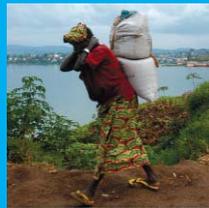


# Peacebuilding in Eastern DRC: Improving EU support for economic recovery

December 2007



## About this report

This report has been produced by International Alert and is one of two reports produced under the project, 'Preventing Conflict and Building Sustainable Peace: Assessing and Improving EU Impact', a joint-initiative between International Alert and Crisis Management Initiative. The two organisations would like to extend their thanks to the Belgian Government, who provided financial support for the project through the Federal Public Service. The contents of this report are the sole responsibility of International Alert.

## About International Alert

International Alert is an independent peacebuilding organisation that has worked for over 20 years to lay the foundations for lasting peace and security in communities affected by violent conflict. Our multifaceted approach focuses both in and across various regions; aiming to shape policies and practices that affect peacebuilding; and helping build skills and capacity through training. Our regional work is based in the African Great Lakes, West Africa, the South Caucasus, Nepal, Sri Lanka, the Philippines and Colombia. Our thematic projects work at local, regional and international levels, focusing on cross-cutting issues critical to building sustainable peace. These include business and economy, gender, governance, aid, security and justice. We are one of the world's leading peacebuilding NGOs; in 2006 our income was £5.3 million and we had more than 100 staff based in London and our 10 field offices. International Alert is grateful for the support of our core donors: Irish Aid (Department of Foreign Affairs Ireland); Danida (Danish International Development Agency); DFID (UK Department for International Development); The Netherlands Ministry of Foreign Affairs; Sida (Swedish International Development Cooperation Agency); and SDC (Swiss Agency for Development and Cooperation).

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Printed by Jason Print

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December 2007

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## Acknowledgements

CEGEC, a multi-disciplinary Congolese research institute that focuses on conflict prevention and resolution in the Great Lakes region, provided invaluable field research and insights for this study. Sincere thanks are due to all of those consulted and interviewed over the course of the research process, particularly to those members of Congolese civil society who participated in workshops on the topic, held in Bukavu in July 2007. Finally, we would also like to express our gratitude to our colleagues at International Alert, especially Charlotte Vaillant and Bill Yates, who greatly contributed to the research process. International Alert takes sole responsibility for the analysis and opinions expressed in this report.

# Foreword

By CMI and International Alert

The term ‘conflict sensitivity’ has gained much currency in conflict prevention, crisis management and development circles over the past decade or so. At a rhetorical level, it is arguably one of the most widely recognised ‘cross-cutting issues’ of recent times. While there is indeed a proliferation of writing and thinking on the concept, less clarity exists around what it entails in practice, including, most critically, how it can be effectively operationalised.

Agencies and individuals working in conflict-affected and otherwise fragile environments need to understand both the actual and potential impacts of conflict on their individual work and the effectiveness of aid. Furthermore, they also must focus attention on their own impacts on the dynamics of conflict and peace, which can be positive *or* negative. ‘Conflict-sensitive’ approaches should assist such actors to meaningfully take into account the context in which they are operating, and to continuously adapt programme design and implementation in a way that maximises positive impacts while mitigating potential harm.<sup>1</sup>

An increasing number of NGOs working in, and on, conflict are offering their assistance in putting such conflict-sensitive approaches into practice. Among them are International Alert and Crisis Management Initiative.<sup>2</sup> As part of such efforts, and in order to contribute to the body of learning on this issue, each organisation has produced a report to illustrate the strengths and weaknesses of the way the European Union (as a set of institutions), supported by Member States, has been providing development aid and support for national peace processes in two conflict-affected countries: the Democratic Republic of Congo (DRC) and Nepal, respectively.

This report, published alongside CMI’s paper on Nepal, is based on desk and field research analysing the impact and opportunities created by EU and Member States’ actions to contribute to building sustainable peace. The focus of each is on:

- Analysing the impact of different EU policies and programmes on peace and conflict dynamics and providing practical, institution- and country-specific recommendations for strengthening the EU’s role in preventing conflict and building sustainable peace.
- Building better knowledge and capacity to incorporate conflict sensitivity in the formulation and implementation of EU policies.
- Highlighting national and local civil society partners’ perceptions of the role and impact of EU assistance in the field and, in so doing, developing the capacity of these partners to both understand EU engagement and connect with EU decision-making processes.

## *The European Union in conflict and otherwise fragile contexts: existing efforts and remaining challenges*

The EU, as a set of institutions, has a broad range of policies and instruments that can positively affect the dynamics of conflict and peace at local, national and regional levels. These include human rights and democracy initiatives as well as large aid and trade packages, led by the Commission; and, under the 2nd (intergovernmental) pillar, EU Common Foreign and Security Policy (CFSP) initiatives and interventions under the European Security and Defence Policy.<sup>3</sup> In addition, many EU Member States are operating in the same contexts as highly influential bilateral development, defence and trading partners.

Constructive steps have been taken in recent years to rationalise and simplify the number of legal bases, budget lines, and programmes used for such external assistance. Furthermore, the agreement of the EU Programme for the Prevention of Violent Conflicts at the Gothenburg Summit in June 2001 and the publication of the EC Communication on Conflict Prevention in April 2001, put conflict prevention firmly on the EU's political agenda. Together, they provide a framework for future action: they set priorities for preventative activities, enhance relevant EU instruments and partnerships, contain proposals for improving early warning and establish a commitment for all relevant EU institutions to mainstream conflict prevention into their work.

Such initiatives have been supplemented by the development of governance profiles for each partner country and 'governance incentive tranches' that can be added to European Development Fund allocations on the basis of the governance analysis conducted. In addition, an emerging Fragile States and Situations agenda has been promoted under the Portuguese Presidency.<sup>4</sup> Meanwhile, efforts have been underway for some time, by the Interservice Quality Support Group and DG Relex's Crisis Management and Conflict Prevention Unit, among others, to ensure that 'EC external assistance and policies are contributing towards tackling the root causes of the conflicts and that EC assistance does not have unintended negative impact on the conflict dynamic'.<sup>5</sup> Despite this progress made, effective action to tackle root and evolving causes of conflict appear to be under threat due to internal tensions within the EU. This has been manifested in the failure to include explicit reference to peace, security and conflict prevention in all but one of the Financial Instruments 2007-2013. This sends a worrying signal that important achievements will not be sustained, and will perhaps even be undone.

These efforts by specialist units within the EU to address conflict are vital as all actors designing and implementing activities in conflict-affected and otherwise fragile contexts are faced with extremely complex, interlinked conflict dynamics. Reduced conflict and fragility in a state or society will not automatically flow from formal peace processes or poverty alleviation initiatives. Moreover, aid itself can represent a valuable resource with destabilising potential in weakly governed environments: as with measures to affect economic reform and alter trading relationships, aid can inadvertently fuel existing conflicts or be a factor driving (renewed) outbreaks of violence, depending on who benefits and who does not. The interaction between external assistance and local politics is particularly significant in conflict and otherwise fragile contexts. It often requires a shift away from the 'standard' aid modalities for a number of reasons, including:

- The ways in which donor-sponsored policy reforms can inadvertently fuel resentment among certain groups, increasing social, political and economic exclusion, and thus risking that marginalised groups resort to violence to address their grievances.
- How adherence to recipient government-defined development priorities may actually exacerbate the problems of income disparities, exclusion and inequity that drive conflict and instability.

As has been emphasised elsewhere,<sup>6</sup> questions and doubts remain about the EU's practice in unstable contexts. In many cases, it seems to remain unaffected by what has been learned about conflict and the various other factors causing state and societal fragility. The standard approach to external assistance in these contexts continues to be used even where persistent insecurity and its underlying causes risk rendering it ineffective or, at worst, counter-productive. Within the system, discrete 'conflict prevention' and governance programmes remain separate from and are 'tacked on' to an approach that, in one way or another, prioritises technical, quantifiable poverty reduction targets (evidenced by more children educated, reduced HIV incidence, increased rates of economic growth, etc.). The prevailing orthodoxy does not sufficiently recognise that often it is the inequity in the socio-economic and political system, and people's low expectations of that system, that prevent aid from achieving its goals. Nor does the orthodoxy properly account for or respond to the difficult truth that aid, like diamonds, often becomes a resource worth competing or fighting for.

As the cases of Nepal and DRC illustrate, the extent to which donor institutions such as the EU have been able to put policy commitments into practice remains a relevant and pressing concern. The two studies focus on different aspects of peacebuilding in the respective countries: peace processes in Nepal and economic recovery in eastern DRC. The analyses, however, both confirm that, despite increased engagement, there remains room to deepen the EU's and Member States' responsiveness to conflict dynamics in order to better support peacebuilding processes. Given the critical junctures at which both DRC and Nepal currently stand with respect to peacebuilding, the continued actions of donors that are not sensitive to the dynamics of conflict and peace are in danger of missing important opportunities to support the consolidation of peace in both countries.

Conflict sensitivity, therefore, needs to involve profound changes in the overall approach of international aid. For the EU, this means the Commission and the Council deploying all the levers at the EU's disposal to support the conditions necessary for inclusive peace processes and sustainable development around the world, avoiding negative effects and ensuring positive impacts on conflict dynamics. Much more is involved than just supporting time-bound actions during periods of instability. Both up-stream and down-stream of the period when tensions explode into widespread violence, building peace is about transforming structures, attitudes and behaviours that can promote or facilitate violence coming about. This can be supported through activities in the overlapping and interconnecting spheres of security, governance and the economy. Sensitivity to the gender dimensions of such conflictual contexts forms a critical element of the sustained efficacy of any action taken. Ultimately, such support for much needed social cohesion in countries affected by conflict involves tackling the gap between powerful elites and ordinary people. For donors, it requires a better balance between strengthening the state – as the predominant partner in the negotiation of aid – and society – which itself reflects the strengths and problems of the context, regionally, nationally and locally. The EU needs to adapt its practice, its internal incentive structures, and its staff and programme performance criteria accordingly.

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Crisis Management Initiative (CMI), founded in 2000 by President Martti Ahtisaari, is an independent non-governmental organisation promoting sustainable security. It works to strengthen the capacity of the international community in the fields of crisis management and conflict resolution. CMI's approach is based on wide stakeholder networks and combines analysis, action and advocacy. It has particular expertise in conflict analysis as well as experience in implementing various conflict management and resolution initiatives, notably in Aceh, Indonesia.

International Alert is an independent, international non-governmental organisation that has worked for over 20 years to lay the foundations for lasting peace and security in communities affected by violent conflict. Its multifaceted approach focuses both in and across various regions; aiming to shape policies and practices that affect peacebuilding; and helping build skills and capacity through training. Alert's regional work is based in the African Great Lakes, West Africa, the South Caucasus, Nepal, Sri Lanka, the Philippines and Colombia. Its thematic projects work at local, regional and international levels, focusing on cross-cutting issues critical to building sustainable peace. These include business and economy, gender, governance, aid, security and justice.

CMI and International Alert would like to extend their thanks to the Belgian Government who provided financial support for this research process. The following report on eastern DRC remains the sole responsibility of International Alert.

## Executive Summary

The most visible current threat to peace in the Democratic Republic of Congo (DRC) is in the east, reflecting the prevailing pattern of the last 40 years. The stand-off between the Congolese government and forces led by Laurent Nkunda threatens the stability of DRC and the region. The crisis is not, however, limited to North Kivu and is not about an individual dissident ‘warlord’. It is fundamentally related to the highly politicised regional context, with important dimensions related to identity and the architecture of armed forces in the east.<sup>7</sup> Underlying this latest phase in the long-running cycles of violence are the fears, prejudices and competing ambitions of different groups in the region. These divisions have existed for decades and they continue to prevent the peaceful economic development that the people of DRC desperately need.

