



**World Bank and DR Congo
Mining Session, Paris November 30, 2007**

Notes: Raf Custers, researcher with International Peace Information Service (IPIS)

On November 29 and 30, 2007, a Consultative Group Meeting on the Democratic Republic of Congo took place at the World Bank's offices in Paris.

1/ According to a World Bank draft communiqué "*the aim was to discuss the progress the DRC has made over the last few years, consider the Government vision for development, reinforce the mutually accountable and transparent partnership between the Government and its partners and continue mobilizing funding in support of its PRSP as well as its Programme d'Actions Prioritaires (PAP)*"¹

2/ A Final Communiqué has been published by the French bureau of the World Bank². It says a.o. that donors have committed \$4 billion towards the DR Congo for the period 2008-2010:

« Les partenaires au développement tant bilatéraux que multilatéraux présents au Groupe consultatif³ – environ 140 représentants provenant de 15 pays et de 10 organisations internationales – se sont engagés à fournir un appui soutenu à la RDC pour un montant total de 4 milliards de dollars américains pour les trois années à venir (2008-2010), soit un peu plus de 1,3 milliards de dollars

américains par an, dont 75 pour cent représentent des engagements nouveaux afin d'appuyer la stabilisation politique et économique du pays, la reconstruction après-conflit et les réformes en matière de gouvernance ».

3/ Mining Sector

The World Bank also organised a special Session on Mining, after the Consultative Group reunions, on Friday November 30, 2007. It was chaired by Martin Kabwelulu, minister of Mines of DRC, and Craig Andrews, in charge of the mining policy at the World Bank. Apart from politicians and civil servants, some entrepreneurs and civil society representatives attended to this meeting. An IPIS researcher had been invited too.

¹ Draft Final Communiqué, paper copy distributed on Friday November 30 at the meeting.

² <http://web.worldbank.org/WBSITE/EXTERNAL/ACCUEILEXTN/PAYSEXTN/WBEUROPEFREXTN/FRANCEINFR/ENCHEXT/0,,contentMDK:21573149~pagePK:141137~piPK:141127~theSitePK:563375,00.html>

³ Footnote in the French communiqué : « Les partenaires au développement bilatéraux présents étaient: la Belgique, le Canada, la Chine, la France, la Grande Bretagne, les Etats Unis d'Amérique, l'Allemagne, l'Italie, le Japon, les Pays Bas, la Norvège, le Portugal, l'Espagne, la Suède et la Suisse. Les multilatéraux présents étaient: la Banque Africaine de Développement, la Banque Arabe pour le Développement Economique en Afrique, La Commission Européenne, la Banque Européenne d'Investissement, le Fonds monétaire international, le Fond Koweïtien pour le Développement Economique Arabe, l'Organisation de Coopération et de Développement Economiques, le Fonds Saoudien pour le Développement, le Système des Nations Unies (la Mission des Nations Unies pour le Maintien de la Paix, le Programme des Nations Unies pour le Développement, Le Fonds des Nations Unies pour l'Enfance (UNICEF), Organisation mondiale pour l'Alimentation (FAO), le Programme Alimentaire Mondial (PAM)) et le Groupe de la Banque mondiale (IDA, MIGA, IFC, FIAS) ».

The most important bit of information is that the World Bank has drafted an action plan for the Congo's mining sector. It is called '*DRC, Growth with Governance in the Mining Sector*'⁴. Last Friday, it has been presented by Craig Andrews, the Bank's principal mining specialist. Work on the document started in January 2007 and was carried out mainly by Delphin Tshimena, who works with the World Bank in Kinshasa, with the support of an external consultant financed through the German government.

Some key elements:

