The impact of Chinese investments in the DRC

Perception and reality from the ground

Chinese investment in the Democratic Republic of Congo offers several potential benefits to the country, notably employment for local people and increased tax revenue. However, for relations between China and the Democratic Republic of Congo (the DRC) to prove genuinely beneficial and sustainable to both parties, agreements need to be negotiated fairly. Congolese legislation, which is traditionally fragile, also needs to be upheld, in particular with regard to the environment and social benefits.

Existing Congolese environmental legislation emphasises a number of key areas: the polluter-pays principle, the prohibition of activities with potential negative environmental impacts in protected areas, a ban on air pollution likely to affect health, the prohibition of waste and other substances that pollute rivers and marine resources, and finally a further ban on activities that increase the risk of soil and subsoil erosion. Violation of the Congolese Environmental Act can lead to civil liability and penalties. How these provisions actually inform action on the ground by foreign investors varies widely.

An IIED/WWF country briefing published in 2015 noted that, “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”. We decided to take the research further to gather the views of local stakeholders, including government, civil society organisations, Congolese operators and traders, community leaders and members of the community at large. We collected data in nine provinces with varied Chinese activity, ranging from artisanal logging to industrial mining.

Permits and benefits to local authorities

- Artisanal permits for forests and mining are issued to local Congolese individuals. The transfer of rights or subcontracting are not permitted. However, it is clear that these actions do take place in the field in what local stakeholders call ‘mirror’ permits and benefits to local authorities.

VITAL STATISTICS

- The DRC is a large country covering more than 2.3 million km² with a population of 77.29 million. Forty per cent are in the urban areas and almost 64 per cent still live below the poverty line. The country’s GDP reached $35.2 billion in 2015, translating to a per capita figure of only $456.

- Despite its poverty, the DRC is lavishly endowed with natural resources, including some 145 million hectares of forest with very high value timber and non-timber forest products, 80 million hectares of arable land and more than 1,100 different minerals and precious metals. Large areas of water provide fisheries and facilitate navigation across different regions.

- In 2014 the Extractive Industries Transparency Initiative reported progress in the extractive industries in the Congo, with $2 billion going in revenue to the government. Oil and gas are also providing an increased share of state proceeds.

KEY SPACES

Decision making about investment contracts is made at various levels, including bilateral agreements between the governments of the DRC and China. The typical model is development of infrastructure in exchange for natural resources. There are also significant formal and informal operations involving Chinese and Congolese individuals, which aim to circumvent a moratorium on timber concessions or allow Chinese traders to profit from artisanal mining operations.

Weak law enforcement capacity and the dispersed taxation system enable such operations.

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The conditions of employment are often negotiated through bilateral or informal agreements. This means while a permit is legally held by Congolese, in reality it is exploited by Chinese companies. These informal arrangements also mean that companies do not pay taxes through the formal system.

- Companies engaged in industrial mining and infrastructure development are also involved in timber harvesting activities. This can be both associated with mirror agreements or simply illegal logging.
- Payments to some local authorities were reported to range from $150 for village chiefs, to $500 for local chiefs, to $1,000 per month for the administrator of the territory.

Social
- Legislation for harvesting forests or for mining activities defines the need for social agreements between communities and companies. Agreements should include construction or rehabilitation of social infrastructure.
- In several investments covered there were reports of construction and rehabilitation of primary and secondary schools, maternity or other clinics, construction of bridges, markets and houses for local authorities. The key problem, however, is that often these projects are not equipped (some schools lack furniture, for example).
- Chinese operators create enclaves fenced with barbed wire around mining areas, keeping out both local communities and, in some cases, local authorities. Some communities cannot access areas of fertile land.
- Conflicts emerge over the destruction of cemeteries and wild food sources such as honey and mushrooms, which communities depend on for food security.

Economic
- Stakeholders welcome investments because they create employment, especially for the youth. Salaries paid to workers provide food, health and education, and support local trade.
- The salaries in one forest concession ranged from $100 per month for cooks and assistants for machinery to $300 for machine operators and supervisors. The loggers receive 80 Congolese francs per log (eight US cents).
- The conditions of employment are often precarious, with workers from other regions, including Kinshasa, living in shacks. Salaries can be paid months late. Labourers injured at work are abandoned to their fate.
- Even if artisanal loggers do not transfer their permit to Chinese traders, they still have to agree to a very low price imposed on their timber.

Environmental
- There are reports of timber harvested and left in the forest in some regions, such as Kimono.
- Mining activities are responsible for water pollution in rivers such as the Lulu and Kitoto, which affects access to water for domestic use as well as damaging fisheries.
- Water pollution has an impact on health. Local communities suffer from skin problems such as itchiness and pimples.

The impacts above show that severe negative impacts seem to outweigh the potential benefits of foreign investment in the forest sector and in mining in the DRC. The primary cause of this situation is poor implementation of existing legislation, elite capture and rent seeking.

Looking ahead
To improve matters, the China-Africa project partners will continue to promote dialogue and mobilise a concerted effort with government at the central and provincial level, as well as with local civil society organisations, to raise awareness of existing Congolese environmental legalisation. The terms of exchange also need to reflect the value of the resources, and transparent monitoring and reporting is central for the Congolese government to evaluate the impacts of the deals on its economy, its peoples and the environment.

The China-Africa project partners will endeavor to engage stakeholders in producing simplified guidance on legal obligations and community engagement in order to deliver inclusive, equitable and sustainable investment in the DRC.

Knowledge Products
The International Institute for Environment and Development (IIED) promotes sustainable development, linking local priorities to global challenges. We support some of the world’s most vulnerable people to strengthen their voice in decision making.

There are many Congolese intermediaries — men and women — involved in trading timber and other products with the Chinese.

WHY IT IS IMPORTANT
The DRC's natural resources could drive economic growth and improve the livelihoods of its population. Transforming natural resources into economic benefits requires a set of strong policies for equitable allocation of resources for extraction. A regulatory system also needs to enable rather than deter contributions, as multiple taxes will inevitably foster illegal practices. A fair system of redistribution to provinces could further incentivise good governance.

Conditions of employment in different operations are critical to ensuring that men and women involved in the extraction of natural resources are not put at risk and receive fair remuneration.

The DRC has in place a set of policies that aims to govern the social and environmental impact of investments, including the extraction of natural resources and development of infrastructure. All investors, including Chinese, are required to follow the principles and good practices to support sustainable development. The real issue is the extent to which they actually follow this rulebook.

SOUTHERN VOICES
“Nothing good or positive since the company came to settle here with us”, says a local Congolese chief. “On the contrary our fields are destroyed and our rivers are clogged and polluted… many of our fields are in the part which became his concession. And the company has protected its concession with the barbed wire… there is also a part of the land that is polluted by the acids that are discharged in the fields and in the river. In the past, in a hectare of maize, we generally harvested 1,200 buckets, but currently we don’t have 700 buckets of maize.”

FIND OUT MORE
Our work on China-Africa forest governance is run by IIED’s natural resources group and partners. This group drives our efforts to build partnerships, capacity and wise decision making for fair and sustainable use of natural resources. Find out more about our work on China-Africa forest governance at www.iied.org/natural-resources-group