In order to help overcome the fractures in Congolese society, there needs to be a step-change in the level of constructive economic exchanges within the country and of formal, public revenue-generating trade across international borders. At the same time, an immense push to create jobs and provide equitable access to income-generating opportunities is vital not only to improve livelihoods for local populations but also to help separate combatants from the violence and extortion through which they realised a degree of economic security. In that light, and following on from the more wide-ranging report, *Peacebuilding in the Great Lakes: Challenges and opportunities for the EU in the DRC*, this study focuses on economic (re)construction issues in the eastern DRC.<sup>8</sup>

The study takes up one of the central arguments of the 2006 paper: that peacebuilding not only needs to be underpinned by major improvements in wealth generation and distribution within local economies, but it also must be at the heart of poverty reduction and economic development efforts in general. This means, on the one hand, securing equitable access to decent economic opportunities through the transparent exploitation and management of the country’s own resources. These include land, water and, of course, the valuable minerals that dominate the Congolese economy – both the formal and informal ones – and for which improved governance and regulation is needed at macro, meso and micro levels. On the other hand, it means using economy-related activities to help address the factors that undermine sustainable peace, initiating and supporting the fundamental changes that are needed in the ‘way things are done’ in the country.

Ostensibly, with a view to improving state leadership in tackling the country’s economic malaise, the Ministry of Planning took an important step in July 2006 when it presented a fully fledged poverty reduction strategy paper to the donor community. This *Document de la Stratégie de Croissance et de Réduction de la Pauvreté* (DSCR) was based on the outcomes of an extensive donor-funded process of participatory poverty diagnosis. The *Analyse Participative de la Pauvreté* (AAP) highlighted popular perceptions of the main causes of poverty and gave a poverty profile by region and socio-economic group.<sup>9</sup> However, reflecting the fractures that exist within the political sphere, national and local economic systems (including as regards the distribution of, and access to, land) remain conditioned by relations, prejudices and commercial rivalries among identity groups. These divides have become further entrenched during the years of widespread violence and periods of open war. An economic growth agenda *per se*, as exemplified by the focus of the DSCR as well as international orthodoxies on development, will do little to transform these obstacles to structural stability.<sup>10</sup>

The territories of Ituri and South Kivu (the focus areas of this report) illustrate how the endeavour of building sustainable peace in DRC (and ‘fragile’ states more generally) remains beset both by underlying obstacles to peace that affect the country as a whole as well as by problems caused by the specific impacts of conflict in those areas. In both territories, the impacts

of the cycles of violent conflict have been profound. With appalling regularity, farmers have had crops looted, pastoralists have had entire herds slaughtered or stolen, houses have been robbed, patterns of land ownership have changed and social solidarities transformed. Part of this transformation reflects the breakdown of trust and changing patterns of authority in communities. It also has involved a staggering level of violence against women in the region, which continues to devastate today.<sup>11</sup> Moreover, perceptions of belonging, including nationality, and of the interests of neighbouring countries have become even more polarised in the aftermath of the wars with significant consequences on political, social and economic relations. Furthermore, the regional dynamics and implications of these conflicts have local-level impacts, both above and beneath the surface, and represent seemingly intractable barriers to regional economic cooperation. Insecurity, to a greater or lesser degree, is still pervasive, with major consequences for livelihoods and the functioning of local economic systems, as well as development efforts themselves.

In Ituri and South Kivu, as with much of the east of the country, the presence of readily exploitable and profitable natural resources has given added impetus to 'violent economies'.<sup>12</sup> The continued armed control of the mineral-rich areas of the Kivus is a graphic illustration of how warlordism in the region represents a means of securing immediate economic gain, as well as the failure of the current regime to both control its territory and secure its own resources – as was evident during the country's wars. Furthermore, as is succinctly argued in the Pole Institute's report, *Rules for Sale: Formal and Informal Cross-Border Trade in Eastern DRC*, 'political and military power struggles in eastern Congo are in part an expression of commercial rivalry, but commercial rivalry in turn is an expression of competition around means of ensuring one's own and one's community's physical survival in an area of profound and prolonged conflict.'<sup>13</sup> The attendant economies of the region and the ethno-political processes that shape them are characterised both by continuities as well as variance from those that were dominant prior to the wide-spread occurrence of conflict in the east. Indeed, in DRC, the post-conflict condition is not so much one whereby the state has been made 'fragile' by violence or economies made predatory by conflict.<sup>14</sup> The country's fragility is, in fact, itself an underlying driver of both insecurity and sporadic (but immensely destructive) outbreaks of violence. The country has never been well-ordered nor able to fully administer its territory. Governance is weak not only because *government* is weak but because civil society is weak, reflecting the limited notions of collective citizenship in DRC. The continued dominance of vertical systems of authority where relations are based on kinship, ethnicity and other forms of identity make for limited constructive participation by citizens in the way the country is governed. Likewise, current patterns of economic relations reflect and perpetuate these underlying fractures in society.

Within this complex web of interrelationships and interactions, donors face immensely complex challenges in their engagement in DRC, particularly in the east of the country. Here, well-laid plans can become impossible to implement if open violence breaks out in their areas of operation. More generally, local and expatriate staff have to operate in situations where corruption and interference by state agencies, armed forces and other combatant groups throw up obstacles to humanitarian and development activities. Civil society partners also can be affected by the same cultures of power and ethno-political fractures that characterise the operating environment.

Efforts by donors to address such difficult contexts are, however, underway. In the east the European Commission (EC) – representing one of the biggest donors in the country – has initiated a programme known as 'Linking Relief, Rehabilitation and Development' (LRRD). The programme is designed to be transitional, aimed at filling the 'gaps' that often exist between emergency interventions and longer term development work. With €65 million in initial funding, the programme encompasses a significant geographical and thematic spread, reaching Katanga, Oriental and the Kivus and covering a range of issues from infrastructure rehabilitation to health care delivery. Given the scale of the challenges, there are a number of positives in the LRRD

programme. First and foremost, perhaps, the principle of bridging emergency relief with longer term development work is of critical importance, particularly where the in-country EC delegation (rather than Brussels) is itself managing much of the programme.

The LRRD programme is designed to balance the competing demands of flexibility (in order to adapt to ever-changing needs in the east) and of longer term state-building (with the intention of increasing state capacity to eventually manage public works and the delivery of public services). Under the LRRD programme, the possibility of utilising fast-track tender processes, and thus avoiding costly delays in the implementation of urgently needed projects, means that it can respond to evolving situations. As situations stabilise, LRRD can use more competitive tender processes that, in principle, facilitate cost-effective implementation by NGOs and private contractors.<sup>15</sup> Consultations between the Congolese government, the EC delegation in Kinshasa, and the administrative office in Brussels on how the funds available under LRRD will be allocated often reflect government-defined priorities as articulated in its poverty reduction plan. Once projects are agreed upon, the programme is designed to involve relevant government ministries in tender processes and project implementation. While the mix of flexibility and longer term approaches are critical, the LRRD also has selected vital targets for assistance on which DRC's long-term economic development depends.

Infrastructure rehabilitation is crucial in eastern DRC, and the LRRD's focus on this area is welcome. The infrastructure's poor condition has a major impact not only on factors such as community economic security, but also individual nutritional well-being. Experience has shown that improved transport links have enabled displaced civilians to re-engage in economic activities, including the sale of agricultural products, with attendant decreases in food prices and increases in the nutritional status of the population. Indeed relief officials associate the declining rate of malnutrition in certain areas in the east partly with the re-establishment of relevant transport links. Furthermore, infrastructure projects can be used to multiply employment opportunities for community members (including returning ex-combatants and displaced people). Depending on the type of building required and the nature of the contracting process, construction activities can create a significant degree of short- and medium-term employment for individuals as well as a source of revenue for local companies. Moreover, a specific focus on secondary road rehabilitation not only facilitates access to critical services and markets for local communities but it also has the ability to represent an opportunity for labour-intensive construction and maintenance activities.

LRRD's livelihood-centred projects, such as microfinance initiatives for vulnerable communities or rural development projects designed to support small-holder agricultural activities, have taken a variety of forms. The implementation of this diverse range of small projects has revealed a number of issues. For example, in the light of immediate day-to-day needs and the economic realities of the context (including informal taxation, extortion and road blockages caused by militia activity), quite a number of households receiving credit have not been able to make any medium- or long-term investments. Repayments on the credit then become difficult or impossible, at times leading to an increase in economic insecurity rather than its reduction. As such, micro-credit schemes that aim to support livelihoods in the region, including those funded through LRRD, need to ensure that they have longer time frames and are linked up with efforts to foster a conducive business environment in terms of developing relevant markets, legal frameworks and infrastructure in particular. The multitude of conflict impacts and insecurities on the efficacy of such projects demand that project design and implementation take them into account from the outset.

As with all donors, it is essential that the EC, in deploying the LRRD approach, minimises risks of negative impacts, including in relation to conflict. For example, overambitious projects may strengthen neither community cohesion and participation nor the capacity and effectiveness of

decision-making institutions. Both of these are fundamental to the realisation of effective and sustainable outcomes. Projects should be formulated in such a way as to require a two-way communication between communities and implementing partners, be they UN agencies, NGOs or private enterprises. Without this, the work risks not being responsive enough to the needs of local stakeholders and that such stakeholders will not feel ‘invested’ in its upkeep. There is also the danger that access to information is so limited or distorted that rumour and speculation will, on their own, severely undermine the delivery of equitable benefits to the population, despite a project’s intentions. Providing clear and detailed information to the communities affected by the projects concerned is paramount. All available means of communication need to be mobilised or rumours and misinformation will quickly fill any voids.

Meaningful local-level participation, and conflict-sensitive development in general, requires that sufficient and skilled human resources (as well as financial ones, of course) be made available in the project preparation, implementation and follow-up phases. The process, moreover, must be built on a proper understanding of the conflict dynamics and on scenario-planning as to what might happen during the implementation period. The ability of donors to effectively respond to changing situations, ensure the sufficient accompaniment of implementing partners and manage the often significant sums of aid money available requires an expert *labour-intensive* approach and budgetary arrangements that are ‘fit for purpose’. Only such a comprehensive approach can ensure that economic (re)construction will be able to support the complex process of peacebuilding.

### Summary of Report Recommendations

The creation of shared and decent income opportunities, including jobs, must be a core element of peacebuilding efforts in eastern DRC, including those targeting economic recovery.

Civil society and local stakeholders need to be actively involved at all stages of decision-making and implementation in economic recovery initiatives, including the LRRD programme.

The LRRD programme should focus on ensuring a strategic engagement in its support for economic recovery processes in eastern DRC in order to maximise their peacebuilding potential.

In order for the LRRD programme to become a truly accountable initiative that builds the capacity of state and non-state institutions, financial resources must be matched by human resources and expertise in the delivery of aid.

The LRRD’s focus on infrastructure rehabilitation should prioritise the improvement of roads that provide the most benefit to local communities and promote shared economic opportunities. These are often secondary and feeder roads.

The EC should prioritise the widespread dissemination of information related to LRRD activities and funding to all communities concerned. Such information is critical to the ultimate impact of donor engagement in supporting citizen-state relations in DRC.

Underpinning this argument is the conviction that, whether in the economic sphere or elsewhere, thinking in terms of *reconstructing the ex ante* situation in DRC will result in little change to the drivers of conflict and fragility that are adversely affecting the country’s development prospects. Interventions of that kind will only delay the next round of violence. True transformation in the attitudes, behaviours and structures prevalent in DRC is urgently needed if the root causes of

conflict are to be addressed and equitable economic recovery to be realised. While external support must be judged using realistic yardsticks, it also must be designed and steadily implemented in such a way as to bring about these profound changes that support a broader peacebuilding process. The international community must not imagine that its support for such processes can be done ‘on the cheap’ – signing large cheques but without being prepared to bear the high transaction costs, particularly in terms of staff on the ground and longer time frames. It is because interventions in such fragile settings can actually increase instability and conflict that donors cannot afford to take a ‘business as usual’ approach to development in conflict contexts such as DRC. While progress has been made, there is still a long way to go before the international donor community responds to the full implications of this in their ways of working.

