



## Summary Report of the 5th Edition of the Alternative Mining Indaba of the Democratic Republic of Congo



### Main Theme: Valorization and Local Transformation of Mineral Resources in the Democratic Republic of Congo: Scope, Challenges and Prospects

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Building vibrant and tolerant democracies



## INTRODUCTION

From the 27th to the 28th of October 2021, the Southern Africa Resource Watch (SARW) organised the 5th edition of the Alternative Mining Indaba (AMI) of the Democratic Republic of Congo (DRC) in partnership with the Open Society Initiative for Southern Africa (OSISA), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Norwegian Church Aid (NCA) under the theme ‘Domestic Value Addition and Processing of Minerals in the Democratic Republic of Congo: Scope, Challenges and Opportunities’.

Nearly 150 participants from the Democratic Republic of Congo, Botswana, Ethiopia, Kenya, Senegal, South Africa, South Sudan, Uganda and Zimbabwe took part in the workshop in person at the Pullman Grand Hotel in Kinshasa, while others followed the proceedings online via Zoom. The Congolese Minister of Industry, the provincial ministers of Mines, delegates from the Presidency of the Republic, the Coordinator of the African Centre for the Development of the African Union (AU) Mining Sector, delegates from embassies (Rwanda, Belgium and Norway), the Secretaries General of the Congolese public administration, CEOs and Heads of public services, the president of the Federation of Congolese Enterprises (FEC), delegates from public and private mining companies, representatives of religious denominations and civil society organisations, including groups of women working in the mines and youth groups attended the meeting.

The Secretary General of Mines opened and closed the 5th edition of the AMI on behalf of the Minister of Mine. This edition of the AMI was divided into four parts: the opening session, the plenary sessions, the breakaway sessions and the closing session.

## OPENING SESSION

The opening session had three speeches. The executive director of SARW, Claude Kabemba, revealed that the choice of the theme for this 5th edition of the AMI was motivated by the need to rectify the current minerals management model consisting in exporting raw materials then importing their finished products, more particularly in the global economic context dominated by the energy transition. Of great importance, this theme also aims to highlight how the DRC intends to leverage its strategic minerals at this critical time of energy transition.

*To maximise revenues from the rising prices of strategic minerals and to maximise the benefits from their exploitation, the DRC needs to process them locally into finished or semi-finished products.*

Speaking on behalf of civil society, Bishop Sébastien Muyengo, president of the Episcopal Commission for Natural Resources of CENCO (CERN/CENCO), asked four fundamental questions:

*Who owns the minerals in the DRC? Who has the power to decide on their processing? Is it the State or the mining permit holder? And what kind of processing are we talking about?*

Then, he demonstrated the contradiction in the Congolese law that limits the ability of the State to process minerals locally. While Article 9 of the Constitution of 18 February 2006 reaffirms the permanent sovereignty of the State over mineral resources, Article 3 of the Mining Code enshrines the ownership of market products in favour of the holders of mining rights. *'This provision strips the Congolese State of the power to decide on the legal obligation of mining companies to process minerals in the Democratic Republic of Congo.'* All mining production is for export. To put an end to this contradiction, he recommended the revival of public mining companies with a new mission or the creation of new companies with specific missions.

In his opening speech, the Secretary General of Mines, Mr Theo Mboma Zwabisala, welcomed the theme of the 5th edition of the AMI and expressed hope that the exchanges would lead to relevant recommendations likely to converge with the content of the Ministry's roadmap drawn up at the end of the General Assembly of the mining sector.

## **PLENARY SESSIONS**

### **Session 1: The African Mining Vision and Minerals Value Addition**

This session highlighted the link between transparent, equitable and optimal exploitation of minerals and sustainable growth to ensure broad-based socio-economic development. This link is also reinforced by the purpose of the Extractive Industries Transparency Initiative (EITI) standard. As with all other African countries with mineral potential, the DRC must consider, *'domestic minerals processing as the solitary means to revive industrial activity throughout the country with a view to economic diversification.'* This approach is in line with the Africa Mining Vision adopted by the AU Heads of State and Government in 2009.

Professor Emile Ngoy, Dean of the Faculty of Economics at the University of Kinshasa, and other participants noted that 'every country aspires to sustained and inclusive economic growth, to progress, development and continuous improvement of the living conditions of its population'. To this end, in view of the potential of mineral resources, the collective social well-being must be at the centre of concerns, actions, measures and decisions by the Congolese authorities.

