2918 USD/ton, or an annual average increase of 12.8%. However, this coincides with levels of unsustainable and completely monetized deficits, galloping inflation and economic regress... which confirms that the determinant of sustainable growth and low inflation is the combination of high qualitative fiscal adjustment and good institutional governance.”(Matata Ponyo, 2017, p284)

This central thesis, which Matata Ponyo has defended throughout these writings and has been trying to ground theoretically and empirically, contains three proposals that will also form the structure of this section. First, macro-economic stability (i.e. falling budget deficits and rising state revenue) led to low inflation through reduction of money creation and public debt. This helped to stabilize the value of the national currency (first part of his doctoral thesis). Then, these fiscal improvements – combined with institutional reforms – increased the quality of governance and are the main factors of the sustained growth (second part of his doctoral thesis). Finally, these two aspects are due to internal factors, viz. the policy conducted by the Congolese Government – especially under his ‘leadership’.

3.1. Improvements in fiscal policy and growth: an internal critique

No doubt, there is a difference between the era of Mobutu and L. Kabila vis-à-vis...

[²] Matata Ponyo’s plea for reforms to improve the quality of governance and defense of his Government’s achievements are essentially in three of his works/publications. He initially gave a speech on the occasion of a Doctor Honoris Causa at the University of the Congo (UPC) [“Macroeconomic stabilization and economic growth in the Democratic Republic Congo from 2002 to 2015: theory to practice” November 28, 2015, Kinshasa, 28P]. Then, he published a version adapted from his memory of DEA to the UNIKIN [“Institutional quality and economic results in the DRC 1980-2015”, L’Harmattan, Paris, 2016, 229p]. Finally, there is his thesis to the UPC, forthcoming [“Quality of fiscal adjustment and economic growth: the case of the DRC 1974-2015”, UPC, Kinshasa 313p]. We will use to reference the version after review by the doctoral commission.
J. Kabila (2002-2015) in terms of fiscal policy, public debt and economic growth. Since 2002, the economic decline and widespread impoverishment of the country has been halted and growth resumed after decades of economic regress (see Table 1).

**Table 1: Growth, investment, budget balance and debt in the DRC 1974-2015 (in %)**

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth</strong></td>
<td>-1.7</td>
<td>-2</td>
<td>-5.3</td>
<td>5.4</td>
<td>7.2</td>
</tr>
<tr>
<td><strong>Investment/GDP</strong></td>
<td>7.9</td>
<td>6.9</td>
<td>7.7</td>
<td>14.05</td>
<td>26.3</td>
</tr>
<tr>
<td><strong>Debt/GDP</strong></td>
<td>160</td>
<td>220</td>
<td>260</td>
<td>143.8</td>
<td>22.7</td>
</tr>
<tr>
<td><strong>Balance budget/GDP</strong></td>
<td>-1.8</td>
<td>-0.4</td>
<td>-4.2</td>
<td>-0.26</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Source: (Matata Ponyo, 2017:135) based on BCC and IMF reports

Yet, how can we explain this growth? The answer to this seems to be clear to the former Prime Minister. He argues it’s the quality of fiscal adjustment and improvement of the functioning of institutions, which restored confidence and credibility by creating a better business climate for investors (foreign and domestic). ‘High quality fiscal adjustment’, meant change of a practice rooted deep in the habits of Congolese budget management. This being, the financing of deficits by the Central Bank. In fact, this ‘Monetary financing’ is nothing more than money creation that gives rise to inflation. It translated into falling purchasing power, as people had to pay more in local currency for imported products. Congo’s dependence on imports of basic necessities (corn, wheat flour, meat, fish, household consumer goods, etc.) exacerbates the problem. In short, a downward spiral of macroeconomic instability sets in, as: fiscal deficits → monetary creation → inflation and depreciating national currency → imports become more expensive → diminished welfare.

The Government deserves some credit for breaking this negative spiral as from 2002; first by reducing these deficits, and then by creating a small budget surplus from 2010 to 2015. In addition, this policy somehow improved the quality of governance. Restrictions to availability of easy money for government expenditure meant better budget discipline. Ultimately, this translated to restraints on privileges and access to rents by political elites.