## 1.0 Introduction

In its September 2006 report on *Peacebuilding in the Great Lakes: Challenges and opportunities for the EU in the DRC*, International Alert described the Democratic Republic of Congo (DRC) as ‘pivotal for the development prospects of the Great Lakes region and indeed the whole area of central and southern Africa’. It emphasised, however, that its ‘economies are in tatters, the means of communication destroyed, and the scale of human suffering caused by more than a decade of continuous fighting is unprecedented’. That report, produced around the time of the first fully multi-party elections in DRC, analysed the context in which the European Union uses its external relations instruments to address security issues, promote legitimate and effective governance, and support economic recovery and regional integration in the country. It sought to provide recommendations to the EU on how to help bring an end to cycles of violent conflict in the region and support a peaceful road to prosperity for its communities.

Notwithstanding the relative successes of those multi-party elections and a degree of political progress since, DRC is still oscillating between violent conflict and peace. One year on, its progress towards peaceful development remains very slow and highly precarious. This makes the sustained commitment of international aid and policy advice all the more important. However, while this engagement in DRC is, in principle, welcome, enormous challenges persist in terms of how this aid can best be delivered in such a fragile context. This is particularly true when addressing the closely related issues of security, economic recovery and governance. Nowhere is the achievement of these objectives more difficult than in eastern DRC.

Picking up on one of the central arguments of the 2006 report – that promoting stable and decent income opportunities for all will not only contribute directly to poverty reduction, but also act as the main development tool for peacebuilding – this report analyses the realities of pursuing an economic recovery agenda in eastern DRC. A focus on the territories of Ituri (a part of the Orientale province) and South Kivu illustrates some of the complexity donors are confronted with in the region. Indeed, while very different, the two areas have strong similarities, such as the increasing importance of the informal economy; competing uses of land among agriculture, livestock and mining; and the effects of continuing insecurity on displacement, migration and, consequently, on livelihoods. In such war-torn areas, the obstacles can seem intractable – not only to demonstrating a quick peace dividend but also to helping the affected societies permanently emerge from a cycle of conflict and violence. The collapse of the shaky cease-fire between the Congolese army and General Nkunda’s forces in late August 2007, the fluid military alliance of FARDC, Mayi Mayi and FDLR against Nkunda’s Congolese Tutsi combatants, and attendant displacement of a further 370,000 people in North Kivu are, for example, all manifestations of highly complex underlying ethno-political and socio-economic factors and dynamics in the region.

The drivers of fragility and obstacles to long-term peace that are outlined in this report pose immense problems and dilemmas for international actors. Local and expatriate staff have to operate in situations where corruption and interference by state agencies, security forces and other armed groups often render normal economic development impossible. Donors face not only the risk that their plans will become unfeasible in the event of escalations of conflict, but also that such activities are too shallow and short-term, doing little to address underlying causes of conflict. Whether in the front or back of their minds, officials also face dilemmas in allocating funds and pursuing programmes because of pressure applied by policy-makers at headquarters to spend ever-larger amounts of aid. This often is done with a view to trumpeting progress on the Millennium Development Goals, which, in Africa, remain for the most part very distant targets. Such an approach risks motivating a tendency to see a ‘post-conflict’ situation in which the ‘state’ is discussed as if it has been made fragile by the conflict and what is needed is reconstruction. The potential result is that meaningful economic recovery and the consolidation of peace will remain out of reach as opportunities for the much needed transformations of attitudes, structures and behaviours are missed and the pre-war status quo of ‘how things are done’ is simply re-established.

The European Commission’s ‘Linking Relief, Rehabilitation and Development’ (LRRD) umbrella programme is one example of a donor approach to economic (re)construction (and societal change) in this most challenging type of setting. With projects designed to smooth the transition from emergency relief to longer term development in several provinces in the east, the overall programme represents an initial €65-million-worth of funding and is a critical means by which the EC is engaging in the region. Assessing the ‘conflict sensitivity’<sup>16</sup> of this programme, this paper takes the context as its starting point, outlining the changing socio-economic relationships and processes in communities heavily affected by conflict (section 2.0). It looks at how households have adapted to the extent and prevalence of violence, theft and displacement caused by armed groups and how these households have been affected by flows of development aid (section 3.0).<sup>17</sup> It considers how the EC’s LRRD programme fits within this context of insecurity, coping strategies and dynamics of power and prejudice in order to contribute to the creation of shared economic opportunities and the consolidation of peace in the country (section 4.0). It concludes with a brief elaboration of recommendations on ways forward for the EC in eastern DRC: how it can effectively act in the coming years to ensure the well-being of populations in the east as well as establish the foundation for longer term stability and equitable development for the Great Lakes region as a whole (section 5.0). These relate also to the engagement of other international donors in supporting economic recovery in conflict and otherwise fragile contexts more broadly.

## 2.0 A context of fragility and conflict in eastern DRC

The fragile peace in DRC is threatened not only by outbreaks of violence (currently causing the displacement of hundreds of thousands of people in North Kivu) but by entrenched power dynamics that determine wealth extraction and distribution – and sustain instability. Rent-seeking behaviour, corruption and impunity are deeply embedded in the country and exist at every echelon of Congolese politics and administration. Systems of ‘predation’ by political and economic elites which flourished during the kleptocracy of the Mobutu regime, may well have become further entrenched during the years of war in the country. The behaviour of people in authority often is guided by their own vested interests in personal economic gain, (whether in the form of a relatively small bribe to supplement a meagre, or unpaid, salary, or embezzlement on a grand scale). Where officials do respond to the needs of citizens, this can be without due process and is characterised by undue influence or favouritism exercised along ethnic, linguistic and provincial lines.

The underlying structures and dynamics of power have important repercussions for the effectiveness of current national and local development efforts, politically and economically. They determine both access to economic opportunities, as well as the (in)capacity of the state to manage the economy and deliver services for the public good. It is not only executive government that is made weak by venality, fraud and fundamental inexperience in transparent, consultative administration – it is the whole polity. Many of the same problems affect the delivery of justice, the emergence of organised civil society, and the way that information is accessed and shared. There is little or no tradition or shared understanding of active, cohesive citizenship and the polity as a whole remains ‘fragile’.

Processes to improve political and economic governance are getting underway in the post-election period with the intention of promoting equitable ‘people-centred’ development. In July 2006, for example, the Ministry of Planning presented a poverty reduction strategy paper to the donor community. The *Document de la Stratégie de Croissance et de Réduction de la Pauvreté* (DSCR) is based on the outcome of an extensive donor-funded participatory poverty diagnosis process. As well as presenting a poverty profile by region and socio-economic group, the *Analyse Participative de la Pauvreté* (AAP) seeks to highlight what the population perceives as the main causes of poverty. The five pillars of the DSCR are defined as: reinforcing institutions to promote good governance and consolidate peace; strengthening macro-economic stability and economic growth; improving access to social services and reducing vulnerability; fighting HIV/AIDS; and supporting communities.<sup>18</sup> Decentralisation also is being put forward as a way to bring about increased transparency and revenue-sharing with respect to provincial resources, but this runs in parallel with its potential to perpetuate fragmentation along regional lines and reinforce patronage networks. Bleaker assessments predict that this process will enable provincial leaders to take power rather than share it, that the legitimacy of central government will decrease and that the competition for access to financial resources freed up during the decentralisation process will be magnified.<sup>19</sup>

The highly divided and fractured nature of the parallel systems of formal and informal governance makes it particularly difficult for strategies for broad-based growth to be elaborated, let alone implemented. While the focus remains on consolidating the capacity of the central government to manage economic activities in its territory, for many Congolese, informal systems of governance and political power remain more relevant to daily life. Customary authority structures continue to dominate decision-making processes related to critical aspects of livelihoods, including, for instance, land distribution and taxation in various areas of the country. Such structures reflect the society within which they are embedded and, as such, elements of prejudice, myth and disinformation all play a role in their functioning. Such elements often facilitate the manipulation of identity and grievance and therefore perpetuate the hostilities that divide identity groups and impede the type of formal cross-border commerce upon which any serious expansion of eastern DRC’s economy depends.<sup>20</sup> Much of the hostility relates to the highly contested and polarising topic of nationality that particularly affects the east and its Rwandophone populations – with Banyamulenge in South Kivu and Banyarwanda in North Kivu. Despite provisions within the new constitution, adopted in 2005, to broadly define Congolese nationality, this issue will likely be exacerbated in the run-up to local elections scheduled for 2008 as national status will be required for voter registration. These elections may be used by political and business elites to manipulate emotions about identity as they compete to control sources of power and wealth.

As state officials and diplomats grapple with the management of the formal economy, the bulk of the population remains desperately poor. While numbers often vary wildly across the spectrum, reflecting continued difficulties in systematic data collection in this conflict-affected region, some estimates indicate a current GDP per capita of \$99 per year in DRC and a tax base of approximately 700 people (in a country with a population of approximately 60 million).<sup>21</sup>

The formal economy is primarily composed of some plantation agriculture and a small service sector. Industry is more or less non-existent and artisanal mining long ago eclipsed industrial mining activities in the country. While it is estimated that in the 1970s as much as 25 percent of the population was working in the formal economy in DRC, perhaps primarily reflecting the residual colonial economy, by mid-2005 the figure was estimated to be a maximum of 5 percent.<sup>22</sup> The dominant mode of production for the overwhelming majority thus consists of various forms of subsistence economy in the informal sector, covering immediate livelihood needs. As a result, they remain outside formal political and economic decision-making processes and, while they may not contribute to state revenue, they are still subject to multiple kinds of informal taxation. For donors grappling with this situation, there is no easy answer. A careful balance must be struck between ensuring that such informal economic activities contribute to the well-being of those dependent on them as a source of livelihoods while, at the same time, bringing them under the purview of the state, thus enabling the state to generate revenue and manage its economies.

The implications of the current emaciated economic system for peacebuilding are profound. For example, as the report *DDR: Supporting Security and Development – The EU's Added Value* emphasised, one of the greatest peacebuilding challenges is the presence of large numbers of ex-combatants and the on-going violence perpetrated by members of still-active militia groups. These combatants will ultimately need to be demobilised and reintegrated into civilian life (or brought into newly constituted security services). Yet ex-combatants, as well as the many others economically linked with them (such as extended families), are likely to have known no other way of life than war, with their sense of identity often integrally linked with the armed structures within which they have been fighting. Likewise, ex-combatants may not have access to income opportunities other than through the use of violence. In the DRC, the national demobilisation and reintegration programme established a demobilisation target of approximately 150,000 ex-combatants.<sup>23</sup> For all of these individuals, there is a looming question around the kind of local socio-economic systems they are being re-integrated into. It is widely acknowledged that specific demobilisation and reintegration programmes can only provide the bare minimum of short-term assistance. To reduce the threat that such combatants pose to peace also requires reconciliation and rehabilitation, wholesale economic (re)construction, governance and justice reform. Jobs and income-generation opportunities are a critical aspect of this and often are the principal concern of civilians and ex-combatants alike.

The significant impact, both potential and actual, of aid in such a context must not be dismissed. In 2003 it was estimated that *per capita* income in DRC was equivalent to per capita foreign aid levels in the country, following the significant inflow of such resources on the tail end of the formal peace agreement signed in 2002.<sup>24</sup> Numerous donors are funding a vast array of activities and these interventions prompt their own very real issues in governance contexts as complex as that of the DRC. The principal point is that the multi-million dollars of aid being provided in the country are even more sensitive and potentially dangerous than in less complex contexts. The injection of project and programme money carries inherent risks for fragile settings (national and local) in which it is disbursed. These are threefold: (i) Adherence to government-defined development priorities, often reflecting factional politics, may actually exacerbate the problems of income disparities, exclusion and inequity that drive instability; (ii) aid funds and donor-sponsored policy reforms can inadvertently fuel resentment among certain groups, strengthening elite dominance and patronage, increasing exclusion, and thus the risk that excluded groups will resort to violence in addressing their grievances; and (iii) access to aid resources can become as worth fighting for as natural resources or customs revenue.

