interest of the international community at large. Laurent Désiré Kabila emerged as the right man to lead the new political order largely as a matter of chance. With the support of presidents Museveni and Kagame, Kabila created the Alliance of Democratic Forces of Liberation (ADFL), with Ngandu Kisase, Massasu Nindaga, and Deogratias Bugera. The former was an old militant of the Lumumba movement; the two latter were very close to Rwanda through their origins and their political ambitions. On 31 October 1996 the forces of the Alliance, massively supported by troops from Rwanda, Uganda and Burundi, attacked Bukavu and Goma. This marked the beginning of the fantastic odyssey that brought Laurent Désiré Kabila to power in Kinshasa on 17 May 1997. He had by then become the president of the Alliance after the ‘mysterious’ death of Ngandu Kisase (see de Villers and Omosombo this issue).

Once in power, President Kabila portrayed himself as a nationalist leader formed in the spirit of the maquis. In reality, however, he was intransigent and strictly controlled the process of change. He could do little more than apply the model he had learned in the PPR maquis because he had never mastered any other political model. He alienated other political groups and distanced himself from the population who perceived him as being too close to his Rwandan allies. Moreover, he frustrated the Western world by his obstinate ‘nationalist’ views. He became increasingly unpredictable. When he tried to distance himself from his Rwandan and Ugandan patrons, a second war broke out on 2 August 1998. Despite support from Zimbabwe, Angola and Namibia, Kabila was forced to sign the Lusaka Peace Agreements and accept the principle of the Inter-Congolese Dialogue. Intransigent until the end Kabila persisted in sabotaging the implementation of the Lusaka Agreements. Ultimately, he alienated even his ostensibly closest allies. On 16 January 2001, in his Marble Palace office, Laurent Désiré Kabila was assassinated by his own bodyguard. He was succeeded by his son, major general Joseph Kabila.


**Editor’s Note:** Translated by Claude Sumata and Theodore Trefon. The editors of this issue express their thanks to Erik Kennes for his valuable comments on this text. Kennes’ *Essai biographique sur Laurent Désiré Kabila*, (in collaboration with Munkana N’ge) will be published by Cahiers Africains/L’Harmattan, Tervuren/Paris by the end of 2002.

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**Migradollars & Poverty Alleviation Strategy Issues in Congo (DRC)**

**Claude Sumata**

This briefing examines the motivations of agents and analyses the idea of risk-sharing behaviour in the absence of insurance or intertemporal markets in the Democratic Republic of Congo (DRC). Migration might provide a shelter against uncertain income prospects when financial markets ‘malfuction’ or do not exist. Labour migration tends to improve economic welfare of the destination countries and immigration may alleviate unemployment and provide inputs such as remittances and skills. Migration can also act as a mechanism for income redistribution and as a source for resources for families with migrants. International migration has had an overall positive impact on poverty alleviation in DRC. Remittances facilitate, to some extent, local entrepreneurial activity.

*Cet article essaye d’appréhender les motivations des agents et d’analyser le comportement de partage de risque en l’absence des marchés formels d’assurance, en considérant le cas du Congo/RDC. Le*
processus migratoire constitue un abri contre des perspectives incertaines de revenus lorsque les marchés financiers sont dysfonctionnels ou inexistants. La volonté de diversification du portefeuille des actifs financiers des agents est à la base de la migration d’un ou de plusieurs membres de leurs familles. L’immigration demeure au centre des préoccupations de la famille directe du migrant du fait des ressources supplémentaires espérées. La migration internationale tend à améliorer le bien-être socio-économique des pays des-tinataires. L’analyse tend à cerner le rôle primordial de la migration comme mécanisme de redistribution de ressources et comme source de revenus pour les familles des migrants. La migration internationale a un impact global positif sur l’allégement de pauvreté de nombreux ménages du Congo.


Cet article porte essentiellement sur les comportements d’épargne d’immigrants congolais en Europe (France, royaume uni et Belgique). D’abord, nous allons souligner l’importance du contrat implicite liant le migrant à sa famille par le biais des transferts des ressources consécutives. Ensuite, l’impact de l’environnement macro-économique sur le processus de migration internationale au Congo sera abordé. Enfin, nous analyserons les déterminants de la migration congolaise en considérant les conséquences économiques du phénomène, avant de constater dans quelle mesure les transferts des ressources des migrants peuvent alléger la pauvreté des leurs familles et contribuer à la promotion des entreprises.