The only problem with the self-praise of the former Prime Minister is that he gives himself (perhaps) too much credit. He writes that this policy of fiscal improvement and quality of governance reforms almost completely explains the improvements in economic growth. At the same time, he claims that he has realized a theoretical breakthrough (Matata Ponyo, 2017: 277-280). Indeed, he argues that his policy contradicts a Keynesian proposal stating that in situations of unemployment, moderate budget deficits stimulate growth. In an overheating economy witnessing inflation, it takes budget surpluses to stop money creation. This, in turn, slows government expenditure and economic activity – thereby, slowing growth. He argues that in the case of DRC, the situation showed the very opposite, viz. that budget deficits go hand-in-hand with economic downturn and inflation. However, his actual policies proved that Congo’s budget surplus went together with control of inflation and rising growth. Next, we look at this claim more closely.

3.1.1. **On econometric proofs and fallacies**

First, the former PM claims that ‘fiscal adjustments’ and improvements in ‘quality of governance’ explain nearly all gains in growth in DRC. From his econometric exercise on eco-
nomic growth between 1980 and 2014, he writes: “the regression output indicates that the ex-
planatory capacity of the model, in terms of the coefficient of determination, is 72%. Analysis of 
the influence of variables shows that when fiscal balance and institutional quality index rise by 
1%, economic growth increases, respectively, with 2.04% and 1.4%, or an overall effect of 3.4% 
and vice versa with increase in budget deficits and decreasing quality of governance. The price 
of copper also influences growth positively but to a much lesser degree. When copper prices rise 
with 1%, then the economy tends to grow with 0.0006 %” (Matata Ponyo, 2017:160)

A coefficient of determination of 72% is indeed extremely large. It is easy to un-
derstand this strong correlation between growth (dependent variable) vis-à-vis budget balance 
and quality institutions (independent variables). Indeed, the 1980s and 1990s were character-
ized by a near continuous economic decline, with big budget deficits and unsustainable public 
debt levels. Conversely, since 2002, DRC witnessed a return to growth and shrinking fiscal defi-
cits. There was even some budget surplus over the 2010-2015 period, when growth rates were 
considerably high.

However, one common mistake associated with econometric exercises is ‘errone-
ous inference’. For instance, high ‘correlation’ doesn’t necessarily mean ‘causation’ between the 
dependent and ‘explanatory’ variables. There is certainly a great coincidence between growth 
and fiscal balance, but is there also causality? Could a few more million dollars of budget sur-
pluses (e.g. 0.03% of GDP in his exercise) generate gains in economic growth worth several bil-
ions of dollars? To prove causality, one needs solid theory. From the earliest theories of econom-
ic growth (e.g. W. Rostow and his notions of economic ‘take-off’ or that of Harrod-Domar) to 
many contemporary models, the causal link between investment and growth is one that is most 
palpable. Apart from theory, this has been corroborated by many empirical studies. These theo-
retical models advocated that at least 15-20% of national income should consist of investments 
to realize rising incomes. Correspondingly, the direct link between growth and investment could 
also be seen in DRC from a simple glance at table 1.

Major investments in DRC are mainly of foreign origin. Such investments com-
pletely overhauled the mining and telecommunications sectors. Together with domestic invest-
ments in construction and other areas, they have reinvigorated the economy (Marysse, 2016). 
The return of foreign investment goes back to 2002 when the international financial institutions 
(IMF, World Bank) induced the reforms in government finance, assisted in inflation control, and 
installed new investment and mining codes. In doing so, they shaped the economic dynamics of 
the country, i.e. in line with the ‘Post Washington consensus’. Of course, a policy induced from 
outside could not take root, if there is no political inner class that embraces and executes the 
reforms. At the outset, the ‘political component’ of the ‘Post Washington consensus’ held its 
promise – with the adoption of a new democratic constitution in 2003 and free and fair elections 
in 2006. Nevertheless, it failed after very contested and fraudulent elections in 2011. Even more 
so, in 2016 the sitting president refused to step down after two constitutional mandates, draw-
ing the country in to a period of uncertainty and violence. The ‘economic component’ and period 
of growth and social improvements held somewhat longer and relapsed only into negative per-
capita growth rates in 2017, i.e. when political turmoil drew the economy in to a downward spiral.

