

# Current situation regarding Chinese investments in the Democratic Republic of Congo

# DRC



Credit: Inoussa Njumboket

## Chinese investment in the forestry sector in DRC

Prior to the procedure by which former forest titles were converted into forestry concession contracts, one Chinese enterprise had a concession, though this concession license was granted during the moratorium. This concession was not renewed due to non-compliance with several terms, including not having registered legally as a wood harvesting or processing company, not having paid tax on the surface area of operations, and not having a business plan or a sawn timber plan. The vast majority of Chinese investors operate in artisanal logging. There are no Chinese investors with industrial concessions in DRC.

It was noted that between 2009 and 2012, 57 artisanal licences were granted to 17 companies with links to Chinese capital in Equateur province (14 artisanal licences to 3 companies) and Bandundu province (43 artisanal licences to 14 companies).

But there are instances of joint-ventures that should be noted, including SCPT-YFIDE (SOFOBA) and the buy-out of SCIBOIS (Société Congolaise Industrielle du Bois). Several years ago, three industrial forestry concessionaires signed partnership agreements with Chinese investors for logging under their titles.

These are: ITB (Entreprise Industrielle de Transformation de Bois) in Oshwe Territory; SCTP (Société Commerciale de Transport et des Ports), formerly ONATRA, and NBK (Nouvelle Banque de Kinshasa) in Mushie Territory. Given the informal nature of these confidential agreements, studies have been unable to obtain data relating to the capital invested, revenue generated or tax paid. Besides, these operating methods for logging are identical to those for artisanal logging, despite using equipment capable of harvesting much larger quantities.

In terms of impact, the important thing is that artisanal operators have official authorisation and operate outside sought-after sites where it would not be possible for the Forestry Administration to conduct adequate supervision. Likewise, beyond a few gifts offered to the usual local authorities and, doubtless, the odd bribe to the various provincial and territorial authorities, there is no positive impact to speak of on the local populations, nor on the environment to which they belong, from the moment the artisanal licensees are no longer accountable to the former.

## Why it is important

In 2002, DRC embarked upon a huge programme of reform of its forestry industry. With this in mind, it was decided to impose a moratorium on the granting of new industrial logging concessions, to allow time to create the conditions for sound governance in forestry management. During this period, it was found that there was an increase in artisanal licences, often granted with disregard to legal and regulatory provisions. The purpose of these artisanal licences is really to support national producers and revitalise the internal market. However, using artisanal licences for logging does not comply with sustainability standards. Indeed, the social requirements and environmental management plans that apply to industrial logging do not apply to artisanal licences. In the light of all the problems raised by illegal logging in DRC, the government has committed to an all-out campaign to combat it.

## Key statistics

In 2012, **67,166 m<sup>3</sup> of logs and 1,329 m<sup>3</sup> of sawn timber** were exported to China.

**43% of Congolese wood exports** are destined for China.

**China is the largest of 38 importers of wood** and forest products from DRC.

There are **more than 70 Chinese enterprises operating** in the mining sector in Katanga province.

## Chinese investment in the non-forestry sector in DRC

In September 2007, a ‘resources for infrastructure’ agreement was signed between two Chinese public-sector construction companies and the DRC state-owned copper producer GECAMINES. Under this agreement, the DRC government granted Chinese companies the right to produce more than 10 million tonnes of copper and hundreds of millions of tonnes of cobalt. In exchange, the Chinese companies committed to funding nearly \$96 billion worth of construction of roads, railways, hospitals, schools and dams across the country, as well as to developing the mining industry. In order to be sustainable, this type of mutual agreement, a ‘win-win’ for both governments, should make a positive contribution to the Congolese people.

Chinese commercial and investment activity in the mining, forestry and infrastructure sectors in DRC have considerably increased over the last ten years. Other significant investments may materialise over the coming years. For example, unverified information indicates the existence of an agreement between the DRC government and Chinese company ZTE to establish an industrial oil palm plantation of 100,000 ha.

As regards social and environmental responsibility, industrial concessions such as those operated by Sicominex and DIMA should comply with environmental obligations by conducting environmental impact studies that include environmental and social management plans. The problem lies more with the Chinese small- and medium-sized enterprises that deal with the artisanal operators, and whose activities are more difficult to monitor.