This state of fragility exists across DRC, although it is particularly manifest in the protracted conflicts and insecurity affecting the east of the country. While much attention is given to the role of the dissident General, Laurent Nkunda, in the current crisis in North Kivu, for example, the underlying causes have much more historic, ethno-political roots in the region. Such conflicts also

are related fundamentally to the architecture of armed forces in eastern DRC and to the fears and prejudices of different population groups that have driven insecurity and violence for decades. The question of the citizenship status (nationality) of Congolese Banyarwanda — both Hutu and Tutsi — for example, caused fighting in the early 1960s and repeatedly in the early 1990s.<sup>25</sup> The continued presence of former *Interahamwe* fighters, primarily incorporated into FDLR forces in North and South Kivu, has perpetuated the fears of the Rwandaphone people who saw the cleansing of Tutsi in Bukavu and Uvira in 2004 as further manifestation of a deeper agenda to deny them their Congolese identity – and as a direct threat to their existence. Meanwhile, the activities and abuses of forces headed by Nkunda have served to perpetuate the hostilities of the majority towards the minority. The present conflict in North Kivu tends to overshadow ongoing tensions in other parts of the east, including Ituri, where hostilities between the Lendu and Hema communities remain largely unresolved and continue to adversely affect the security situation.<sup>26</sup> These more ‘local’ manifestations of violence evident in parts of eastern DRC, are deeply intertwined with complex regional dynamics and internal political realities. Even after the 2006 elections in which Joseph Kabila received a democratic mandate, the ‘Rwanda (and Rwandaphone) factor’ continues to have a profound influence over the rhetoric and decision-making of Congo’s state authorities as the search for political control in DRC often has meant a reliance on instrumentalising anti-Rwandan sentiment in the Kivus.<sup>27</sup> These underlying tensions and dynamics remain in the face of the continued presence of international peacekeeping forces and the ostensible success, manifest in the 2006 national multi-party elections, of the recent period of ‘transition’ in the country.<sup>28</sup>

In this context of conflict and state fragility, the following section investigates certain interconnected aspects of the socio-economic impacts of the protracted violence and insecurity in eastern DRC. It looks at households, their economic survival strategies and how they relate to the broader political economy of the region. The subsections are designed to highlight certain aspects of the range of formal and informal economic activities as well as the organisational and institutional factors that circumscribe livelihood possibilities. Such insights provide clearer perspectives on the ways in which donors can strengthen economic recovery processes and contribute to peacebuilding aims.

## 3.0 Socio-economic impacts of conflict in the east

### 3.1 Informal economy

Having suffered through the worst of the country’s two decades of devastating conflict, much of the population in eastern DRC ensures its survival by engaging in informal economic activities. This has come about largely because of the decline in infrastructure and market access as well as the continued paucity of state services, the absence of security and the weakness of formal regulatory frameworks. The informal economy (and thus the economy more broadly) was heavily based on the mining and trade of natural resources, like gold, during the Mobutu era and throughout recent conflicts. The resource sector, particularly around artisanal mining, continues to provide a critical source of livelihoods for many in the east.<sup>29</sup> The informal sector also has expanded in some respects to increasingly incorporate trade in agricultural products and basic commercial products, as well as profiting from currency fluctuations where middle-traders profit from the often limited access to cash and markets in peripheral areas. While such informal trade and taxation systems have come to represent an aspect of livelihood strategies critical to many people’s survival, they frequently represent systems controlled by a limited number of powerful, elite traders. In addition, they usually represent extremely limited reinvestment in the localised economies from where the goods are originating.<sup>30</sup>

Part of this informality exists in the illicit sphere. In urban centres in eastern DRC research has consistently found that as increasing numbers have entered the city and population density has risen, with access to basic services and economic well-being declining, crime rates have increased and social cohesion decreased. Communities and families are faced with changing relations as traditional figures of authority are weakened and parents can no longer ensure the well-being of their children, with youth often seeking a measure of economic security and protection by joining armed gangs and militias in the region (thus perpetuating violence and criminality in urban areas).

While this illegality remains relevant with respect to the informal economy in eastern DRC, livelihood strategies in this area go far beyond basic criminality, predatory behaviour or a dualistic understanding of formal and informal activities. Rather, attendant livelihood strategies in such fragile environments comprise a complex continuum of economic activities, often with important welfare benefits.<sup>31</sup> Recent research has shown that the informal sector in eastern DRC is much more diversified than the usual focus on natural resource exploitation suggests and further highlights the grey area that exists between the formal and informal spheres.<sup>32</sup>

Indeed, some international donors are beginning to acknowledge the dynamic and potentially constructive livelihood strategies evident in the informal sector.<sup>33</sup> What is needed is an elaboration of ways in which to lend support to such activities and ensure a developmental aspect to them, while also working to bring them into the formal realm. Artisanal mining is perhaps the most evident example of the need to ensure the continued livelihoods of those dependent on the sector if it is to be somehow formalised. Initiatives supporting legal reform processes often are a critical part of such efforts as the right legal framework can create incentives for informal activities to exist within the remit of the state. However, any such engagement by donors must be a careful one that fully acknowledges the often vested interests on the part of elites in existing systems of resource access and distribution.

### 3.2 Agricultural production and food security

Agriculture is the predominant livelihood activity throughout eastern DRC, including in Ituri and South Kivu, where soil fertility lends itself to growing a variety of food staples for the region. While DRC was formerly a net exporter of food, it is now reliant on importing many basic agricultural products while an estimated 70 percent of the population do not have enough to eat.<sup>34</sup> This situation greatly reflects the major decline in agricultural production in the country's most fertile area – the east.

As basic infrastructure in rural areas completely collapsed and insecurity became normalised during overlapping periods of state neglect and violent conflict, agricultural production has significantly declined as an economically viable activity for many in the region. The collapse of transport infrastructure has resulted in a parallel increase in the difficulty of getting produce to market. Where transport links do exist, the continued presence of armed groups in the region often make access sporadic at best. Consequently, crops often perish rather than being sold after subsistence needs are met, given the absence of refrigeration technologies available. Furthermore, the agricultural sector also has been subjected to the ravages of diseases such as the cassava mosaic virus, particularly in South Kivu, that continue to decimate crop yields and render land less and less productive. The near absence of farming inputs in the form of fertilizers or tools also has contributed to the exponential increase in the price of local crops throughout the conflict and continuing today.

Importantly, agricultural activity in the region has been severely affected by the conflict and the on-going insecurity that continues to exist in its aftermath. Indeed, insecurity in rural areas has

both partially caused and perpetuated decline in agricultural production and the attendant ability of households to meet subsistence needs, as people cannot till their fields for fear of attack or are forced off of their land due to the presence of armed groups. Others enter urban areas in search of physical security and economic opportunity, some increase their engagement in artisanal mining and other forms of informal resource extraction (which, arguably, became the most important informal activity during the conflicts in South Kivu), while others end up in IDP camps with extremely limited opportunity for farming or any other economic activity. For those who stay on their land, they are faced with constant threat of assault and theft. Given that the bulk of the agricultural labour is shouldered by women in eastern DRC, the persistent threat of rape at the hands of militias and the Congolese army has made it even more difficult and risky for them to cultivate their fields.<sup>35</sup> Women have thus been particularly affected by the decline in productivity of a key livelihood activity, as represented by small-scale agricultural production, with important impacts on economic well-being. Throughout the conflict, increasing numbers of women have had to seek out ways of diversifying their economic livelihood strategies, with many becoming involved in what is known as ‘goyting’, which is effectively the small-scale resale of manufactured and agricultural goods bought in bulk.

With the patterns of forced displacement evident in eastern DRC, many farmers have re-located to surrounding communities where they often continue to farm but on a much smaller plot of land.<sup>36</sup> Indeed a study carried out in 2003 found that the majority of farmers continue some agricultural production, albeit on a much reduced scale, with a minority abandoning all farming outright.<sup>37</sup> This reduced level of production, estimated to be as much as 25 percent, means that most cultivation is done to meet the subsistence needs of households, rather than constituting any surplus that can be sold for a profit in local markets.

In the coming years, as rural areas hopefully become more stabilised and refugees and IDPs begin to engage in processes of return, competing demands on land will need to be addressed, as evidenced by dependence on agricultural and pastoralist livelihoods, as well as mining, in the region. These competing demands have the potential to become increasingly complicated because of growing population pressure in certain areas, the general absence of tools and technologies that enable more intensive agricultural methods, and contested patterns of land ownership, combined with the return of various populations. Such potential is already being realised in certain areas in the east where return processes are underway. NGOs in the region have noted that while displaced persons often are being accepted back into their communities in principle, the *de facto* situation is one where they are restricted from accessing land and, as such, are deprived of the means of subsistence as well as various more durable livelihood strategies.<sup>38</sup>

Areas like that of Mahagi in Ituri are severely affected by malnutrition due in part to the presence of displaced people from surrounding areas, such as Djugu, which place more strain on limited agricultural resources. The majority of households in this region spend well over half of their income on food, with the remainder going towards school fees, health care and housing. Those households that have managed to maintain some income and have relatively higher standards of living seem to be those households that have diversified their revenue sources. That is, they combine agricultural and livestock activities with petty trading and the domestic production of goods, such as locally brewed alcohol. While agricultural production in the region reached its lowest levels between 2000 and 2003, and is currently regaining some ground with the production of bean, mais and manioc crops, it continues to remain below previous levels and rests on the precarious security situation. Furthermore, any meaningful growth in the sector continues to be limited by the state of infrastructure.

The persistent decline in levels of agricultural productivity in the region, interlinked with the absence of sufficient road transport links, has led to many basic staples now being imported from neighbouring countries, particularly Rwanda and Uganda. For example, tomatoes are readily

imported into North Kivu from Rwanda and rice is imported into the east despite the past ability of places such as Chabunda to produce the staple. Populations in eastern DRC are consequently beholden to fluctuating prices, monopolised trade routes and uncertain purchasing power with respect to basic food items.

While pastoralism is another primary source of income for people in the region, particularly Ituri, this also has been severely impacted by conflict. Livestock as a productive asset has suffered major setbacks: in 1992 it was estimated that there were 450,000 heads of cattle in the Ituri territory; however, due to the conflict and looting, cattle stocks have been reduced by an estimated 80 percent. Armed groups in the region not only stole cattle, but also systematically slaughtered them, often leaving them to rot for the simple goal of depriving the population of its livelihood. Because livelihoods have been targeted and assets stripped during the region's conflicts, humanitarian organisations operating in the east have resorted to distributing smaller animals, such as guinea pigs and rabbits, that people can literally run with, even though such assets are often less productive. This move and much of the initial animal rearing taking place in the post-crisis context is around smaller animals, marked by the increased involvement of women and youth, with a distinct move away from the previous focus on cattle.

### 3.3 Urban migration

An estimated 2 million people or more have been displaced over the course of conflict in DRC, particularly in the east where fighting has been at its heaviest and most protracted. Urban centres, such as the town of Bunia in the Ituri region and the city of Goma in North Kivu, have seen a relentless increase in population over the past decade or so. While Goma was home to approximately 172,000 inhabitants in 1993, it was closer to an estimated 550,000 in 2003.<sup>39</sup> With the exception of places such as Kindu, where conflict has led to a substantial decrease in population size, most towns in eastern DRC have experienced rapid population growth. Indeed, the entire region has experienced a net increase in the percentage of its urban population since the start of conflicts in the 1990s – a trend that continues today.<sup>40</sup>

This substantial and sustained influx of people into urban centres is a clear reflection of the absence of security, both physical and economic, in rural areas. In a self-reinforcing pattern, the insecurity and displacement caused by the presence of armed groups in the region in turn affects a given household's ability to cultivate its fields and secure an income from agriculture. People's preference for commercial economic activities in urban areas has thus increased as their ability to ensure a profit in this area has grown, as compared to agricultural activities.