### **Session 2: Domestic Minerals Processing, Industrialisation and Development**

This session discussed the role of minerals in the Industrialisation Plan of the DRC. Julien Paluku, the Minister of Industry, indicated that the Congolese government had just adopted the Industrialisation Plan and related guidelines as instruments that should lead to the migration towards a new economic model. He said, *'the mining sector occupies a prominent place in the extractive cash economy of the DRC. It has exceeded 25% of GDP in the last five years. In*

**2018, the sector contributed 98% of total merchandise exports, 20.3% of government revenue and 28.7% of GDP.’** The strategy for domestic minerals processing is defined in the Industrial Policy and Strategy Paper (IPSP) and is summarised as **‘mining and metallurgical value addition’**.

To this end, the Congolese government intends to promote further processing of minerals and their industrial and domestic applications. It will develop several mining sectors that have high economic and social impact, including aluminium, iron, copper, gold, cobalt and lithium.

***The DRC needs to invest in this industry to ensure a transition to clean energy and create a regional value chain around the electric battery industry and a market for electric vehicles.***

All these actions will have a very positive socio-economic impact, in particular the reduction of imports (meeting domestic demand), the creation of new businesses and the development of the mineral production chain, wealth creation by increasing GDP from USD 50 billion to USD 100 billion, job creation (significant reduction in the unemployment rate), higher tax revenues for a budget of 25–30 billion USD as well as poverty reduction.

The plan focuses on the domestic processing of strategic minerals by 2030, but there are prerequisites, including **‘the need for in-depth knowledge of mining potential, a good business climate and political will’**.

Albert Yuma Mulimbi, president of the Federation of Congolese Enterprises (FEC), recalled the need to rely on mining to develop the local economy. **‘He recommended prohibiting the processing of concentrates outside the DRC while strengthening the local mining ecosystem through subcontracting and the development of national mining skills.’** He insisted that strategic minerals also provide an opportunity for higher State revenue, with soaring prices on the international market, which should be injected into the creation of processing enterprises. The president of the FEC reckons that the domestic processing of minerals can only succeed if the rules of transparency are complied with. He recommended the regular publication of the commercial contracts and financial reports of private and state enterprises.

### **Session 3: Foreign Experiences of Domestic Minerals Processing**

In this session, discussions revolved around the experiences of Rwanda, Botswana and Zimbabwe. Vincent Karega, the ambassador of Rwanda to the DRC, presented his country’s experience, focusing on the establishment of a gold refinery which processes gold from Rwanda, Congo and other countries. **‘The gold refinery built by Rwanda cost five million USD and is a joint venture (Rwandan and American) to add value not only to the minerals extracted in Rwanda but also to offer refinery services to African mining operators who want them.’** With its significant quantities of gold, the DRC can build as much in order to maximise its tax revenues from gold mining in the east of the country.

Charles Siwawa, Executive Secretary of the Mining Workers' Union of Botswana, told participants that his country's significant diamond deposits have been exploited for many years by De Beers. Initially, De Beers was processing diamonds in London. However, the government of Botswana required them to move their cutting and polishing plants from London to Gaborone. Botswana has largely benefited from its diamond resources to become one of the most stable economies on the continent. *'It is important to note that the Botswana miracle is a result of political leadership and good governance, leading to a national consensus on the use of mining revenues.'* Since independence, Botswana has been a politically stable country where the democratic process is respected. Thanks to this stability, various political leaders have succeeded in creating a business climate conducive to economic development and transparency in the management of revenues from the mining sector.

As for Zimbabwe, participants followed the experience of women working in the mining sector and the challenges they face, somewhat similar to those experienced by Congolese women. Cultural barriers and prejudices were identified by participants amongst the challenges that prevent women from fully engaging in mining activities and accessing finance on the grounds that women do not offer secure guarantees. About 15% of enterprises are in favour of financial support for women. In response to these challenges, women in the mining sector have organised themselves through the Zvishavane Women Miners' Association to defend their rights. The government of Zimbabwe has provided financial support for the training programme but most of the grants come from civil society organisations. This association needs political support for the local processing of the minerals produced by the women.