**Introduction**

One way to reduce risk for households in the absence of insurance markets is to allocate their labour to diversify sources of income. In Congo-Kinshasa, the local possibilities of diversification of activities are scarce due to hyperinflation and political crisis. In this context, strategies to diversify income may take the form of international migration. Hyperinflation has destroyed the main channels of productive activity making external migration a major adjustment mechanism.

The idea that risk sharing drives the process of migration in developing countries has long attracted the attention of researchers (Stark & Levhari, 1982; Lucas & Stark, 1985). This Briefing focuses mainly on the Congolese immigrants in France, UK and Belgium and their contribution to the development of their country. I then underline the link between migration and remittances and explore the impact of the macroeconomic environment on the migration process in Congo. I also examine how remittances may alleviate poverty and to some extent finance small-scale business.

**Migration & Remittances**

Tables 1 and 2 indicate that international migration has increased and official development assistance (ODA) to developing countries has fallen. It seems that

<table>
<thead>
<tr>
<th>Table 1: ODA as a Percentage of Government Expenditure</th>
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<tr>
<td>------</td>
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<tr>
<td>%</td>
</tr>
</tbody>
</table>

*Source: The Reality of Aid 2000, p. 6.*
remittances accounted for between $70 and $75bn per annum during the early 1990s (Van Hear, 1998). This amount is a significant proportion of world financial flows – $75bn is 50% more than ODA (World Bank, 2000). Remittances to developing countries represented approximately $550bn between 1988 and 1999, which is around $46bn per annum during this period.

Congolese nationals who live abroad are able to save money and make transfers home on a regular basis. These remittances, and the migration that make them possible, are the result of family strategies to diversify household income. Members of households in Africa tend to be more willing than elsewhere to invest in the education of (usually) the first born boy. Recent studies (Papademetriou & Martin, 1991; Durand et al. 1996) indicate the positive effects of remittances from international migration.

Migrants’ households seem to have a higher propensity to consume than households without migrants. There is some evidence to demonstrate that resources from migration tend to stimulate economic activity by increasing to some extent the levels of employment and investment.

Table 2: Total Remittances to Developing Countries

<table>
<thead>
<tr>
<th>Year</th>
<th>Workers’ remittances (US$m)</th>
<th>Compensation of Employees (US$m)</th>
<th>Total (US$m)</th>
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<td>28,340</td>
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<td>27,976</td>
<td>4,160</td>
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<td>34,159</td>
<td>4,893</td>
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<td>44,134</td>
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<tr>
<td>1997</td>
<td>52,181</td>
<td>12,840</td>
<td>65,021</td>
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</tr>
<tr>
<td>1999</td>
<td>51,211</td>
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<tr>
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<td></td>
<td></td>
<td>549,504</td>
</tr>
</tbody>
</table>

local poverty. Congolese migrants have sustained attachments to home through transnational practices as trade and remittances play a crucial role in this context (MacGaffey & Bazenguissanga-Ganga, 2000).

In order to understand the socio-economic impact of migration it is necessary to analyse the remittance process. As the major reason behind migration to western countries was economic during the 1980s and 1990s, this strategy may be interpreted in two ways. The first was to satisfy personal ambitions and the second was the need to fulfil family obligations. With a worsening political and economic environment in Congo-DRC, it seems that most immigrants remit money in order to help parents, rather than the prospect to inherit, as emphasised by Lucas and Stark (1985) in the case of Botswana. The main reasons for remittances are the following: buying or constructing residential properties, supporting parents, supporting brothers and sisters, supporting other relatives, buying or setting up a business. Most migrants do not have the opportunity to launch a business in Congo-DRC: this strategy is too risky with a weak return on investment. It is also the case that the majority of migrants are not confident that the recipients of money sent home put the funds received to ‘appropriate use’. It is difficult to analyse the scale of remittances as the transfer of money tends to flow through different channels and most of them are ‘unofficial’. Aside from the transfer of money, the flow of in-kind transfers and gifts is also important.

The Dynamics of Goods & Money Transfers

There are many channels to remit goods and money and most remittances are not channelled through official transfers. One way to remit without major cost seems to be the use of services from relatives travelling to the homeland. Congolese migrants arrange unofficial transfers of goods and money in this context, but this is a high risk strategy with no guarantee that items arrive safely. Since the 1980s, individuals living abroad could remit through private agencies (both formal and informal) run by agents in Congo and especially in Kinshasa to ensure the smooth transfer of goods and money. The intermediaries are contacted by telephone and invited to act when an operation is required and given the appropriate information for identifying the recipient. The fees for this transaction are about 10% of the amount transferred.