The former Prime Minister insists that the positive gains of growth were mainly the 
result of (his) internal policy, and refutes the view that growth is mainly due to foreign and local 
investments. To show the prominence of the ‘good governance’ factor, the author introduced an 
econometric exercise that connects ‘GDP growth’ (dependent variable) with ‘budget balance’
and the international ‘price of copper’ as independent variables, between 1974 and 2015 (Matata Ponyo, 2017: 160-163). He concludes that “copper price is not statistically significant…but budget balance remains decisive in explaining growth…”

The same mistake to confuse causation and coincidence underpins the thesis of the author. Again, intuitively, we can understand this result because the price of raw materials is set internationally, while fiscal policy is endogenous or the result of the national policy. In the period of economic nationalism (1967-1997), where large companies were State-owned, we see production decline throughout the second Republic – irrespective of the rise or decline in the international copper prices. Since 2003, however, mining production by international private investors increases to historic levels, while that of the national enterprise ‘Gécamines’ is marginal (Marysse & Tshimanga, 2014).

Obviously, the rapid expansion of both copper production (Chart 2) together with high copper prices (Chart 3) in the period since the economic liberalization of 2001 can explain Congo’s economic growth over the period. This argument is further reinforced by the fact that copper constitutes the lion’s share of the country’s exports.

**Chart 2: GDP growth vs. production of copper (metric tons)**

![Chart 2](image)

Source: IMF

**Chart 3: GDP growth vs. price of copper (USD per metric tons)**

![Chart 3](image)
The nationalization policy was the root cause of the decline of the mining sector’s production under the second Republic. Conversely, the privatization policy and the introduction of new mining code in 2002 brought new investments to the mining industry. This greatly boosted production. The budget balance (which was negative in the second republic) also turned positive in the third republic. To understand why economic growth and mining output collapsed in the period of nationalizations (1967-1974) and rose after privatization, one has to look at how investments were managed. Major investments on infrastructure and state enterprises (e.g. Maluku steel, the Boeing of Air Zaire, Inga-Shaba high voltage power transmission line, Tenke fugurume copper plant, etc.) have been financed by international loans (public debt challenges, see table 1). Further, the productive capacities of these companies and projects were crumbling. The rents associated with these major projects also called ‘white elephants’, were lost in the networks of political patronage. The deep reason of bad governance and economic regress was, thus, rent seeking and rent capture by the elites and factions in power. This process is well described in the literature (Bezy & Peemans, 1984; Willame, 1986). In the current period, privatization/liberalization of the economy has brought new investments and restarted the economic engine. Unfortunately, a good part of the economic surplus (profits, rents) is not reinvested in the country. Further, spillovers from the main mining sector (through forward and backward linkages) to other sectors and the larger society are minimal (Marysse, 2016).

In addition to the above conceptual issues, the conclusions and policy inferences drawn by Matata Ponyo (2017) also suffer from some analytical errors in his econometric exercise. First, different macroeconomic variables are fed in to regressions without normalization (just as they appear in different source datasets). Second, there are some blunders in reading

[3] A white elephant is a large and prestigious project, often run by the public sector. It is a project where its benefits are overshadowed by its costs - as its operation or maintenance becomes a financial burden.

[4] Using non-normalized variables that have very different units of measurement makes the interpretation of regression coefficients quite daunting. Growth is specified in percentage change year-on-year, budget balance is given in thousands of USD, copper prices are in USD/metric ton, etc. The variables such as copper prices that have big denomination (i.e. thousands of USD/metric ton) will have very small regression coefficients. If one is not careful, this may lead to the belief that the variable at hand has a weaker explanatory power to the dependent variable. The author makes such mistakes by arguing “copper also
coefficients of variables in regression tables and misleading interpretations of results. Third, the set-up of the main econometric analysis (which tries to explain economic growth by two to three variables) is oversimplified and misses out on many key determinants of growth. This makes the model severely underspecified and reduces the credibility of inferences drawn from it.