These experiences clearly show that the DRC has all the opportunities (abundance of mineral resources, mining legislation favouring industrialisation, global needs for strategic minerals, the presence of several mining operators, the possibility of increasing electricity supply capacity, etc.) to proceed with the domestic processing of its minerals, for value addition and revenue maximisation. *All it needs is political will, followed by sustained good governance and visionary leadership.*

#### **Session 4: The Contribution of Businesses to the Development of Minerals, Local Content and Subcontracting**

The following mining companies attended the session: Tenke Fungurume Mining (TFM), Glencore/DRC and the Kivu & Maniema Mining Company (SAKIMA). Delegates from these companies stressed that the responsibility for local processing of minerals lies primarily with the Congolese government. The reason mining companies have been granted a moratorium to continue exporting mineral concentrates is that the Congolese government has not provided the electricity needed to process the minerals domestically. *The energy deficit argument put forward by mining companies is considered by some observers as insufficient to circumvent the legal obligation of local processing of minerals under the Mining Code.*

Raphaël Ngoy, former Manager of First Quantum Minerals/DRC and former Head of the Cobalt Department, Luilu, at Gécamines, agrees, arguing that it is currently possible for all these

mining companies to process minerals domestically. According to him, *‘the option of local production of cobalt metal has been abandoned in favour of concentrates. This causes huge losses for the Congolese State with thousands of tonnes of associated minerals and the transfer of labour to the countries where the refineries that process Congolese minerals are located (China and Finland).’* Hence the imperative to enhance and process domestically Congolese cobalt in the context of the energy transition.

### **Session 5: Value Addition for Minerals from Small-scale Mining**

This session highlighted the fact that the enhancement of minerals such as cobalt, coltan and gold should contribute to the country’s economic development given their importance on the global market. Cobalt is a strategic mineral in the energy transition. This session revealed that *‘the DRC has the world’s largest reserves of cobalt and coltan. These two strategic minerals for the high-tech industry must be developed and processed locally into finished products in the form of batteries for electric cars and phones labelled in the DRC.’* It was recommended that the DRC should ensure that a large share of the value added along the value chain remains in the country. Thus, the DRC would be able to diversify its economy, create decent jobs and maximise government revenues. This policy will largely contribute to restoring peace and security as well as to the industrialisation and reconstruction of the country’s economic fabric.

The Minister of Mines for the province of Lualaba, Mr Jean-Marie Tshizainga, reckons that the efficient enhancement of cobalt from small-scale mining requires the reforms initiated since 2017 which led to the construction of the Musompo Trading Centre, the development of Small-scale Mining Zones (ZEAs) and support for mining cooperative companies to migrate towards small-scale mining, thus implying a semi-industrialisation of some small-scale mining activities.

Discussions during this session showed that the success of domestic processing and value addition for products from small-scale mining depends on certain prerequisites being met. The Congolese government will have to re-establish security throughout the country (particularly in the East), build transport infrastructure to facilitate access to mining sites, strengthen the capacity of small-scale miners, create a fund for small-scale mining, and install smelters and refineries. He added, *‘The Congolese government must play a leading role, particularly in formalising the mining industry (through the development of the ZEAs, the operationalisation of the EGC and the installation of ARECOMS) and create conducive conditions (installation of infrastructure and provision of energy) for the domestic processing of mining products.’*

It was noted that value addition for cobalt and coltan from small-scale mining requires further consideration by different stakeholders. As the world’s leading producer of cobalt and coltan, domestic processing of these two minerals will undoubtedly allow the DRC to maximise its benefits and create a real middle class in the provinces where they are extracted.

## **Session 6: The Impact of Domestic Processing of Minerals on Local Content and Subcontracting in the Mining Sector**

The promotion of local content and outsourcing in the extractive sector contribute to the economic development of a country. These two factors promote and provide support for Small and Medium Enterprises (SMEs). The effective application of the law on subcontracting should create enormous opportunities for the Congolese economy, especially when the country adopts the Mechanism for Reporting on Local Procurement in the Mining Sector (MRAL), following the example of Senegal. The EITI will also need to use this mechanism to help ensure compliance with the law on subcontracting on the ground. Subcontracting being exclusively reserved for Congolese nationals, the discussions revealed that some foreigners hold shares in the subcontracting companies, hiding behind Congolese names.

Therefore, it was recommended that the government and the Subcontracting Regulation Authority (ARS) should, besides further dissemination of and raising awareness around the law on subcontracting, investigate cases of nominee companies within operational subcontracting companies and punish offenders, mainstream gender in all public policies, impose quotas in favour of women's SMEs, and really commit to domestic processing of minerals to accelerate the reduction of inequalities within the Congolese society.