Official banks are not generally involved in these financial transfers. However, some individuals may remit through banks even if this is costly and slow and there is a high risk of loosing money because of the use of official exchange rates. The means of transfers available within the official channels are limited and the absence of postal orders by mail personnel also motivate the use of unofficial transfers.

The Impact of Macroeconomic Environment on Migration Process

The depreciation of the Congolese currency and the dollarisation of the economy make the possession of foreign currencies a hedge for many families in Congo/DRC (Sumata, 2001a). In this context, Congolese face the tyranny of the parallel markets for foreign currencies and inflation. Hyperinflation, speculation and political instability mean that the value of the dollar is unpredictable. In Congo-Kinshasa, economic, political and social pressures have convinced individuals to leave their home country. Prolonged economic recession has been characterised by massive inflation, decreasing job security and declines in real income. Congo’s external debt rose dramatically during the 80s reaching US$12.5bn by 1997. The rate of hyperinflation in Congo-Kinshasa reached 23,773. 1% per year by 1994. The situation remained catastrophic
in 2000 with a GDP of $3.9bn compared with $10bn in the previous decade. Inflation remained 511%.

Congo’s government revenue fell by 84% in 1989-1994 – the result of an eroded tax base, widespread tax evasion and the collapse of state mining. The total value of GECAMINES (the main company mining copper) exports, equivalent to 60% of total national export revenues in 1990, declined from $1,300m in 1990 to just $176m in 1994. The copper mines on which the country depended for two-thirds, some $1bn, of its exports, have been flooded. Diamonds became Congo’s principal source of foreign currency of about $32m in 1993, but three-quarters of its total are smuggled.

The decline in income and purchasing power pushed individuals out of Congo. The real value of wages was constantly eroded by the corrosive impact of hyperinflation even though the government had attempted the indexing of salaries. There is evidence that individuals are now more willing to leave their home to settle abroad permanently (Takeyuki Tsuda, 1999). About 1.7 million people have fled the country in the past five years. And goods transferred home and remittances tend to play a key role in keeping kinship ties close as well as providing a major channel of investment, due to the shortage of financial resources within the formal sector. In fact, the financial system is almost inoperative with rates of interest reaching 200%. Congolese’s foreign exchange parallel market for instance had traditionally been largely supplied by remittances of Congolese migrants either directly during holidays or via their families and relatives.

During the 1980s and 1990s the former Zairian economy witnessed the expansion of an active parallel economy (MacGaffey, 1991; Cour, 1989; Sumata, 2001a). The foreign sector of the economy was at the forefront of these parallel economic activities, encouraged by a system of mis-invoicing, smuggling and diversion of remittances from Congolese migrants to the parallel market for foreign exchange. According to the Governor of the Central Bank of Congo there was about $700m within this parallel channel yet only $8.6m as bank reserve in all the commercial banks in 1999.

The main supply of foreign exchange through the banking system is provided by diamond exports. Yet only around 20% is channelled through the official system, leaving the parallel economy to deal with approximately 80%. It is wise to point out that remittance flows seem to follow the same pattern, its importance as a source of foreign exchange calculated by the ratio of remittances to macroeconomics variables such as imports or exports; however, data on this is patchy. Remittances channelled through official channels represent approximately 20% of total remittances with the remainder transferred to meet the supply and demand for foreign currencies in the parallel foreign exchange market.

The share of imports financed through the parallel market (about 70% of total imports) seems to be very high both as a consequence of the bankruptcy of the formal banking system and the persistent shortage of foreign currencies. As foreign exchange was rationed administratively and limited to a small portion of population, the remainder – including individuals, officials, commercial and state enterprises – were supplied by the parallel market. These paid necessary imports and to ensure basic activities due to the dollarisation process characterised by negative interest rates. Even though widespread shortages of imported commodities did not emerge, price adjustment occurred generating the dynamics of hyperinflation during the 1990s. Under these conditions, foreign currencies seem to be more attractive as a hedge against inflation.
This partially explains the high scale of the parallel economy in Congo-DRC ensuring a continued deterioration in the external accounts and capital flight, as a significant flow of remittances remains in the unofficial channels. This phenomenon has led to the development of unrecorded activities by encouraging investment of largely unproductive outlets and inventory speculation. It seems that the informal financial sector is, in this context, the main source of credit to micro enterprises due to the shortage of liquidity within the formal banking system. In fact, the role of formal banks in financing micro enterprises in Congo-DRC is modest.

