

# Group Calls on World Bank to Investigate Mining Contracts; Bank's Failed Reform Project in DR Congo

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British and Belgian NGOs today called on World Bank President Paul Wolfowitz to investigate two mining contracts between the Democratic Republic of Congo's (DR Congo) state mining company, Gecamines, and two British Virgin Island-based companies, Global Enterprises Ltd and Kinross Forrest Ltd.

UK-based NGO Rights and Accountability in Development (RAID) and Belgium-based NGOs Broederlijk Delen and 11.11.11 are also asking President Wolfowitz to investigate why the Bank's program for restructuring Gecamines has been completely derailed.

The groups point to warnings as early as 2003 from Bank-hired consultants, IMC Consulting Group (IMC), of the potential "fire sale" of DR Congo's lucrative mining assets and ore bodies. This has now occurred. Gecamines, which was in the early 1990s the most lucrative source of state revenue in the DR Congo, has been stripped of virtually all of its assets and ore bodies through a number of disadvantageous contracts.

Legal analysis commissioned by the groups reveals the Kinross Forrest and Global Enterprises' deals are detrimental to the DR Congo's interests. According to Fasken Martineau DuMoulin, the Canadian law firm that analysed the contracts:

The JV agreements relates to extensive assets, part of the national wealth of the [DR Congo], which are being transferred or leased for use by the private sector without an evaluation and assurance that the country will be appropriately remunerated for the conveyed or leased assets.

In addition, Fasken Martineau DuMoulin found that Kinross Forrest and Global Enterprises:

- will likely reap substantial benefits from the ventures, including complete repayment of loans, before Gecamines receives any reward for contributing the ore bodies and mining assets;
- will manage their respective ventures, but payment to Gecamines for rented installations and machines will likely be minimal or zero; and
- will likely be paid dividends via service contracts, because this is more profitable for the private partners than sharing the remaining profits with Gecamines.

Under the World Bank's supervision of the DR Congo's mining sector, both agreements were ratified without an international invitation to tender or an evaluation of what the government contributed to the partnerships, thus raising questions of fair compensation.

The groups also found the contracts ignore recommendations by IMC. In November 2003, IMC called for "an immediate halt to all negotiations" and for "rapid preparations for the renegotiation of the partnerships". Within three months, the KFL contract was signed; the GEC contract was signed six months later.

The contracts also ignore the findings of the Lutundula Commission. Borne out of the Inter-Congolese Dialogue to examine all agreements signed during the war, the Lutundula Commission called for the cessation of all negotiations that would result in Gecamines “being deprived of its installations and ore bodies”.

The groups have called on the World Bank to:

- Nominate an independent group of experts to examine the legality of all the mining contracts signed by the Transitional Government against the terms of the agreements governing the transition, Congolese law and international law.
- Conduct an urgent inquiry into the reasons why the World Bank has failed to prevent the DR Congo’s most important mineral reserves from being awarded without an international invitation to tender and before the arrival of Gecamines’ International Management Committee.

The DR Congo is recovering from years of natural-resource driven war and conflict where an estimated four million people have died from fighting, disease and starvation.

Elections are scheduled for 18 June.

For further information, go to: [http://www.raid-uk.org/news/DRC\\_contracts\\_27\\_Feb\\_06.htm](http://www.raid-uk.org/news/DRC_contracts_27_Feb_06.htm)

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Note regarding the Lutundula Commission:

In June 2005 the Lutundula Commission, a special National Assembly commission led by parliamentarian Christophe Lutundula, submitted a report on its investigations into mining and other business contracts that rebels and government authorities signed between 1996 and 2003, when Congo was wracked by war. The report found that dozens of contracts are either illegal or of limited value for the development of the country and it recommends their termination or renegotiation. It further recommends judicial action against a number of senior political and corporate actors involved in these operations. For further information, go to: [http://www.raid-uk.org/news/lutundula\\_report.htm](http://www.raid-uk.org/news/lutundula_report.htm)