3.1.2. On presumed theoretical breakthroughs

The prime minister also argues that through his policy (i.e. forging a balanced budget and even budget surpluses in certain years, e.g. 2010-2016 period) generated economic growth. He claims to have reached a theoretical breakthrough, because this practice runs against the main tenet of Keynesian principle that in situations with large unemployment, budget deficits stimulate growth. We believe this claim is the result of misreading Keynes. Yet, the problem of economic underdevelopment is essentially a problem of supply and not of lack of global demand. A country like the DRC, which has the potential to feed all of Africa, has to buy food abroad. Crops rot on the fields because the access to markets, due to a breakdown of almost all kinds of infrastructure and other negative externalities, is extremely limited. The DRC is called a geological scandal because of its rich endowment of almost all minerals, but the economic surplus generated through the boost in production in recent years, disappears illegally into accounts of companies in the British Virgin Islands owned by Congolese elites as well as through legal profit expatriation to foreign shareholders (Marysse & Tshimanga, 2014, Marysse, 2016).

The basic challenge is, therefore, to create a material base internally (generating domestic supply) and nurture entrepreneurs who create value and transform the natural and geological wealth of the country. The Keynesian theory was never designed for countries where the primary problem is supply. As a matter of fact, his theory was trying to explain how there can be unemployment in a country with problems of excess production. In such a situation, stimulating demand by a policy of deficit spending makes sense. However, in a country like the Congo, stimulating demand does not mobilize production, because there is no excess production capacity. Therefore, deficit financing leads to inflation. Matata’s theoretical breakthrough did not contradict a basic assumption of the Keynesian theory. In the words of Keynes “This analysis supplies us with an explanation of the paradox of poverty in the midst of plenty...” (Keynes, 1967: 30). In Congo-Kinshasa, there is no excess capacity that can be mobilized by a simple increase in aggregate demand.

3.2. Reforms, white elephants and competitive clientelism

The second part of the argument by the former Prime Minister relates to the improvement in the quality of institutions and government spending which would explain resumption of high economic growth and (timidly) improved living conditions.

As noted earlier (see previous footnote) the use of some variables in big units (e.g. copper prices per metric ton and structural budget balance in thousands of USD) will produce very small coefficients. For instance, the coefficient of the structural balance variable in the regression table on page 160 (in Matata Ponyo, 2017) is 3.39E-05, which actually means 0.0000339. The author erroneously reads this coefficient as 3.3 instead of 0.0000339 and argues “when the structural balance improves by 1 point, growth increases by 3.3 points...” (Matata Ponyo, 2017: page 160). In another regression on page 161, his structural balance variable has a coefficient of 2.94E-05 (which means 0.0000294). This is again incorrectly read as 2.9 in his interpretation “...when the structural budget balance ... changed by 1%, growth increased by 2.9% ...” (Matata Ponyo, 2017: page 161).

“He also upset the Keynesian views according to which, in the short term, the realization of budget surpluses affects the growth due to the deflation in global demand...” Such is the quintessence of the research problem’ (Matata Ponyo, 2017:49)
The former Prime Minister, often described as a technocrat, is also very familiar with the institutionalist literature. He knows that institutions “structure and regulate the interactions between different actors with often selfish, or even antagonistic motivations and interests”. As is often the case with African leadership, they often “restrict themselves to formulations of norms and legal texts but fail other steps to ensure the effectiveness of action that is overlooked for various reasons” (Matat Ponyo, 2017:175). Because “the major obstacle to modernization, in a context of an economy infused by institutions dominated by strong rent seeking behavior, lies in resistance to reforms. These resistances, in the absence of a political consensus... backed up by an ersatz democracy, can lead to the sacking of reformers...” (2017: 234).

To understand the kind of ‘resistance’ he is referring to, we will first briefly summarize the institutional reforms and procedures that his government introduced (i.e. over the 2012-2016 period). One good example of such ‘resistance’ is when he refused to give in to demands of members of Parliament for higher remunerations, to be at par with salaries paid to MPs in the USA (!). The stricter controls of budget spending led to underspending in almost all ministries. These examples and other reforms earned him a fierce resistance in Parliament, as evidenced by the vehement 17-page criticism by Senator Florentin Mokonda Bonza on June 6, 2016, in which he questioned the quality of the reforms. In the indictment by this Mobutist politician, there were certainly a lot of arguments that reflect unwillingness. But some of the remarks certainly cast a shadow on the reforms. Mokonda wondered why only the institutions of the Presidency and the Prime Minister were entitled to exceed the budget for their operation, while other departments were forced, because of the stricter budget controls, to underspend and would never realize the budgets voted by Parliament. Discipline for others but not for the president and for himself? The rivalries and alliances (Presidency and Prime Minister) illustrate M. Khan’s thesis on the mode of operation of the “competitive clientelist political settlement” that pervades all levels of the polity.