The inefficiency of domestic financial markets do not allow households in Congo-Kinshasa to borrow and insure against negative contingencies in the official sector. This has increased the impact of the informal financial markets and their role as ‘a lender of the last resort’. However, the dynamics of hyperinflation, especially during the 90s, destabilises both formal and informal financial markets by insuring the development of parallel exchange markets which has a negative effect on the price level. This makes Congo-Kinshasa a fertile ground to study migration as a means for diversifying risk when the credit and insurance markets are malfunctioning or absent.

As migration is an opportunity for the household to diversify risk, it can occur even when wage and unemployment differentials are insignificant. The strategy is that households excluded from the formal financial markets and unable to gain access to credit and insurance markets may minimise risk by using their income to allow migration of their members and, in this context, may be a response to asymmetric information. Households concerned about their relative social status are more likely to be subject to relative deprivation and migration tends to be the main channel to improve their social rankings at home. One of the salient points of the migration process is the fact that first-comers can generate an externality by facilitating the migration of new migrants. Migrants from specific developing countries congregate in particular western countries to take advantage of the experience of earlier migrants.

**The Congolese Migration Process to Europe**

As a result of worsening economic conditions in the 80s, Congolese people were more willing to migrate to more prosperous countries of Belgium, France, UK and South Africa. Households could not survive economically in Congo-Kinshasa during the recession and migration was a way to improve their standard of living. It is apparent that the possibility of relatively high-paying jobs in Europe became a powerful economic incentive for migration when faced with the economic crisis and hyperinflation at home.

Migrant workers in the host country are willing to endure the type of degrading jobs that they avoided at home, usually unskilled and shunned by local workers. They are also less affected by the social degradation of low-status work because they gain an income that gives them substantial purchasing power at home. More importantly, a migration-system approach might help to understand transnational economic and historical connections between sending and receiving countries. Individuals tend to minimise risk by choosing societies that have close relationships with their own country. In the case of Congolese migrants in Belgium, the colonial link seems to be the key factor.

Despite the independence of Congo-Kinshasa from Belgium in 1960 Belgium has been actively involved in Congolese society up to the 90s. The substantial amount of foreign investment, transfer of capital and trade between the two countries has...
strengthened the political relationship. It seems that the domestic cultural perceptions of the economic benefits of migration tend to play a crucial role in the Congolese migration process confirming its acceptability as a strategy for economic survival.

**Congolese Immigrants in Belgium**

Before 1980, immigration to Belgium was negligible. Congolese travelled to Belgium on a temporary basis, mostly as students, civil servants or tourists. Immigrants to Belgium during the 80s were mainly middle class seeking work and better pay as the economic opportunities and prospects were limited at home. Since 1990, the unprecedented level of political and socio-economic crisis was a fertile ground for continuing immigration. The civil war in 1996-1997 intensified this process when all strata of Congolese society dominated the ‘new’ wave of immigration. Wealthy individuals who purchased properties in Belgium were willing to immigrate. Yet the new dynamics tend to show that both rich and poor had no choice but to seek political asylum. In May 1997, as President Laurent Kabila came into power in Congo-Kinshasa, some of the former dignitaries of President Mobutu’s regime and their families emigrated to Belgium.

**Congolese Immigrants in France**

Congolese emigration to France started during the second half of the 70s as a result of declining economic opportunities in Congo-Kinshasa. Among the first were students seeking an improved education. Immigrants who came to France at that period to pursue their studies or to work could get an unskilled job easily. They could also apply for asylum and gain some resources, which were substantial compared with what they earned at home. Congolese musicians also helped build the image of ‘Parisiens’ which could work and invest at home. The flow to France increased in the 80s as the wealth of those who returned to Congo increased. Some successful Congolese acquired lorrys and kombi (small vans) used to transport people and goods in Congo-Kinshasa, especially in Kinshasa. Congolese immigrants like many others from Africa, created their own businesses in France during the 90s as the risk to return home tended to decrease. Most entered the small and middle-level trades of food and agricultural products; some entered the import/export trade between France and Congo-Kinshasa. They also invested in businesses to sell textile and beauty care products. Other Congolese investment went into services such as shops, restaurants and video shops and agencies to send money and small goods home.

