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New Report Proposes Economic Rationale for Renegotiating Key Mining Contracts in the DR Congo

For Immediate Release:

12 April 2007

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Washington, DC: On the eve of the World Bank and IMF Spring Meetings, RAID released a report today that proposes an economic rationale for renegotiating some of the key copper and cobalt mining contracts in the Democratic Republic of Congo (DRC). By way of illustration, “Key Mining Contracts in Katanga: the economic argument for renegotiation”, analyses Katanga Mining Ltd’s Kamoto contract. RAID commissioned the analysis in light of the continuing controversy surrounding key mining contracts with the DRC’s state mining enterprise, Gecamines.

“The intention is to assess whether the right balance has been struck between the financial rewards accruing to the private companies and the level of control and stake in assets retained by Gecamines”, said Patricia Feeney, executive director of RAID. “Our hope is to also stimulate a debate on the distribution of the economic benefits and costs of all joint venture agreements”.

The report highlights two flaws in the Kamoto contract:

1. The long-term copper and cobalt prices when compared with prices based on real historical data appear to have been underestimated, which skews the benefits stream.
2. The considerable value of Gecamines’ assets, which include the reserves of copper and cobalt as well as the plant and equipment, have never been properly assessed.

According to RAID, there is a need to review the copper and cobalt agreements as well as equally problematic contracts related to gold, diamonds and other mineral reserves.

The new DRC government, with encouragement from the World Bank and IMF, has announced its intention to review past mining contracts. RAID welcomes this announcement, but warns that it should not use the process to impose arbitrary levies on private companies and that a reputable international body of experts nominated by the World Bank should conduct the review.

For further information and to download the report, go to http://raid-uk.org/work/fair_investment.htm

Background notes for editors:

- The DRC’s state-mining company, Gecamines – which was in the early 1990s the most lucrative source of state revenue – has now been stripped of virtually all of its assets and ore bodies through

a number of disadvantageous contracts. Many of the concessions were awarded behind closed doors in violation of the new mining code, which was created with the support of the World Bank.

- In February 2006, RAID and two Belgian NGOs called on World Bank President Wolfowitz to investigate why the Bank's program for restructuring the DRC's mining sector has been completely derailed. RAID also called on the Bank to investigate a number of mining contracts, which were signed during the war or by the transitional government.
- The DRC's new mining code, which came into force with World Bank support in 2002, was supposed to ensure full transparency and ensure a fair distribution of revenues among government, mining companies and affected communities. However, in mid-2005, the Transitional Government approved three joint venture contracts between Gecamines, the DRC's main state owned mining company, and a number of foreign private companies concern between 50 and 75 per cent of the DRC's copper and cobalt reserves. There was great disquiet about way these deals were negotiated, signed and approved with a total lack of transparency.