As is the case for all other investment in DRC, Chinese investments are governed by the Code des Investissements (Investment Code) and also by legislation specific to each business sector. The Agence Nationale pour la Promotion des Investissements (ANAPI, the national agency for the promotion of investment) is a public-sector organisation that was set up to promote investment in DRC. It also acts as a facilitator for investors, providing technical and legal expertise on the Code des Investissements. Therefore, in 2012 ANAPI drew up a Guide for Investors, which will have to be updated, and has an information pack available for each business sector. The forestry, agricultural and infrastructure sectors are priorities for ANAPI, whereas the mining sector is mainly managed by the Ministry of Mines.

## Legal frameworks linked to Chinese investment

| Sector      | Codes, Laws and Regulations   | Year(s)    |
|-------------|---|------------|
| Investment  | Code des Investissements (Investment Code)  | 2002       |
| Forestry    | Code Forestier (Forestry Code) & Ministerial Order 028 of 2008 on measures relating to estimating the price of forests to be licensed | 2002, 2008 |
| Mining      | Code Minier (Mining Code)   | 2002       |
| Agriculture | Law N° 11/022 on the fundamental principles of agriculture  | 2011       |
| Environment | Law N° 11/009 of 9 July 2011 on the fundamental principles of environmental protection  | 2011       |
| Land        | Code Foncier (Land Code)  | 1973       |

## Interaction and collaboration with China to date

The mining and infrastructure sectors offer private investors of all kinds the opportunity to grow their capital through a ‘win-win’ partnership with the Congolese government, mainly through ‘Build-Operate-Transfer’ financing or contracts for the execution of works.

The consultation process regarding the development of Sino-Congolese relations has been broadened to include representatives from civil society. As a result, a great deal of criticism was raised by civil society and by other relevant stakeholders regarding the transparency of negotiations on the Sicominex transfer agreement.

## Looking Ahead

The Congolese government values its relationship with China and the investments this brings. This is characterised by the large infrastructure-for-commodities deals that are promoted as benefiting the Congolese economy and society. In contrast, the presence of Chinese investors in the informal sector is poorly documented and understood.

Because of the obscurity surrounding these deals it is difficult to gauge China’s impact on DRC’s forest. Yet we know that China has a strong presence in the country’s natural

resource sectors. The experience of the moratorium suggests that, unexpectedly, this has created a loophole for unsustainable extraction of forest resources. So far there is little evidence to suggest that these investments will bring sustainable development to the DRC. Is this relationship mutually beneficial or primarily extractive?

The root of this problem lies in lack of transparency and accountability. DRC is a vast country and rich in resources but with very little capacity to monitor or enforce its laws. There is no reason why the China-DRC relationship couldn’t be a mutually beneficial one, but fundamental aspects of transparency and accountability need to be addressed first. The Extractive Industries Transparency Initiative initiative in DRC has started this dialogue but more collaboration between the two countries is needed to ensure due diligence checks are carried out at both ends and compliance with international as well as in-country laws is enforced.

*“As Minister of the Environment and Sustainable Development, my priorities are to fight climate change, to combat the illegal harvesting of Congolese wood and to ensure there is a future for our wood, which is an enormous asset for DRC.”*

**Mr Bienvenu Liyota**, new Minister of Environment and Sustainable Development

## Find out more

The China-Africa Forest Governance project is a multi-country project that seeks to improve forest governance, by promoting sustainable and pro-poor Chinese trade and investment in Africa’s forest. Through research, dialogue and joint action with partners in China, Cameroon, Democratic Republic of Congo, Mozambique and Uganda, the project contributes towards improved policy and investment practice in China and Africa, in ways that foster good stewardship of forest resources and benefit local communities.

Find out more about our work on China-Africa Forest Governance project at <http://www.iied.org/china-africa-forest-governance-project>

## Contacts

Belmond Tchoumba ([gbtchoumba@wwfcarpo.org](mailto:gbtchoumba@wwfcarpo.org)) and Inoussa Njumboket ([injumboket@wwfcarpo.org](mailto:injumboket@wwfcarpo.org)), World Wide Fund for Nature DRC  
Isilda Nhantumbo ([isilda.nhantumbo@iied.org](mailto:isilda.nhantumbo@iied.org)) and Anna Bolin ([anna.bolin@iied.org](mailto:anna.bolin@iied.org)), International Institute for Environment and Development



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