Another instance that stained the image of the ‘reformer Prime Minister’, concerns an exception to the ‘bancarisation’ i.e. the payment of wages through electronic banking and ATM machines, of the state employees (employees of departments, military, teachers in schools, professors in universities, medics in clinics, etc.). But first we give a brief account of what may well be one the most successful institutional reforms by the Government.

The payroll of the public sector represented 67% of all government expenditure. The system of manual payments in cash by state accountants has been gradually replaced by bank payments on personal accounts of employees from 2011 on. In April 2016, the reform benefited 904,477 salaried personnel representing 82.6% of all civil servants. Doctors and teachers in the public sector expressed that there was a net improvement in regularity and correctness of the salary bill, but also in the level of remuneration (for specialized professions). While this reform made many employees happy, it also angered others because it bypassed important channels of corruption. In the past, the cash payment of wages allowed for creative bookkeeping (think of retired or dead employees or even ghost soldiers).

Such a reform has, therefore, certainly prompted great resistance and attacks. The critics have used the inconsistency in the reform as a way to reflect their disapproval. Indeed, if all departments had to comply with this necessary reform, how can one explain that the department that was responsible for the reform, the prime minister’s office, made an exception for its own services and continued to pay cash salaries and other expenditures (Mokonda, 2016). In comparison to the scale and success of the banking reform, this exception may seem a small
detail. Yet, it damaged the credibility of the reform. In any case, the attack on the reform is an example of the functioning of competitive clientelism.

A further contested major reform was the introduction of the Value Added Tax (VAT). The introduction of this tax instrument was fiscally fruitful as it represented 35% of the overall revenue mobilized by the Directorate General for taxes in 2015. VAT is also internationally recognized as an efficient and neutral tax instrument because it does not impact intermediate consumption. Yet, this reform was met with fierce resistance from the private sector, not just because of the reform itself but rather due to the way it was implemented. Specifically, certain private operators, political clients, did not have to pay the tax, thereby creating unfair competition.

Many other reforms were introduced but had less reach because the institutional environment in the DRC is perpetually overwhelmed by new legislations and procedures that are not implemented. It is in the light of the capacity to implement reforms that one can evaluate real transformation. (Matata Ponyo, 2017: 232-273).

The objective assessment of a reform policy in a climate of competitive clientelism in the DRC, is a difficult task, because there are always a lot of rumors in the backrooms of the political and diplomatic circles. Too few reliable, proven, written data can attest to ‘real governance’, or to hidden transcripts and hidden agendas. Reproaches of inconsistency between the reformer’s will to break the “multiple niches of embezzlement” (Matata Ponyo, 2017:233) and the behavior of its own niche are muted. One of these persistent rumors concerns the domestic public debt regulation, where the State purges its debt (to the private creditors) through RawBank. This private bank (where Matata’s brother has a key position) receives the full amount of the outstanding debt from the State, but the net amount received by creditors (who prefer to recover a part of the debt) would always be much lower than the amount of the claim. On the other hand, A. Yuma, the president of the Board of Directors of Gécamines and the FEC (Fédération des Entrepreneurs du Congo), criticized the slow pace of paying off domestic debt. Perhaps his political clients were not able to recover their claims? Some 170 (often off-budget projects) are the subject of persistent rumors of embezzlement. The rumor mill is a questionable but effective weapon in the struggles of “competitive clientelism”.

However, at the level of mining contracts, strong evidence shows that the triangle of partnership between Gécamines (A.Yuma), D. Gertler (Israeli businessman) and the Presidency did siphon off considerable economic rents as has been confirmed (Africa Progress Panel, 2014) and documented (Marysse & Tshimanga, 2014). Is there another group around the Prime Minister that constitutes a separate faction in the Congolese political settlement of competitive clientelism – with the same predatory behavior? That would be particularly problematic because the Prime Minister was the principal advocate of the ‘new emerging Congo’ with good governance as his flagship (Matata Ponyo; 2015). This is, nevertheless, the contention by A. Yuma where he attacks the prime minister, because of his initiative, involvement and financing of the largest public-private venture in the agribusiness sector: the Bukanga Lonzo Agro Industrial Park. He argues that “taxpayer money is being used to finance big projects without any impact on the development of the national economy. This is the case of Bukanga Lonzo which consumes millions without any impact on agricultural production”.