While increasing numbers are seeking survival in urban areas in eastern DRC, historic social and institutional networks have faltered. As urban infrastructure has become depended upon by a steadily increasing number of people, without any related investment, it also has become increasingly degraded. Furthermore, the capacity of municipal governments to provide basic services remains virtually non-existent, with attendant increases in political and economic inequality. That people continue to seek out a more secure existence in urban centres is a testimony to the dire situation in rural areas. For the most part, as growing numbers have installed themselves in towns and population density has greatly increased, the newest arrivals are habitually forced to establish themselves in peripheral areas in shanty dwellings, often without access to basic infrastructure such as electricity, clean water and sanitation systems. Equally, such shanty dwellers often are without legally enforceable land or property rights and are thus vulnerable to another kind of insecurity: many of the property titles bought and sold in urban areas have no formal legal basis, opening them up to manipulation by various interlocutors who make considerable profit in the sale of fake titles, and leave little recourse for those who unknowingly invested in the forgeries.

The search for economic opportunities in urban areas in eastern DRC has been predominantly pursued by men. The changing structure of rural households, as women have tended to remain in rural sending areas to maintain agricultural activities, has added to the processes of social transformation at play in the region's urban migration patterns. Not only do divisions of labour change, as women take on dominant decision-making positions with respect to the survival and livelihood diversification strategies of rural households, but the social norms and lines of authority embedded in the institutions of family and community are also in flux. The proliferation of other social institutions, particularly churches, in urban areas in the east has been remarkable.<sup>41</sup>

The rapid increase in the proportion of the population occupying urban spaces has seen a parallel increase in antagonisms between competing institutions of customary and statutory law with respect to property rights, nationality and access to public office. Indeed, in many areas of political and economic urban life in eastern DRC, something else has evolved: spaces and people who are neither under the control of traditional authority nor the authority of state law. For example, those seeking work in urban areas often are distanced from the protection that could be provided by village chiefs, while state institutions remain unable to provide basic protection mechanisms such as functioning legal systems and social security mechanisms. Again, in such a context, informal networks have developed over time to respond to a range of service provision needs in urban areas, making the informal service industry one of the main drivers of urban economies in the east. In fact, such networks have come to command a substantial part of DRC's economy, including international trade.<sup>42</sup>

The ability of donors to build on these informal urban service economies in the east while tackling their predatory aspects has thus far been limited. Many economic recovery projects, including those under LRRD, tend to focus on reinforcing rural livelihoods, particularly agricultural activities. Such a focus is, however, excluding an increasingly substantial portion of the population in eastern DRC. While one-off projects to support market associations, for example, may be helpful in the short term, the gains made are unlikely to be sustained without a longer term engagement with the underlying formal and informal structures that perpetuate economic insecurity in urban areas.

## 4.0 Supporting economic recovery and building sustainable peace through LRRD

Over the past decade, donors have increasingly identified gaps between phases of emergency humanitarian assistance and longer term development assistance as countries transition from conflict to so-called *post-conflict* situations. In response, intermediary mechanisms have been developed and are increasingly being implemented in situations of 'neither war, nor peace'.<sup>43</sup> One such approach is the LRRD programme developed by the EC, one of the largest donor agencies in DRC.

The previous sections outlined some of the additional complexities that the socio-economic impacts of war pose to donors who are operating in eastern DRC. This section explores the particular conceptual and operational issues that the EC faces in the east as it seeks to provide support to economic (re)construction through the LRRD programme. The experience of implementing the various projects falling under this 'umbrella' initiative holds important lessons for all external actors engaging in such efforts.

## 4.1 Past aid patterns

In the early 1990s the international community suspended development cooperation in its various political, economic and military incarnations, with DRC and its then-president. The government, which had enjoyed significant support during the Cold War as an ally of the West, increasingly fell out of favour with donors as the Mobutu regime grew visibly more despotic and untenable to back given the changing geopolitical situation. Around this time, as the effects of crisis were increasingly felt by the country's citizens, donor involvement moved from development assistance directed at and through the state to independently administered humanitarian aid. In line with other international donors, the EC's interventions in the country were subsumed under the rubric of humanitarian assistance and designed to respond to the urgent needs of displaced and conflict-affected populations. The EC, through its humanitarian aid programme (ECHO), spent €122.1 million on humanitarian operations in DRC during the 2002-2004 period.<sup>44</sup>

The short-term nature and fiduciary requirements of such assistance allowed donors the flexibility of working around government, thus avoiding the consensus with national governments required for much development assistance. In DRC this has been driven by realities in the operating environment where the commitment of governing authorities to developing and implementing *nationwide* and inclusive poverty reduction strategies has tended to be weak. Moreover, expectations derived from established political cultures (as well as deeply ingrained prejudices) have been so limited that citizens have not been active in demanding better governance for the collective good. The combination of these two country characteristics has prevented alignment with a state-defined agenda and to perpetuated aid implementation through non-state institutions.

Following the democratic elections of 2006 that gave legitimacy to the Kinshasa government, and in the knowledge that service delivery outside of public institutions is not sustainable in the long term, donors such as the EC have been moving towards what the donor community refers to as 'state-building' approaches. The EC, for example, has elaborated a portfolio of different programmes encompassing justice sector reform, infrastructure rehabilitation and agricultural sector support supplemented by some capacity-building of local NGOs. The difficulties, however, of switching to a 'development' agenda are reflected in the continuing large size of ECHO's budget: an approximate €40 million annual budget used to finance UN agencies and international NGOs primarily with respect to the health sector.

The EC continues to deliver humanitarian assistance through ECHO to several populations in the country, particularly in 'red zones' in the east. ECHO has begun a process of drawing down its operations in certain parts of the country, however maintains a presence in other parts, with multiple sector operations focused on regions in Katanga, the Kivus and Ituri. ECHO is scaling up its response in discrete areas that continue to be affected by renewed violence and displacement.<sup>45</sup> Its current operations are predominantly focused on food aid as well as ensuring some basic infrastructure in communities to which refugees and IDPs are returning.<sup>46</sup> For example, it is dedicating financial resources to the re-establishment of certain dirt roads in the southern area of South Kivu, where the return of refugees and IDPs is underway.<sup>47</sup> While such road rehabilitation may last only a couple of months, it is in line with the need to gain access to isolated communities and also to begin laying the foundation for longer term development. Other areas of support that reflect the increasing developmental design of some humanitarian relief operations include the provision of micro-finance to support sustainable reinstallation in return zones, for example.<sup>48</sup>

While the organisation and its ways of working are defined by the immediate nature of emergency humanitarian response, the situation of protracted conflict in DRC means that ECHO

has been operational in the country since 1997. This reality of extended periods of operation in situations of 'semi-permanent' conflict also has created a need for a defined exit strategy, as ECHO is forced to balance its short-term mandate with the needs of people on the ground.<sup>49</sup> Increased coordination between humanitarian and development bodies has been one way of addressing this tension, as has the development of transitional programmes. The LRRD programme is seen as a way of addressing this transitional 'grey zone', as well as a means of reinforcing conflict prevention aspects of the EC's work.<sup>50</sup>

## 4.2 Linking relief to development?

The EC's LRRD approach was formulated at a policy level in 2001 with the issuance of a Communication by the Commission.<sup>51</sup> The actual working methods behind the programme were more fully elaborated in 2003.<sup>52</sup> The LRRD programme is currently being employed in an increasing number of countries that are chosen according to various criteria, including: conflict-affected countries that appear close to entering a transition phase; countries recovering from natural disasters; and in particular countries where ECHO has a 'foreseen exit strategy'. While LRRD is now being employed in places such as Liberia and Côte d'Ivoire, it is perhaps at its most advanced stage in eastern DRC, where it has been in operation since 2006.

As a concept, LRRD is defined by the EC as the 'design of integrated transition strategies, which gradually take over the relief/emergency aid towards sustainable development and self reliance' applied in crises and post-crisis situations. Its purpose as a transition strategy is ambitiously elaborated as one that should 'fill the gaps resulting from the difference between humanitarian aid and development cooperation in terms of objectives, procedures, partners and type of actions. It should aim at rebuilding institutional capacities, essential infrastructure and social services, increasing food security and providing sustainable solutions for refugees, displaced persons and the general security of citizens.'<sup>53</sup>

The LRRD programme comprises a mix of funding and programming approaches to the delivery of relief as well as support for community-based development. It is envisioned that any analysis that underpins LRRD programming also will reflect the EC's response to the humanitarian crisis. Indeed part of ECHO's programming is related to the identification of appropriate countries and viable areas for LRRD programme implementation, requiring close collaboration with ECHO particularly during the initial phases of the LRRD programme.<sup>54</sup>

In practice, however, the name of the LRRD programme is more of a misnomer. In fact, it often does not seek to specifically link ECHO's relief work with longer term development projects. Rather, LRRD in eastern DRC represents a variety of projects that seek to address a range of issues from emergency medical care, through its support to air ambulance services, to the generation of sustainable livelihoods, through its support to microfinance schemes for women agriculturalists. Other LRRD projects in the east include ones focused on reinforcing food security, rehabilitating certain roads and supporting returning populations in terms of agricultural inputs. Implementing organisations include a range of UN, international and local institutions, from the Food and Agriculture Organisation and the International Rescue Committee to various community-based organisations.<sup>55</sup> The only assurances about the continuation of ECHO's work subsequent to its withdrawal is seemingly with respect to some of its health projects, which are being continued in slightly altered forms by other EC institutions or contracted out to various international development donors, such as the World Bank.<sup>56</sup> During transition periods, as such initiatives are confronted with the need to be 'sustainable' in the post-emergency incarnation, elements such as user fees are introduced into areas of relative stability.<sup>57</sup> Unfortunately, while health care may continue to be provided, the establishment of user fees for local populations in Maniema has seen a dramatic decline in the number of people accessing such

health services.<sup>58</sup> Beyond the hand-over from ECHO with respect to certain health programmes, the EC now has plans to develop various roads that were initially rehabilitated by ECHO. However, this appears to have been done in more of an *ad hoc* fashion than using a strategic approach to link the shorter term investments of ECHO with longer term ones of EC development.<sup>59</sup>

The budgetary arrangements for the LRRD programme are as mixed as the projects it implements. They have important impacts on the programme's ability to directly link humanitarian efforts with developmental ones. Financial resources in support of LRRD projects in eastern DRC come from the 9th European Development Fund (EDF), and represent non-programmable funds contributed by Member States from an envelop of funding earmarked for emergency situations.<sup>60</sup> Once the overall allocation of funds is decided, the actual LRRD programme and its projects are managed primarily by the EC delegation in Kinshasa, with analytical and administrative support provided from Brussels.<sup>61</sup> Since a transitional approach is required to respond to immediate needs, as well as address longer term development issues including capacity-building, the LRRD tender process is flexible. With the current programme still in the initial phase, tender processes are fast-tracked without justification to avoid costly delays in responding to urgent needs on the ground. In such cases, the in-country implementing agency often is pre-selected or a small group of organisations identified from an official list of pre-approved implementing partners are selected to enter into a bid, reflecting a humanitarian aid style of approach. In later phases of the LRRD programme, more competitive (and thus more time-consuming) tender processes are foreseen to be introduced, although the commencement of such phases will depend on levels of stability in the east.