- i. The identified resources of the Katanga Copper Belt are estimated at 70 million tons of copper, 5 Mt of cobalt and 6 Mt of zinc. Katanga thus comes second to Chile (with 88 Mt of copper) among the world's copper regions. One important remark: average ore grades in DRC are much higher than in Chile. The copper belt in Katanga, according to Annex 2 of the document (authored by prof. Pierre Goossens), "still contains 2 billion tons of copper ore at an average grade of 3.5%, 1.5 billion tons of cobalt ore at an average grade of 0.34% and 34 million tons of zinc ore at an average grade of 18.06% (...) The Katanga copper belt is one of the richest mineral belts in the world".
- ii. From 2007-2009 onwards, Refined Metals Prices are expected to go down. This conclusion stems from graphics in Annex 1 on p.95. However, the DRC's mining sector could, within ten years, contribute 20-25 percent of Gross Domestic Product and one-third of total tax revenue.
- iii. The report proposes a strategic and comprehensive program ('action plan') for the sector, to be carried out over the next five years. The overall objective is to increase the contribution of large and small-scale mining to economic development by addressing key deficiencies in the sector. This program would cost an estimated \$200-400 million and would be funded through internal government resources, augmented by multilateral and bilateral donors.
- iv. Base case scenario: production value of the mining sector will range between \$2 billion and \$2.7 billion per year and fiscal receipts will range between \$186 million and \$388 million per year, for the period 2008-2017. Current GDP is estimated at \$ 8.5 billion and total fiscal receipts at \$1.1 billion⁵ per year.
- v. The business environment seems to be improving. The Mining Code (drafted by the DRC with the World Bank) of 2002 is consistent with 'international best practice' and the fiscal regime is internationally competitive.
- vi. There is, however, a serious problem with what is called the **Tax Gap**. The document says: "fraudulent practices by companies and government agencies have created a gap of US\$ 35 million of what should be paid versus what is actually recorded as having been received in terms of royalties and surface rents alone. The gap is larger if total mining taxes are considered: about \$200 million per year should be generated by the sector; the Government claims to have received sector taxes in 2005 of \$27 million".
- vii. The government has "a legitimate concern if mining contracts did not follow proper procedures or if the partners were simply speculating in the equities markets without performing serious work in accordance with the terms of the agreement". The World Bank does not give an appreciation of the fact that the Government set up a commission to review existing mining contracts and limits itself to reiterating concerns on the way this commission operates (terms of reference, tight timetable, lack of expert legal advice...).
- viii. On the mining contracts the document states that "many of the partnership contracts were entered into when the state-owned company was in financial

⁴ *DRC, Growth with Governance in the Mining Sector. First Draft*, 88 p., October 16. *Second Draft*, 148 p., November 19, 2007. Distribution of this document is still restricted. We understand from a source within External Affairs of the World Bank in Paris that it is the Bank's policy to be as transparent as possible and to publish documents of this kind after approval by the WB's Board.

⁵ From all sources, including the mining and petroleum sector.

distress, and agreed to terms that may not have reflected the fair market value of the mineral assets. In addition, some of the contracting procedures may not have been proper under Congolese law. Finally, some of the contracts provide for transfer of the mineral right which puts into question the state enterprise's ability to recover the right in the event of default by joint venture". Annex 4 says: "now that peace has returned, these [partnership contracts] may be perceived as excessively generous and out of line with international best practice". Here one can ask how the World Bank defines the notion of 'international best practice'.

- ix. Investment in infrastructure and minerals development in DRC "of whatever origin or nationality" should be welcomed, so the World Bank says, provided a.o. that it is transparent, respects the Mine Law of 2002 etc. But the preliminary agreement with 'a group of Chinese enterprises' announced in September 2007 raises a number of concerns.

From the Question and Answer session:

- i. Minister Kwabelulu pointed out that the Government is carrying out a review ('*revisitation*') of mining contracts within the framework of its policy concerning good governance and transparency. Nobody will be chased, so the minister stated⁶. On the contrary, it is the purpose to find an equilibrium, to start mining exploitation and put an end to the freezing ('*gel*') of mineral deposits.
- ii. Paul Fortin, general manager of the DRC state owned mining company Gécamines, made an interesting intervention. He said he had been negotiating for the past ten days in Beijing and was going to return to the Chinese capital on December 1, for another two weeks of negotiations on behalf of Gécamines. His company is seeking a deal with the Chinese company Cobec (already a partner of Gécamines) and three other unnamed Chinese companies. The deal is worth \$5 billion. It is, however, not clear if Fortin's current negotiations are related to the already existing framework agreement, which has the same value, or if he is negotiating a new agreement.
- iii. Minister Kabwelulu joined in on this subject to reassure the concerned parties. Government took the initiative, so he said, and reached a framework agreement for the rehabilitation and construction of infrastructure and mining. Then Mr. Kabwelulu emphasised that a misunderstanding must be clarified: it is not the Government's intention to replace some by others ("de remplacer les uns par les autres"), nor does the Government want to use the review of the mining contracts for this purpose. Gécamines owns mining titles, so he said, and can grant them to other companies, Chinese companies included.
- iv. Finally, the minister promised measures against military personnel causing insecurity in mining zones. Article 16 of the Mining Law clearly says who is to take care of security there and the military are not among them.

For more information, contact International Peace Information Service (IPIS) in Antwerp, Belgium:

raf.custers@ipisresearch.be

phone +32-(0)3-2250022

IPIS vzw
International Peace Information Service
Italiëlei 98a
2000 Antwerpen
Tel. +32 (0)3 225 00 22
Fax: +32 (0)3 225 01.51
E-mail: info@ipisresearch.be
Url: www.ipisresearch.be

⁶ « *Je rassure tout le monde que nul ne sera chassé* », Minister Kabwelulu, Paris, November 30, 2007.