## **Session 7: The Impacts of an Industrialised Mining Sector on the Environment and Armed Conflict**

Two key issues were discussed in this session. The impact that industrialisation could have on the environment and the impact that domestic coltan and gold processing could have on the conflicts in eastern DRC.

Domestic processing of minerals will not only promote industrialisation but also have negative impacts on the environment and climate change. By their nature, mining and industrialisation produce environmental impacts. As the DRC embarks on industrialisation through domestic processing of minerals, it would be crucial to integrate technologies that reduce environmental impacts. The discussions revealed the need to align the human-environment-economy nexus in the long term. The well-being of Congolese people must be ensured today and for future generations.

On the conflicts in the east of the country, it has been shown that the export of raw minerals such as gold and coltan contributes to and sustains the conflicts. Armed groups find ways to survive through the exploitation and export of minerals. Instead of mining contributing to development, it maintains insecurity by empowering armed groups. The conference noted that adding value to minerals domestically could reduce the influence and coping mechanisms of armed groups by depriving them of income from illegal mining. Participants recommended prohibiting the export of raw minerals, especially in the east of the country.

*Industrialising the mining sector, especially in this part of the country, should contribute to eradicating armed groups, as this industrialisation will significantly reduce the export of raw minerals that provide armed groups with their means of subsistence and nuisance.*

Industrialisation will also increase productivity and create national wealth. The discussions noted that *there is a need for responsible industrialisation which takes into account the promotion of the economy for the reduction of poverty, the protection of the environment and which should contribute to lowering insecurity.* All these recommendations focus on wealth creation for better living conditions.

## **BREAKAWAY SESSIONS**

After the plenary sessions, four breakaway sessions discussed individual sub-themes, specifically:

- The minerals development policy and strategies;
- The domestic processing and development of copper and cobalt;
- The domestic processing and beneficiation of coltan and gold minerals; and
- The process of renegotiating mining contracts and the development of minerals.

In all the breakaway sessions, participants engaged in fruitful discussions which resulted in observations and recommendations presented and adopted in the plenary sessions.

## **CONCLUSIONS AND RECOMMENDATIONS**

All participants agreed that the DRC must process the minerals extracted from its soil and subsoil in order to derive maximum benefits from mining. Domestic processing will accelerate industrialisation which will have a major impact on economic growth, development, job creation, the eradication of armed conflict and the reduction of inequalities. The DRC has every opportunity to enhance the economic value of its minerals and make sufficient profits in this period of energy transition. Currently, the DRC does not provide the energy needed for domestic processing despite its hydroelectric potential. It only needs to translate the expressed political will into action, followed by good governance and the fight against corruption.

At the end of the plenary and breakaway sessions, the participants formulated several recommendations, including

1. Mining must be directly associated with the well-being of the Congolese people;
2. Scaling up geological research throughout the country and certification of reserves of all strategic minerals;
3. The revival of public mining companies in all strategic mineral sectors and providing Gécamines in particular with sufficient means to control the supply of copper and cobalt on the international market;
4. The careful evaluation of all mining contracts before their renegotiation by a joint commission in a transparent process;

5. The effective application of the provisions of the Mining Code relating to the domestic processing of minerals;
6. The creation of the necessary conditions for the domestic processing of minerals, including through investment in scientific and technological research, the consolidation of the business climate, the fight against corruption, the securing of investments, the upskilling of the local workforce, the building of basic and electrical infrastructures, etc.;
7. The installation of smelters and refineries throughout the Republic and the purchase of gold by the Central Bank of Congo (BCC);
8. The contextualisation of the national industrialisation master plan in relation to the copper-cobalt sectors in order to ensure that the DRC retains the bulk of the benefits in the value chain; this will require the country to have bankable projects in the value chain of key minerals to be processed into finished products (electric cables, batteries, the production of special alloys);
9. The creation of financial structures specialised in the production and processing of copper and cobalt;
10. The operationalisation of the Authority for the Regulation and Control of Strategic Minerals (ARECOMS) to monitor the marketing of strategic minerals;
11. The operationalisation of Special Economic Zones (SEZ) for the creation of processing units in the copper-cobalt sector; and
12. The establishment of a lobbying and marketing policy to multinationals and other investors operating in the area of copper and cobalt processing to encourage them to set up their factories or manufacturing units for batteries and other finished products in the DRC.

SARW would like to thank the public authorities, speakers, moderators, participants and partners for their contribution to the success of this 5th edition of the Alternative Mining Indaba of the Democratic Republic of Congo.

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