At the Kawama copper mine near Lubumbashi in Katanga province, artisanal miners have formed cooperatives and sell the copper ore to nearby smelters.
SHEADING LIGHT ON SHADY DEALINGS

The Democratic Republic of the Congo has untold resource wealth, but the revenue from the sale of these resources often vanishes into thin air, leaving the Congolese people mired in poverty. The Extractive Industries Transparency Initiative (EITI) aims to improve the situation.

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The brick-built houses in the former mining town of Kipushi have a golden glow in the evening sun. The buildings, dating back to the Belgian colonial era, are roofed with corrugated iron. Each house is occupied by two families, with one room for each family and a communal living room, a vegetable patch and pens for goats and pigs. Every day, the men travel to the provincial capital Lubumbashi, some 30 kilometres away, in search of work. The women earn a basic wage in a nearby quarry, extracting gravel for road-building. Their children are expected to work as well.

For miners here in Kipushi, which has a population of 55,000 and lies very close to the border with Zambia, the work dried up long ago. During the privatisation of the mining industry in the 1990s, the state-owned mining company Gécamines let go around 11,000 miners. To cushion the blow, they were offered payoffs of USD 2,000 to 3,000. But the money is long gone. Many families used it to buy their homes, but can no longer afford the upkeep. Many of the houses have collapsed, while others have ominous cracks in the walls – a painful reminder, to the occupants, of the town’s mining past. With vast amounts of copper and tin having been extracted over many decades, their homes are on shaky ground.

The people of Kipushi feel abandoned. Working in the quarry is now virtually their only option. ‘I have a family to feed,’ says 46-year-old widow Maman Claudine matter-of-factly. Her job consists of breaking rocks – even though there are at least 22 million tonnes of copper and zinc reserves in the ground around Kipushi. Together with the mining areas around Kolwezi, Kambove and Likasi, Kipushi forms part of the legendary copperbelt in Katanga province. The region’s mineral wealth was first discovered by Belgian geologist Jules Cornet in 1892. He produced evidence that the rock strata here contain high concentrations of copper, tin, zinc, cobalt, uranium, gold and other rare metals. The Democratic Republic of the Congo has the world’s largest cobalt deposits and second-largest copper reserves. Crude oil is also extracted in vast quantities.

Two thirds of the people are undernourished

And yet despite its mineral wealth, the Democratic Republic of the Congo (DRC) ranks very near the top of the list of the world’s poorest countries. Two thirds of the population are undernourished, a fifth of the country’s children die before the age of five, the health and education systems are rudimentary, and the transport infrastructure for passengers and freight is inadequate.

In order to achieve long overdue improvements in living conditions for the majority of the country’s 75 million people, targeted public investment in these sectors is essential. But with an annual budget of just USD 7 billion, the DRC’s government simply doesn’t have the money.

With all the revenue from resource extraction, why is the country not winning the battle against poverty? It’s no secret: poor governance and widespread corruption are depriving the DRC of taxes and duties. Revenue from the extractive industries currently accounts for just 13% of GDP – putting it on a par with agriculture. Year after year, untold sums of money are siphoned off in shady deals. The precise figures are unknown, and almost impossible to determine.

In an attempt to shed some light on the subject, the Democratic Republic of the Congo joined the global Extractive Industries Transparency Initiative (EITI) in 2005. The DRC’s involvement in the EITI has parliamentary backing and is supported by a project commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by GIZ (see box, page 33).

The principles by which the EITI measures transparency are quite simple: extractive industry companies disclose what they have paid to the government in taxes and other payments, and the government discloses what it has received. These two sets of figures are compared and reconciled. The results of this data comparison, which is carried out by an independent auditor, are published in an annual EITI Report which verifies that disclosure and reporting are taking place in accordance with EITI principles, based on a total of 20 criteria. If any irregularities in the spending or revenue side come to light, the national EITI Committee takes action. ‘If, during the comparison of the two sets of figures, there are found to be discrepancies between the sums proven to have been paid by the companies and the amounts shown in the national accounts, this is investigated to determine whether inefficient revenue ... »
collection or even tax fraud could be the cause,’ explains Thierry Kabamba, who heads the Lubumbashi branch of the national EITI Committee.

The latest EITI Report covers 2010 and, like its predecessors, was rejected by the auditor as ‘non-compliant’ on the grounds that three of the 20 criteria had not been met. Indeed, the EITI’s International Secretariat raised objections in relation to six criteria and therefore took the decision, in April 2013, to suspend the DRC’s EITI candidate status for a year. Unless the DRC’s report for 2011 is beyond reproach, it may well be excluded from the EITI process for several years. This could prove very damaging, for maintaining a good international reputation is extremely important. Otherwise, international banks might obstruct or even block the government’s and companies’ access to loans, and international investors could be deterred from providing the financing that the country so urgently needs.

All partners around the table

Nonetheless, Jean-Jacques Kayembe, who heads the DRC’s EITI Technical Secretariat in Kinshasa, is upbeat. ‘The Transparency Initiative got off to a very bad start here. It was rejected out of hand and was obstructed at every turn, because people saw it as a cumbersome structure that was not fit for purpose,’ he says. But the new government is backing the initiative. MP Nicolas Bulukungu agrees: ‘Since 2011, declarations of intent have been followed by action. It’s now easier to explain to people what the initiative is all about.’ And what is it about? The answer is simple: more public access to information. However, the figures fluctuate from year to year and don’t always lend themselves to comparison. As Jean-Jacques Kayembe explains, this is because information is only requested from companies generating at least 1% of the annual export volume of USD 4.5 billion – and the number of these companies is always changing. ‘There is constant movement of companies in and out of the market, as well as mergers and new companies being formed.’

Nonetheless, another of the EITI’s most important goals – to bring the industry, public authorities and civil society representatives to-
gether around the table – seems to have been achieved. The silence which prevailed during the Mobutu dictatorship has now been broken and people can speak openly. ‘That’s a very significant development,’ says Jean-Claude Katende from ‘Publiez ce que vous payez’ (Publish what you pay). ‘The EITI is one of the few initiatives producing tangible results.’ This is creating transparency, and that’s the key to combating corruption, he says. However, he points out that not all the deals reached between the government and extractive industry companies have been disclosed to the public.

In the DRC’s eastern provinces, the German Federal Institute for Geosciences and Natural Resources (BGR) is working with the national Ministry of Mines to develop a certification scheme for mineral resources extracted in small-scale mining. This will close a loophole in the existing system, as small-scale mining activities have not been included in the DRC’s EITI reports since 2010. The scheme aims to clarify whether the stated amounts genuinely originate from the mine in question and whether the amount of resources extracted and the amount traded tally with each other. An independent auditor also inspects the mines to verify their compliance with the defined standards, as regards corruption, transparency, safety at work, environmental protection, child labour and social improvements.

According to Antje Hagemann from the BGR, the experience of attempting to bring small-scale mining in the DRC’s eastern provinces into line with international standards has been encouraging: ‘We can definitely see some improvement. The miners now know exactly which payments they are officially required to make, and with this knowledge, they are protected from unreasonable demands from the authorities. As a result, they have more disposable income.’

The certification scheme is seen as an important step in improving living and working conditions in the DRC’s eastern provinces and is a very effective complement to the national EITI strategy.