Assuming that A. Yuma is right about this venture, it would be a disaster and a new ‘white elephant’.

Yet, the attack by A. Yuma, the Chairman of the Board of Directors of Gécamines is

a response to the Prime Minister’s questioning of Gécamines’ management and the blocking of a sale of mining assets (Marysse & Tshimanga, 2014).

“During the nearly 6 years that the Chairman of the FEC has been presiding over the Board of Directors of Gécamines, the public company has recorded only failures... all of the Congolese lost hundreds of millions of dollars because of bad governance by Gécamines. Nearly 100 million U.S. dollars should have been contributed by the ADB (African Development Bank) to the DRC in 2011. This was cancelled because of Gécamines’ mismanagement. Can a Chairman of the Board of Directors of a public company in chronic deficit of governance give lessons to the Government, its sole shareholder?” (M. Ponyo)

Transgressing bounds in the preserves of rent capture, is not without retaliation in the Congolese ‘political settlement’. But beyond rumors and struggles between political factions, the issue was whether the institutional reforms and especially the expenditures/investments of the State, had exceeded a certain threshold of quality in the rules of governance. In the words of the Prime Minister “the urgent need to use the competition when awarding public contracts on the State budget” (Matata Ponyo, 2017: 236).

One of the flagship investments by the Matata Government was the launch of a capital intensive agricultural policy. Large agro-industrial farms (PAI, Parcs Agro-Industriels). These were meant to transform the DRC from a net-importer of staple foods to a producer capable of producing an agricultural surplus beyond the needs of domestic consumption. A very ambitious policy of large-scale agro-industrial farms actually began with the first Park of Bukanga Lonzo in Bandundu province, covering more than 80,000 hectares. According to article 15 of the new farm bill, the State (as the major shareholder) was to hold the majority of the votes in the Board of Directors. The project planned to produce 400,000 tons of maize per year and other food crops to supply the domestic market in the first place. This public-private partnership started in 2014 with the assistance of the South African Africom Commodities S.A. holdings, which would be responsible for the management of the project.

After a one-year pilot phase, production on a test perimeter of 5000 hectares yielded twenty thousand tons of maize. From 2015 on, nonetheless, there has been nothing but silence on the internet as to the production of maize. Difficulties and disputes between partners and between political factions began to emerge. An internal audit report of the project sponsored by the World Bank and executed by the international office of Ernst & Young threw an inconvenient light on the birth of a new (small) white elephant that disregarded the discourse of “quality of productive expenditure by the Congolese Government”.

There are many problems with this flagship project, inaugurated with great fanfare in 2014, and in which the State invested about 83 USD million. The difference between what is said and what is done, in short the ‘real’ governance, is very telling. The review notes that the majority of purchases of capital goods, airplanes, tractors, agricultural machinery and inputs

have all been made without “the urgent need to use the competition for the award of public procurement” at values ranging from twice to seven times the international market price. In addition, all these machines and agricultural inputs have been purchased from companies that all belong to the same holding company of Africom Commodities, the private South African partner in the joint venture.\footnote{A well-documented explanation by John Uwilengwu, Former Senior Advisor on agriculture to the Prime Minister and researcher of IFPRI, is available at http://agroparksdrc.com/?wpdmdl=138.}

If this venture, notwithstanding all critiques, were to succeed then the PM’s pleas for accelerating industrial agriculture would silence the critique and he might become an architect of DRC’s transformation. However, if the whole venture collapses because of mismanagement and corruption, then it will become another ‘white elephant’ and his plea for modernization and the emergence of a ‘new Congo’, will just be empty words.