The LRRD programme is thus challenged to achieve a balance between ensuring quick, flexible funding processes and providing longer term, more accountable approaches that reflect regular EC development-style programmes. While tender processes are often fast-tracked to allow for more immediate project implementation, LRRD also frequently supports longer term projects that run for a period of several years. Decisions on which projects to fund often reflect months of discussions with the Congolese state and generally speak to the priorities established through the national Poverty Reduction Strategy Paper. Depending on project type and timing, LRRD funds can be administered through civil society organisations or relevant government ministries, such as with the involvement of the government's 'Office des Routes' in the road rehabilitation work.<sup>62</sup>

The entire €65 million in funding initially allocated for the LRRD programme in eastern DRC under the 9th EDF, has been subsequently supplemented with a further €10 million of funding. Furthermore, while decisions are being made on the funding to be made available under the 10th EDF (which will run from 2008-2013), it is predicted that the LRRD programme will receive renewed funding for its operations in the east.<sup>63</sup>

### 4.3 LRRD interventions and challenges

In order to better understand the challenges and opportunities for the LRRD programme in eastern DRC in support of economic recovery processes that contribute to wider peacebuilding efforts, a closer look at its areas of intervention is needed. Two such focus areas for LRRD in the east are infrastructure rehabilitation and livelihood support. Both shed light on how the instrument is being implemented and how its impact can be ameliorated.

### 4.3.1 Infrastructure rehabilitation

In financial terms, the primary focus of the LRRD programme in the east has been, and will likely continue to be, infrastructure rehabilitation. This represents as much as 80 percent of the first phase of programme funding. Specifically, infrastructure rehabilitation efforts under LRRD are focused on primary roads in the regions, with some resources also devoted to developing water and sanitation infrastructure. The focus on infrastructure reflects its importance in the region, which sits at a distance from the capital – both in terms of physical space, lying thousands of kilometres from Kinshasa, as well as with respect to accessing centralised political power of government. Despite its expansive size, DRC has an extremely limited amount of paved roads, with estimates ranging anywhere from 300 km to 2000 km.<sup>64</sup>

Infrastructure is critical in eastern DRC for access to basic health services as well as local markets (and the subsequent viability of agricultural production beyond subsistence needs) and national and regional trade routes. It also is thought to enable relatively increased levels of security, as many of the militias operating in the region tend to attack particularly isolated communities. Longer term price stability is facilitated by improved infrastructure as communities are no longer beholden to a stranglehold on supply and commerce is lent an element of predictability. Indeed, the state of infrastructure in the east relates not only to the economic security of communities, but also to individual nutritional well-being, as relief agencies attribute the declining rate of malnutrition in certain areas in part to the re-establishment of relevant transport links. Such links have enabled displaced civilians to re-engage in economic activities, including the sale of agricultural products, with attendant decreases in food prices and increases in the nutritional status of the population.<sup>65</sup>

While road construction figured into the humanitarian assistance work of ECHO, as it was obliged to rehabilitate various roads as a means of ensuring access to isolated communities in need of emergency relief, this is not necessarily being directly continued in the post-emergency phase of assistance. Under LRRD programming in the east, the roads being rehabilitated include the Kisangani-Lubutu road and the Masisi-Walikale route. Both of these routes have been severely affected by conflict and insecurity in the region. Travelling the 252 km stretch of road between Kisangani and Lubutu, for example, took two days during the conflict due to its poor state and insecurity.<sup>66</sup> Attacks and looting of supplies have previously led to the suspension of work on the Masisi-Walikale road; and while the LRRD plans to continue rehabilitation activities, recent conflict makes such plans difficult to implement.<sup>67</sup>

The focus of LRRD's road rehabilitation is, in the main, on primary roads. These roads often represent critical factors in facilitating economic activity between urban centres and for getting products to larger markets and trading centres – a major challenge with respect to economic recovery in the region. Unfortunately, the main users of such roads in the east tend to be those involved in cross-border resource trade, and thus most of the traffic consists of heavy trucks transporting goods out of the country, leading to more demanding road maintenance due to the weight and speed of the vehicles.<sup>68</sup> The EC's road programmes, including those administered under the LRRD, have been criticised for being unsustainable, with some suggesting that they should never have begun without sufficient funding and materials in place to ensure that they are subsequently finished.<sup>69</sup> Indeed, examples of faltering donor-led road rehabilitation projects in the country abound. The World Bank, for example, is supporting the re-establishment of National Road No. 2, which links Bukavu, Mbuji-Mayi and Kinshasa and connects the principal waterway systems of the country.<sup>70</sup> Difficulties related to the needed funding levels and the procurement of materials has, however, meant that the work on the project is continually stalled.

The enormous undertakings involved in primary road rehabilitation projects are aggravated in the context of continued crisis in the east, with major delays arising from insecurity and issues in

sourcing and financing the needed materials. While primary roads are needed, given the context, LRRD funding may be better directed at smaller, more labour-intensive road rehabilitation work. Secondary and feeder roads remain critical to the ability of farmers, who have such limited investment capacity, to access local markets and gain livelihoods through small-holder production. Such small-scale, locally focused projects are likely to have a much more significant impact on the well-being of affected communities – through improved access to markets as well as critical job creation. The realisation of such positive impacts depends on managing the risk of raised expectations in communities slated to benefit from such projects in a conflictual context like the east. This has serious implications for the appropriateness of these donor interventions. Furthermore, it highlights the real need for such infrastructure projects to incorporate increased community participation and accountability.

Indeed, donors are well placed to ensure the effective functioning of two critical aspects of infrastructure projects, so as to maximise their benefit to communities and harness their ability to contribute to peacebuilding processes. These relate to meaningful community participation and engagement and ensuring that contractors carry out the work in a way that is reflective of the needs of local stakeholders. Both these aspects require careful strategic planning on the part of donors to ensure they are not incorporated in *ad hoc* ways but, rather, represent fundamental aspects of any road rehabilitation work.<sup>71</sup>

The engagement of those in affected communities from the outset of planning activities is critical. Not only will it ensure that roads are rehabilitated where and when they are most needed, but it will serve as an important ‘check’ on the actions of both donors and contractors at every stage of the project. Infrastructure rehabilitation often represents immense sums of money being spent in poverty stricken communities in the east and there is a real need for communities to have a say in and understand how this money is spent. Not only are communities faced with raised expectations around the commencement of such large infrastructure projects, they also often have limited access to information, aside from the signs posted by donors advertising their work. Rumour and speculation can be powerful forces in such situations and chance fuelling tensions and creating conflict, a reality donors, including the EC, must address. The engagement of local stakeholders from the outset of such projects also can lead to increased sustainability of the work, for example by engaging communities in road maintenance activities. For many of those consulted in the east, they demanded that multi-stakeholder reference groups be formed around infrastructure projects, with members from donor agencies, contracting firms and the community. The challenge for donors is ensuring that such groups then have the ability to influence their own decision-making process as well as those of contractors.

This need for accountable decision-making relates to the other critical aspect for donors: to ensure that infrastructure projects are carried out in ways that create economic opportunity for the primary beneficiaries – the communities. Some donors in DRC have contracted out road construction to international companies, who tend to build fewer kilometres of road to higher standards than local firms and NGOs. Firstly, such an approach invokes issues of feasibility and sustainability, both in terms of identifying socially responsible companies willing to take on the financial risks required in such an environment, and in terms of materials and maintenance.<sup>72</sup> Secondly, and more importantly, this approach misses a critical opportunity to build the capacity of local firms and organisations and create jobs. Indeed, employment opportunities presented by infrastructure projects are intimately linked to the way in which donors conduct contracting processes. Road construction projects represent a true opportunity for the creation of short- and medium-term employment for individuals, as well as becoming a source of revenue for local companies. Donors, however, need to ensure that contracts require implementing agencies, be they international organisations, local NGOs or private sector companies, to engage in further sub-contracting of smaller pieces of work, for example. A donor, such as DFID, envisages requiring that a given contractor, international or local, awards a specified number of sub-

contracts to smaller local companies to carry out the work and employ local labour.<sup>73</sup> As such, labour-intensive road rehabilitation projects can represent both short-term job creation (a benefit in and of itself in eastern DRC) and support for local enterprise. This, in turn, supports the realisation of a transition from construction, as financed by donors, to longer term investment in the country's infrastructure.<sup>74</sup>

A further aspect of donor engagement in the contracting process relates back to requiring that companies selected to carry out the work engage with affected communities. This may mean that contracts stipulate the need for community-based environmental and social impact assessments. It also may require more reflexive decision-making by companies so that they have the flexibility to respond to community concerns. Regardless of the exact parameters, donors play a critical role in ensuring such meaningful engagement happens both in their work with contractors and with relevant government ministries. Such continued analysis of context and dialogue with local stakeholders also must act as a 'check' on donors themselves, who often are under pressure to spend significant amounts of money in given budgetary periods. The need for infrastructure rehabilitation is enormous in eastern DRC, and the focus of the LRRD on this area is welcome. However, donors also must be conscious of the potentially negative impact overambitious projects can have on communities, fragile state institutions and conflict dynamics, which is reason enough to tread slowly and plan carefully.

#### 4.3.2 Livelihood support

Alongside infrastructure (which itself can be an important generator of income), support for livelihoods in eastern DRC represents a critical aspect of broader processes of economic reconstruction. As outlined in Sections 2.0 and 3.0 above, people's livelihoods in the region represent a diversity of strategies and activities that have been, and continue to be, affected by conflict.

LRRD livelihood-centred projects, such as micro-finance initiatives for vulnerable communities or rural development projects designed to support small-holder agricultural activities, have taken a variety of forms. Generally speaking, however, the approach seems to be one that focuses on organising, training and equipping communities with the skills and tools needed to develop viable livelihood strategies. The diverse range of small projects has subsequently been implemented in a variety of ways. For example, the EC's LRRD implementing partner, Louvain Développement, sub-contracted to four local NGOs for the implementation of the 'Projet d'Economie Solidaire et de Sécurité Alimentaire Pour la Lutte Contre la Pauvreté au Kivu', with each NGO leading on a thematic area. One such NGO, ADI Kivu, which focuses on animal husbandry, centred its work on the encouragement and facilitation of savings in the local population. This is paralleled by support for the elaboration of development strategies at a household level. Households are subsequently encouraged to collaborate in forming cooperative groups in order to better leverage micro-credit; they then consensually decide how best to spend the collective funds. Another local NGO, GEL Sud Kivu, which also receives LRRD funds through an international NGO, focuses on training in entrepreneurial skills in South Kivu and the facilitation of the formation of micro-finance networks to ensure a sort of safety net.

The focus of the LRRD programme on the provision of micro-credit and training with respect to livelihoods reflects the urgent need of households to access financial services and receive adequate accompaniment in order to invest in productive economic strategies. Indeed, the fact that, following the worst years of conflict, there is only one bank for every 1.5 million people and every 56,000 km in DRC underlines the magnitude of the problem.<sup>75</sup> However, in the context of continued conflict and insecurity in the region, the ways in which economic activities have been circumscribed, particularly in rural areas, are having an important impact on people's ability to productively use such financial inputs. Various NGOs working in the sector have argued that the conflict has had adverse consequences for the efficacy and success of micro-credit schemes in

particular. Given the extreme levels of poverty and insecurity in the region, multiple people in a household are usually dependent on a single issuance of credit. This credit often is then utilised to meet the immediate needs of members of the household, such as health care services or the payment of school fees.<sup>76</sup> As such, the credit is unable to facilitate longer term investments in productive assets, and households often default on loan payments (and risk losing attendant collateral depending on the scheme). Even in situations where credit is productively invested, such investments often must be sold before a profit is realised due to the more pressing needs of the household.<sup>77</sup> Again, repayment becomes difficult and the opportunity for productive investment is lost due to the complete absence of protection mechanisms such as basic savings or secure land title, especially for vulnerable groups such as recent returnees.<sup>78</sup>

Another associated challenge to the realisation of durable livelihoods through effective micro-credit schemes is the complex and undocumented system of taxes that are levied against people along the value-chain for given commodities or services in eastern DRC. Due to their informality, these taxation systems are difficult to predict and plan for in terms of financial risk management and the projection of associated costs and profit margins.<sup>79</sup> Furthermore, these informal taxation systems often operate through diverse patronage networks (commonly identity-based) which direct economic benefit towards those who hold power within them and their affiliates. Such systems tend to reinforce those in existing dominant positions, thus contributing to their entrenchment. The ability of relevant legal frameworks in the east to address informal taxation activities also remains weak, being administered in an *ad hoc* fashion.

