

Katanga's missing millions

One of the most remarkable developments seen on the African mining scene in recent years has been the emergence of the DRC as the biggest copper producer in Africa and the biggest cobalt producer in the world.

Given the country's mineral riches (which, in the case of copper and cobalt, are almost exclusively located in Katanga Province), this might not seem a huge achievement but it has to be remembered that just 15 years ago the DRC's production of the two metals was insignificant. In 2003, for example, just 16 172 tons of copper and 1 200 tons of cobalt were produced.

Since those days, the country's copper/cobalt industry has been revitalised. Starting around 2005, the country's doors were opened to mainly western mining companies such as First Quantum, Anvil Mining, Freeport-McMoRan and Tiger Resources (most of whom have now departed the country). They proceeded to open a series of new mines and the results were startling. Production climbed year by year and by 2013 the country was producing more copper than neighbouring Zambia. In 2014, for the first time, over a million tons of copper were produced.

The problem with this success story is that it has a dark side, as international NGO Global Witness makes clear in its latest report on the DRC's mining industry. Entitled 'Regime Cash Machine – How the Democratic Republic of Congo's booming mining exports are failing to benefit its people', the report exposes huge malfeasance relating to the revenues generated from copper and cobalt mining.

Here is the nub of Global Witness's case: "More than \$750 million of mining revenues paid by companies to state bodies in the Democratic Republic of Congo was lost to the treasury between 2013 and 2015. Instead, the money disappeared into a dysfunctional state-owned mining company and opaque national tax agencies. There is no clarity on what this money was spent on or where it ended up, but testimony and documentation gathered by Global Witness indicates that at least some of the funds were distributed among corrupt networks linked to President Joseph Kabila's regime."

The "dysfunctional state-owned mining company" referred to is, of course, Gécamines, the descendant of the famous colonial-era mining company, Union Minière du Haut Katanga. Gécamines was once a major copper/cobalt miner in its own right – producing almost half-a-million tons of copper a year back in the 1980s – but years of plunder by President Mobutu Sese Seko and others saw it virtually collapse in the 1990s. Today, it has a share in most, if not all, the copper/cobalt mining ventures in the

country but does little direct mining itself.

Global Witness says its investigation shows that Gécamines, is "haemorrhaging money in suspect transactions" – some of them involving cash payments of millions of dollars – and has more than a billion dollars of debt.

"Gécamines has apparently prioritised paying off debts to a friend of the president over paying its staff, who have at times gone months without their salaries, and has handed out a crucial contract in opaque circumstances to a little-known sub-contractor," states the report. "Meanwhile, it fails to pay dividends to the government, its sole shareholder, and barely pays more than \$20 million in tax per year, according to an industry transparency body – much lower than the contributions of several private mining companies in Congo."

Global Witness lays the blame for much of what has gone wrong at Gécamines at the door of its Chairman, Albert Yuma, who apparently controls the company with little oversight and who reportedly only answers to President Kabila. It quotes an unnamed civil servant as saying: "You should forget Gécamines my friend. It's an empty shell. Plunder is done in the open. Decisions come from the top [officials] and there's nothing we can do about it."

Yuma is trying to re-launch Gécamines as a mining operator, with his hopes reportedly being pinned on the Kamfunda mine. Global Witness notes that "a little-known operator" with South African links has been selected as the sub-contractor for the relaunch work at the mine and says the contract appears to have caused concern even within Gécamines' own hierarchy. It adds: "The project consists of five separate contracts, none of which has been made public and whose terms are unknown, even to many within Gécamines."

Global Witness has a whole raft of recommendations to rectify the situation in the DRC's copper/cobalt mining sector and warns that failure to take action could be disastrous for the country. As it says, "The diversion of much-needed public funds into parallel networks close to the regime serves only to entrench the deadly divisions in Congolese politics today. It also heightens the risk of Congo backsliding towards the disastrous civil wars from which it has not yet fully recovered."

I realise that Global Witness is no great friend of the mining industry but its reports are extremely well researched and, in this particular case, give substance to what many of us familiar with mining in the DRC have already heard on an anecdotal basis. It's certainly well worth a read and can be downloaded from the Global Witness website.

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