If there is a difference between the ‘white elephants’ of Mobutu that impoverished the country, versus Matata’s Bukanga Lonzo project, it is that the latter venture has not been financed by increasing sovereign debt, but via government budget. For the rest, it seems that “real governance” in this matter has produced another ‘white elephant’, unless the promises of future production on the website of Parcagro hold.
4. **Conclusion**

We have seen that for the New Political Economy (NPE), the transformation of societies in Africa is a long process and that a state may not turn into a ‘Weberian ideal State’, to the level of an advanced country, in just few years. This agenda, too complex and demanding to achieve with limited skills and resources, does not take into account the reality of African ‘political settlements. In African countries this ‘political settlement’ is often dominated by competitive clientelism where the State is “an instrument in the hands of groups or political factions vying for the capture of resources and rents. In the first place, for a realistic transformation to be possible, rent seeking should not prevail over the logic of accumulation. Only then can one raise economic value and human development.

Congo, after two decades of economic decline, has resumed economic growth and, therefore, is able to transform economic rents into accumulation. Is this growth just incidental or is it a breakthrough and an essential step towards the necessary transformation? It depends on who is responsible for this economic renewal. If it is the change in the behavior of state actors being able to turn and use the economic rents in a productive way, then growth is not a detail and corresponds to the necessary criterion of the NPE. If not, the growth will soon dissipate. For the Prime Minister, it is clear; he is convinced that the accelerated growth during his period in office, is due to the improvement of the quality of (his) governance. Our study has analyzed this contention through an internal critique of the argument developed by the Prime Minister and by analyzing the gap between what is said and what is done, between ‘the good governance’ discourse and that of ‘real’ governance.

Our internal critique made us question the thesis that it is predominantly the fiscal adjustment and quality of governance (institutions) that created the conditions for growth. There is also evidence of confusion between coincidence and causality. It is undeniable that there was progress in budgetary management in the 2010-2015 period. The realization of a budget surplus went hand in hand with a decrease in money creation. This contributed to a long period of inflation control and a rather stable exchange rate, which in itself is a historic first in the Congo.

Nevertheless, we argued that it is rather the quantity and quality of investments that mainly explain the cause of growth in recent years. In the second Republic, actors involved in deciding what to do with the investment were radically different from those in the present time. In the first epoch, it was politicians and their clients who were in command and ownership of projects and businesses. Their income/wealth did not rely on the smooth running of the company, but on their political grace. In the current era, investors and entrepreneurs cannot make a profit and pay taxes unless their businesses thrive and value creation is evident. Of course, this is only achievable when the government enables a business environment where this value creation is possible, and is thus co-responsible for growth and the timid welfare improvements for the population. The political class seems to have endorsed and internalized the policy of economic openness and the need to fit more into the era of globalization. This is reinforced by the negative experiences of the nationalizations of companies and management under Mobutu’s time and how this led to bankruptcy and general impoverishment.

Even when the main difference in outcome between the time of the second Republic and the current period was growth, the question of its sustainability is still very dependent on the overall political evolution. If national and international political pressure is not able to change the existing political settlement and reshuffle the power between the competing po-
litical factions, so that it can appease social unrest and abide by the constitution, the setback in transformation and development will be considerable. We have shown that various reforms in the 2010-2015 period, especially the ‘bancarisation’ (i.e. payment of civil servant salaries via bank accounts) and checks and stricter controls of expenditures for political elites, has increased competition between political factions in power. The weak point of the Government was that the Prime Minister and Presidency did not apply this rigor to themselves and their offices. In addition, with growth, new opportunities for rent capture appeared and the administration fell into the same trap of political patronage and corruption for which it blamed political opponents.

The illicit sale of mining assets by the political faction (Gécamines-Presidency-Gertler) was already known and described. Now the Prime Minister’s ‘productive’ expenditure (2012-2016), which was aimed at restarting the modern agricultural sector, turned out to be a ‘white elephant’. The Bukanga Lonzo project has already absorbed 83 million from the State budget, but without any evidence of a sustainable and profitable production. The money disappeared, just like the website, into the accounts of the trading partner and the meanderings of the Public-private partnership. The fact that the State is finally stimulating the agricultural sector (that was abandoned for so long) is commendable. Nevertheless, the reality that nothing was actually learned from the past on business management and that the State has reinstated itself as main producer, is harmful. This means that the capture of rents by the political factions in power, without concern for productive return, remains the standard. Unless, of course, the promise of abundant agricultural production on the website of the Agro-industrial farm materializes.

The conclusion is that the State in the DRC as “an instrument in the hands of groups or political factions vying for the capture of resources and annuities”, has not yet crossed the threshold where predation is transformed into a productive force.
References