The poor functioning of formal regulatory frameworks for business in eastern DRC raises further challenges for larger scale commercialisation of household economic activities. This helps drive a vicious circle as the current lack of opportunities for commercialisation for many goods and services at a sectoral level in the east impacts negatively on the ability for micro-credit schemes to foster broader job creation. On the other hand, where the potential for greater industrialisation exists, micro-credit schemes must be coupled with measures to protect those engaged in such sectors. This is particularly true for artisanal miners as increased mechanisation of the mining sector often represents decreased levels of demand for labour. Any broader commercialisation of the mining sector thus needs also to incorporate measures to ensure access to diversified livelihood opportunities for stakeholders in the industry.

In eastern DRC, many of the blockages to establishing more sustainable livelihoods relate to the poor and disparate state of infrastructure, particularly roads, which has consequences for access to markets and thus demand, as well as price stability and predictability. Such necessary and integrated transport systems are inherently slower to evolve in contexts of insecurity and unsustainable financing (as discussed in Section 4.31). The on-going lack of basic resources, such as refrigeration capacities, continues to limit the ability of households and cooperatives to realise a profit. For example, farmers are forced to sell their goods at the end of the day below market value prices as otherwise crops will rot and farmers will be unable to make back even the associated costs expended. The transformation of raw goods into value-added products that can be produced and sold for a profit remains limited in the current context in eastern DRC, not least because of the lack of equipment and the huge obstacles (such as formal and informal costs of supply and insecurity on trading routes) to their wider availability.

Micro-credit schemes that aim to support livelihoods in the region, including those funded through the LRRD programme, need to link up with efforts to develop relevant markets and foster a conducive business environment, in particular legal frameworks and infrastructure. Accordingly, there is a need for longer term time horizons with respect to micro-finance schemes as institutions continue to be risk-averse, pushing for shorter time frames, with the attendant result being that their loans are unsustainable and rates of loan recovery remain very weak (80-85 percent in South Kivu cannot repay their loan on time, for instance).<sup>80</sup> This limits the potential

for private institutions to build on the foundations currently being laid by NGOs operating in the region and establish their own more sustainable micro-finance services. Again, there is room for individual micro-credit schemes - which seem to be most helpful in terms of addressing a household's immediate needs in the given context - to link up with broader efforts to establish a viable banking system in eastern DRC.<sup>81</sup>

Another underlying issue with respect to the establishment of durable livelihoods, which can form the basis of the creation for shared economic opportunities in the region, is that of land and ownership rights. Donors, including the EC, have been understandably hesitant to get overtly involved in questions of land allocation and related processes of legal reform in eastern DRC. More strategic policy development to address land issues has been considered equivalent to opening a 'Pandora's box'.<sup>82</sup> But while they may be hesitant to address it directly, donors are dealing with land tangentially through the implementation of projects supporting the reintegration of ex-combatants, for example. ASOP, a local NGO operating in South Kivu, identified a major problem with the implementation of their project, 'Economie Solidaire et Sécurité Alimentaire', funded through LRRD, in relation to land and its legal frameworks in the country, the province and individual communities. Due to the largely unregulated distribution of land, returning populations often are denied access to land and fields and thus are left without access to subsistence level food production. This leads to a drain on family resources and, often dispossessed, returnees migrate to urban areas. In South Kivu, the competing systems of formal, written law and the informal, customary law are administered in ad hoc ways and, as citizens often are unaware of their rights or unable to pursue them through formal institutions, they are beholden to often unaccountable community leaders. Such trends have serious implications for the durability of rural livelihoods and the ability of aid programmes to effectively support them.

In post-conflict situations, according to Turner, 'donors have also provided capital for entrepreneurs to start projects or buy existing (often government- or socially-owned) assets, and micro-credit initiatives have enabled farmers to buy animals or have ensured that small towns have a hairdresser or a pizza parlour. These schemes, however, do not address mass unemployment'.<sup>83</sup> In eastern DRC, this remains true and reflects the need not only to better link the provision of capital to private sector development, but the underlying issues of exclusion and inequality - be they linked with informal taxation systems or land distribution patterns - also must be addressed.

## 5.0 Conclusion and Recommendations

The EC, along with other donors operating in eastern DRC, are faced with myriad complex challenges when it comes to planning, implementing and evaluating economic recovery programmes. This, however, is not a rationale for disengagement. The country needs the sustained and long-term attention of international donors, particularly in the east, now more than ever as it continues to face critical junctures in its peacebuilding process. The EC's LRRD programme represents an important transitional instrument that has the ability to connect emergency relief with longer term development work in the region and address some of the challenges presented by the context in which it operates. In order to fully realise this potential, however, the programme and the projects must be employed in a way that truly meets the needs of local populations and supports a constructive relationship between citizen and state over a longer term perspective.

In such a fragile context, the way in which donors design, implement and monitor projects is just as important as the levels of funding available. An awareness of and sensitivity to underlying and

evolving conflict dynamics is critical to the realisation of inclusive economic recovery interventions that support wider peacebuilding processes. This section contains several recommendations that are aimed at informing such an outcome.

*The creation of shared and decent income opportunities, including jobs, must be a core element of peacebuilding efforts in eastern DRC, including those targeting economic recovery.*

A critical element of all LRRD interventions in the east should be job creation. Labour-intensive projects that draw on existing pools of local labourers and source local materials will have an immediate impact on the well-being of affected communities and also contribute to disincentives for a return to violence. There are immense challenges to reducing mass unemployment in the region, as insecurity and the sporadic outbreak of destructive fighting impede or prevent efforts to address it. However, in many localities such efforts are possible, but require sufficient attention to participation by communities and authorities. Experience in other contexts gives some encouragement in this respect. The potential for creating jobs must be seized upon in tendering processes and contracting for the full range of projects, and notably those involving the construction or maintenance of infrastructure. Over the longer term, the scaling up of employment schemes relies upon elements such as in-depth analysis of labour market data, strong national employment policies and investment in labour intensive sectors.

*Civil society and local stakeholders need to be actively involved at all stages of decision-making and implementation in economic recovery initiatives, including the LRRD programme.*

While this element of civil society engagement may seem obvious, it continues to be weak or absent from the planning and implementation of too many donor projects, especially those in conflict-affected communities in eastern DRC. Longer term, sustained engagement with local stakeholders is even rarer. While such meaningful engagement with civil society requires both time and money, the cost is one that must be borne to ensure the efficacy of projects themselves, as well as their ability to contribute to inclusive peacebuilding processes. Indeed, the injection of aid resources into a community without the sustained participation of civil society creates a conflict risk that threatens to subsume any project and promises to reinforce processes of exclusion. Sufficient time and human resources are vital in order to ensure equitable benefits among identity groups and genders and minimise grievance along ethnic, regional and political lines. The active participation of civil society in the planning, implementation and monitoring of projects means that the projects will better respond to the needs of communities, as well as provide an equitable stake in the benefits for all community members. If done properly, this also will ensure access to information, help to manage expectations and contribute to increased transparency of government budgets. When local stakeholders are meaningfully engaged throughout the process it creates opportunities to build the capacity of communities to manage shared economic opportunities in an accountable and transparent way, while demanding the same from donors and government. This is not only an issue at the policy level, but must be part of project design, the selection of implementing agency and project supervision.

*The LRRD programme should focus on ensuring a strategic engagement in its support for economic recovery processes in eastern DRC in order to maximise their peacebuilding potential.*

The LRRD programme covers a significant geographic area in eastern DRC and implements a diverse range of projects – from road rehabilitation to health care service delivery projects – with myriad implementing partners, each with varying capacities. Such an approach, while in some respects responding to the diverse range of needs in the east, also necessitates a more strategic engagement that targets areas where it will have the greatest benefit to communities. For example, LRRD projects could better target micro-finance initiatives at those who stand to benefit most, such as women’s agricultural associations who have demonstrated their ability to

use such support productively and who also carry the bulk of the burden of agricultural work. Such insights into which actors, areas and sectors to strategically support requires careful analysis and monitoring of projects, as well as the ability to feed such insights back into decision-making processes. A strategic engagement also requires enhanced coordination with other donor and government agencies in order to better leverage room for longer term capacity-building programmes with civil society and state institutions.

*In order for the LRRD programme to become a truly accountable initiative that builds the capacity of state and non-state institutions, financial resources must be matched by human resources and expertise in the delivery of aid.*

Meaningful local-level participation, and conflict-sensitive development in general, requires that sufficient skilled human resources, as well as financial ones, be made available in the project preparation, implementation and follow-up phases. The process, moreover, must be built on a proper collective understanding of the conflict dynamics and scenario-planning on what might happen during the implementation period. The ability of donors to effectively respond to changing situations, ensure the sufficient accompaniment of implementing partners, and manage the significant sums of aid money that are often made available require an *expert labour-intensive* approach and budgetary arrangements that are ‘fit for purpose’.

While it is encouraging that much of the work of the LRRD programme is managed by the EC delegation in Kinshasa and that budgetary arrangements are relatively flexible, there remains limited personnel to ensure effective implementation where the projects are having their biggest impacts on the ground. The handful of staff in regional offices in eastern DRC are limited in their ability to monitor projects that cover a vast geographic and thematic range and local NGOs have voiced the need for closer accompaniment by the EC in LRRD project implementation. Only a comprehensive approach, with sufficient dedicated human resources to manage the financial ones, can ensure that economic (re)construction supports the complex process of peacebuilding.

*The LRRD programme’s focus on infrastructure rehabilitation should prioritise the improvement of roads that provide the most benefit to local communities and promote shared economic opportunities. These are often secondary and feeder roads.*

The LRRD programme focus on infrastructure rehabilitation in the east, particularly on road (re)construction, is welcome given its importance for economic security and access to services for communities in the region. With a view to optimising the programme’s contribution to the availability of capital and labour, and ensuring the accessibility of markets and vital services for local communities, it should prioritise labour-intensive secondary road rehabilitation that is selected and implemented on the basis of community consultation and conflict analysis. While national roads that connect major urban centres across the country are also important, it is the secondary and feeder roads that can have an immediate and direct impact on livelihood opportunities for much of the rural population. Urban populations also benefit from this increased accessibility, for example through improved price stability of food staples. All communities benefit from improved access to services, including health care and education. In addition, small-scale projects around secondary road rehabilitation can more easily avoid some of the problems faced in constructing primary routes, for example in sourcing materials and having to halt construction due to insecurity. Indeed, secondary road rehabilitation can involve labour-intensive techniques and the sourcing of local materials.

The utilisation of road maintenance crews in places like Rwanda demonstrates the potential for road projects to provide ongoing income opportunities after initial rehabilitation work is complete. Given their direct impact on communities, local stakeholders must be actively involved

in establishing mechanism, such as information dissemination, steering and maintenance committees, and security patrols, which ensure that the roads become an accountable and durable resource for the whole community. Donors have a critical role to play in ensuring that community perspectives are taken into account and incorporated by the selected implementing agencies and contractors.

*The EC should prioritise the widespread dissemination of information related to LRRD activities and funding to all communities concerned. Such information is critical to the ultimate impact of donor engagement in supporting citizen-state relations in DRC.*

It is imperative to provide clear and detailed information to the communities affected by the projects concerned. In the context of eastern DRC, donors risk perpetuating patterns of unequal access to information and resources, thus reinforcing the positions of those in power and limiting the impact of their projects. Programmes such as LRRD, with more than ?65 million worth of funds at its disposal, represent a public good that exceeds anything the national government is currently providing to communities. Transparency and accountability are crucial in order for the LRRD programme to succeed at its aim of laying the foundation for longer term development work in a stable environment. Such accountability mechanisms, supported by ongoing efforts to ensure access to information, will increase ownership over projects within affected communities and contribute to establishing a broader understanding of collective citizenship, as well as processes and practices of good governance.