**Congolese Immigrants in the UK**

The inflow of immigrants and refugees from the DRC to the UK started around 1989. The number of Congolese asylum seekers and refugees rose drastically during the 90s. Applicants from the DRC represented 5% of the total of those granted ‘exceptional leave to remain in the UK’ in 1998. According to the Home Office (UK), the number of applicants for asylum increased from around 4,000 a year during 1985-1988 to 46,000 in 1998; the number continued to rise in 1998 and 1999 despite the introduction in February 1996 of DSS (Department of Social Security) benefit restrictions to asylum seekers. Asylum applicants to Western Europe increased in 1998. Belgium for instance, saw an increase of around 10,000 applicants in 1998 – double that of 1997.

A number of Congolese immigrants who had arrived in the UK came from other European countries including France and Belgium. It seems that the Shengen Convention of 19 May 1990, the main purpose of which was to tighten immigration requirements in Europe, helped divert Congolese immigration into the UK because Britain did not sign the agreement. It was to some extent against this back-
ground that many Congolese resolved to emigrate to the UK.

Remittances & Poverty Alleviation

The experience of Congolese in the 1990s illustrates the close link between remittances and the alleviation of poverty. Mismanagement, political instability and civil war transformed the economy into one heavily dependent on money transfers from Congolese nationals living abroad. Nevertheless, a large part of these remittances were not channelled through the official system and the authorities failed to create a series of concessional schemes.

The evidence regarding the use to which migrant savings are put is quite controversial. The amount that migrants save depends on the level of their income and necessary expenses for subsistence, accommodation, and transport. Some analyses emphasise that only a fairly small proportion of savings is allocated to productive investments. It seems that savings are largely spent on ‘conspicuous consumption’ to raise the status and comfort of migrants and their families. As observed above, a considerable portion of savings is used for house construction or land purchase. This kind of expenditure has been condemned by many researchers arguing that migrants’ savings and remittances could be used in a more productive way and that remittance spending may cause structural distortions such as inflation.

Russell (1992) has examined the uses and consequences of remittances and indicates that the distinction between consumption and investment expenditures is rather superficial. In fact, it seems that spending on housing, consumption, and services such as education and health may create employment and produce positive multiplier effects as well as reduce the need for government expenditure on infrastructure, subsidies, and services. More importantly, expenditures on housing may serve not only to raise the status of immigrants and their families, but also provide them with a better access to other local resources. International migration may therefore tend to improve economic welfare of the destination countries.

The flow of remittances from immigrants to their families and relatives amount to a significant percentage of exports in sub-Saharan Africa during the 1990s: 117% for Cape Verde and 83% for Eritrea. Between 1990 and 1996, Malians living abroad remitted approximately $110 million, representing around 25% of exports. Remittances from the Ghanaian diaspora represented the fourth largest source of foreign currency for the government in 1992. Immigrants also play a crucial role in regularly funding hospitals, home communities and ‘alma maters’ through the donation of equipment and money, benefiting not only individuals and local communities but also the government of Ghana (Manuy, 2000).

International migration has had an overall positive im-

<table>
<thead>
<tr>
<th>Year</th>
<th>Workers’ Remittances</th>
<th>Compensation of Employees</th>
<th>Total</th>
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<td>1999</td>
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</tbody>
</table>

Total 68,173

pact on poverty alleviation in DRC with remittances facilitating local entrepreneurial activity and representing a major inflow of capital for micro enterprises. Kinshasa’s transport system has already received important investment from Congolese citizens living abroad. In Kinshasa for instance, the amounts were more significant than elsewhere in Congo-DRC, as the number of families with migrants was significant and the immigration process continues. (Overseas remittances tend to be a huge part of informal financial markets in the Kinshasa area.) Congolese immigrants in Europe seldom return home often even if their contribution to the family members’ revenues seems to be important.

Conclusion

The Congolese government should encourage immigrants to send their remittances through banks and not through the unofficial system that has promoted the development of the parallel market. The Congolese Franc, however, needs to gain strength against the dollar in order to persuade migrants that sending money through normal banking channels is not less advantageous. The Congolese government, therefore, needs to implement a significant economic reform programme with a key element devoted to the exchange reforms encouraging greater inflows of remittances through the official channels. The economic contribution of the diaspora and the subsequent flow of remittances could be further oriented to reverse the catastrophic dynamics of a mineral based economy lacking essential physical infrastructure. The design of future policy should aim to achieve a significant increase in the share of remittances brought through official channels, in addition to enhancing export performance.

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