The positive contribution to overall governance requires that communication be supported, improved and, where necessary, diversified. This will help limit the extent to which prejudicial rumour and misinformation fills the space and risks destabilising the situation. The posting of signs and placards by donors is clearly inadequate. Efforts to improve and add balance to information flow need to encompass different mediums, such as radio programming, community theatre and print media, and must be conducted in relevant languages through community-based dissemination strategies.

## Endnotes

1. See, for example, *Conflict-Sensitive Approaches to Development, Humanitarian Assistance and Peacebuilding: A Resource Pack*, International Alert, 2004. Available at: <http://www.conflictsensitivity.org/>
2. Both organisations are part of an umbrella organisation of European NGOs, networks of NGOs and think tanks active in this field: the European Peacebuilding Liaison Network (EPLN).
3. Initiatives under the 2nd pillar include Track I diplomacy, rule of law and policing missions, as well as military deployment.
4. Initiatives have included the study for the Portuguese presidency, 'An adequate EU response strategy to address situations of fragility and difficult environment', European Centre for Development Policy Management (ECDPM) and Instituto de Estudos Estrategicos e Internacionais (IEEI), 2007 and the consultation on 'EU Response to Situations of Fragility in Developing Countries', European Commission Issues Paper, 2007.
5. 'Inter-Service Quality Support Group (iQSG) Programming Fiche on Conflict Prevention', European Commission. Available at [http://ec.europa.eu/external\\_relations/cfsp/cpcm/cp/doc/cp\\_guide.pdf](http://ec.europa.eu/external_relations/cfsp/cpcm/cp/doc/cp_guide.pdf)
6. *Acting on Commitments: How EU Strategies and Programming Can Better Prevent Violent Conflict*, International Alert, Saferworld and EPLN, 2007.
7. Testimony of Mauro De Lorenzo, Resident Fellow, Foreign and Defense Policy Studies, American Enterprise Institute before a hearing on 'Exploring the U.S. Role in Consolidating Peace and Security in the Great Lakes Region' Subcommittee on African Affairs, Committee on Foreign Relations, U.S. Senate, 24 October, 2007
8. *Peacebuilding in the Great Lakes: Challenges and opportunities for the EU in the DRC*, International Alert, 2006
9. *Ibid.*
10. "Structural stability embraces the mutually reinforcing goals of social peace, respect for the rule of law and human rights, and social and economic development. It is supported by dynamic and representative political structures, including accountable security services (and an independent justice system) capable of managing change and resolving disputes without resort to violence". See the DAC Guidelines (2001) *Helping Prevent Violent Conflict*.
11. *Women's Bodies as a Battleground: Sexual Violence Against Women and Girls During the War in the Democratic Republic of Congo, South Kivu (1996-2003)*, International Alert, Réseau des Femmes pour un Développement Associatif, Réseau des Femmes pour la Défense des Droits et la Paix, 2005.
12. 'Protecting Livelihoods in Violent Economies', Jackson, in Ballentine and Nitzschke (eds), *Profiting from Peace*, 2005
13. 'Rules for Sale: formal and Informal Cross-Border Trade in Eastern DRC' Pole Institute, 2007, page 6
14. The international community has increasingly recognised the need to have a more sophisticated response to poor and weak governance and is developing more nuanced analysis on different types of state fragility. This process is being co-ordinated through the OECD DAC Fragile States group and is one that is being paralleled in several bilateral and multilateral donor institutions.
15. EC official, interview, May 2007
16. See Foreword of this report for an elaboration of the meaning of 'conflict-sensitivity'.
17. The field research upon which this study is based was carried out in two areas in eastern DRC: Ituri, a district in the Orientale province, and the province of South Kivu itself. The socio-economic impact of cycles of violent conflict at a household level was explored and joined up with a political economy perspective. These two territories were selected for a number of reasons, including the similarities in terms of competing uses of land between agriculture, livestock and mining; the attendant livelihood strategies employed; the recurrent patterns of conflict between various communities; and practical factors around accessibility.
18. *Peacebuilding in the Great Lakes: Challenges and Opportunities for the EU in the DRC*, International Alert, 2006
19. Presentation of 'Conflict Risk Analysis' for DRC, DFID DRC, August 2007
20. *Rwandais et Congolais Entre Méfiance et Espoir de Cohabitation Pacifique : Rumeurs, Préjugés, Stéréotypes et Mythes*, Réseau d'Analyses Régionales (RAN), unpublished, 2007
21. 'Economic and Political Foundations of State-Making in Africa: Understanding State Reconstruction' Hesselbein, Golooba-Mutebi and Putzel, Crisis States Research Center, 2006
22. *Ibid.*
23. The Multi-Country Demobilization and Reintegration Program (MDRP), established in 2002, is a multi-agency effort designed to support the demobilisation and reintegration of ex-combatants in the Great Lakes region. Activities in the DRC include support for the national Disarmament, Demobilisation and Reintegration programme (PNDDR). See <http://www.mdrp.org/> and the detailed report 'Opportunities and Constraints for the Disarmament and Repatriation of Foreign Armed Groups in the Democratic Republic of Congo', Romkema, 2007.
24. 'Economic and Political Foundations of State-Making in Africa: Understanding State Reconstruction' Hesselbein, Golooba-Mutebi and Putzel, Crisis States Research Center, 2006
25. It is important, though, to be aware of the distinction between the different groups, such as the Banyamulenge and Congolese Tutsi. The Banyamulenge community of South Kivu is a subset of the Congolese Tutsi, with a distinct history and culture. Laurent Nkunda is a Congolese Tutsi from North Kivu, and thus part of the province's Banyarwanda community, although some Banyamulenge officers serve under him.
26. Cycles of violent conflict between the Hema and Lendu communities in Ituri have existed for several decades, with critical regional elements. Contested patterns of land ownership have culminated in what has been regarded as local ethnic cleansing, with some of the most violent conflict occurring between 1999 and 2003. See, for example, 'Congo Crisis: Military Intervention in Ituri', International Crisis Group, 2003
27. Mauro de Lorenzo testimony to the US Senate committee.
28. The EU has conducted Military Operations in DRC, launching the ARTEMIS military intervention in Ituri in 2003, for example. The United Nations Mission in DRC (MONUC), with eighty percent of its 17,000 military and police personnel deployed in the East, continues to have a significant presence in the region.

29. *Conflit et Transformation Sociale a l'Est de la RDC*, Vlassenroot and Raeymaekers (eds), 2004
30. *Ibid*, chapter 5
31. 'Legacies of the War Economy' Kisangani in Nest et al. (eds) *The Democratic Republic of Congo: Economic Dimensions of War and Peace*, 2006
32. 'Rules for Sale: formal and Informal Cross-Border Trade in Eastern DRC', Pole Institute, 2007
33. The 'Trading for Peace Project' being led by DFID, USAID and COMESA in the Great Lakes region is one such example, as are the various research projects being carried out by donors, such as the World Bank, on harnessing the growth potential of the artisanal mining sector in DRC.
34. 'State of Food Insecurity in the World', FAO, 2006
35. See, for example, *Women's Bodies as a Battleground: Sexual Violence Against Women and Girls During the War in the Democratic Republic of Congo, South Kivu (1996-2003)*, International Alert, Réseau des Femmes pour un Développement Associatif, Réseau des Femmes pour la Défense des Droits et la Paix, 2005
36. These smaller plots tend to be approximately 1-2 acres in size.
37. *Conflit et Transformation Sociale a l'Est de la RDC*, Vlassenroot and Raeymaekers (eds), 2004, Chapter 5
38. USAID official, interview, May 2007
39. 'Conflit et Espace Urbain', Verhoeve in Vlassenroot and Raeymaekers (eds) *Conflit et Transformation Sociale a l'Est de la RDC*, 2004
40. For example, the town of Goma has seen significant population influxes with the advent of conflict in Masisi in 1993, and the Congo war in 1996 and continued insecurity in the region to date, with population surging from 172,573 inhabitants in 1993 to an estimated 600,000 inhabitants in 2003.
41. 'Conflit et Espace Urbain', Verhoeve in Vlassenroot and Raeymaekers (eds) *Conflit et Transformation Sociale a l'Est de la RDC*, 2004
42. 'Economic and Political Foundations of State-Making in Africa: Understanding State Reconstruction' Hesselbein, Golooba-Mutebi and Putzel, Crisis States Research Center, 2006
43. 'Evaluation of ECHO's Actions in the Democratic Republic of the Congo (DRC)' Micheal *et al.*, European Commission, 2004.
44. *Ibid*.
45. ECHO official, interview, July 2007
46. ECHO now manages all relevant food aid programmes itself and these programmes will be subsumed under its budget beginning in 2008.
47. Processes of return of refugees and IDPs are underway, although far from uninterrupted, in places such as Fizi and Uvira.
48. This is being done in collaboration with development-focused organisations such as ActionAid
49. ECHO official, interview, July 2007
50. 'Annual Report on Humanitarian Aid', Report from the Commission, 2000. Available at [http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001\\_0307en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0307en01.pdf)
51. The 2001 Communication, COM(2001)153 – Linking Relief, Rehabilitation and Development – An Assessment, drew on a basic rationale for LRRD elaborated by the EC in 1996.
52. The Interservice group was established in February 2003.
53. European Commission, 'Transition strategy: the linking relief, rehabilitation and development (LRRD) Approach', Programming Guide for Strategy Papers, January 2006
54. 'Evaluation of ECHO's Actions in the Democratic Republic of the Congo (DRC)' Micheal *et al.*, European Commission, 2004
55. EC Official, interview, May 2007
56. EC Official, interview, July 2007
57. This transition from relief-based health care to a service delivery approach that involves user fees is particularly problematic in areas where such diverse approaches exist in neighbouring communities, which is happening in several districts in the DRC.
58. ECHO Official, interview, July 2007
59. *Ibid*.
60. The EDF represents the main instrument for providing Community aid for development cooperation to ACP states. It is funded by Member States. The 10th EDF is slated to cover the 2008-2013 period.
61. Such support from within the EC comes primarily from DG Dev and AIDCO.
62. EC official, interview, May 2007
63. EC official, interview, November 2007
64. See, for example, 'DFID Country Profile: DRC', available at <http://www.dfid.gov.uk/countries/africa/congo.asp>
65. ECHO Official, interview, July 2007
66. WFP Emergency Report, January 1997. Available at <http://iys.cidi.org/humanitarian/wfp/97a/0001.html>
67. <http://www.reliefweb.int/rw/RWB.NSF/db900SID/MMQD-6A3QYJ?OpenDocument>
68. ECHO Official, interview, July 2007
69. Presentation of 'Conflict Risk Analysis' for DRC, DFID DRC, August 2007
70. This includes connecting the Congo river and the Lake Kivu and Lake Tanganyika systems.
71. Bray, 'International Companies and Post-Conflict Reconstruction', World Bank Social Development Papers, 2005
72. *Ibid*.
73. DFID is planning to incorporate such requirements into the Pro-Routes project it is supporting in DRC
74. Once the political and security situations have stabilised and lend predictability and regulatory risks minimised, private sector companies are more willing to invest. See Bray, 'International Companies and Post-Conflict Reconstruction', World Bank Social Development Papers, 2005
75. African Economic Outlook: Country Studies: DRC, 2005-2006.
76. ADI Kivu staff, interview, July 2007
77. For example, it will often take several months or years before the credit used to invest in productive assets, such as a herd of goats, can be turned around for a decent profit. Many more pressing needs often arise in the interim.

78. IRC staff, interview, July 2007
79. GEL Sud Kivu, interview
80. GEL Sud Kivu staff, interview, July 2007
81. The formalisation of remittance banks is one potentially useful means of strengthening the banking systems in DRC.
82. USAID Official, interview, May 2007. Despite this general reticence however, individuals within certain donor's agencies seem to have begun addressing land issues in Eastern DRC on a very ad hoc basis.
83. Turner, 'What is Wrong with the Current Peacebuilding Agenda?' ISP/NSC Briefing Paper 06/02, 2006, page 3



