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Chinese investments and forest land use

Situations and trends in the Democratic Republic of Congo

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IIED is a policy and action research organisation. We promote sustainable development to improve livelihoods and protect the environments on which these livelihoods are built. We specialise in linking local priorities to global challenges. IIED is based in London and works in Africa, Asia, Latin America, the Middle East and the Pacific, with some of the world's most vulnerable people. We work with them to strengthen their voice in the decision-making arenas that affect them — from village councils to international conventions.

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The China-Africa Forest Governance project is a multicountry project that seeks to improve forest governance, by promoting sustainable and pro-poor Chinese trade and investment in Africa's forest. Through research, dialogue and joint action with partners in China, Cameroon, Democratic Republic of Congo, Mozambique and Uganda, the project contributes towards improved policy and investment practice in China and Africa, in ways that foster good stewardship of forest resources and benefit local communities.

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Acronyms and abbreviations

ACGT	Congolese Agency of Great Works (Agence Congolaise des Grandes Travaux
ACIBO	Annual felling permits (autorisation de coupe de bois d'oeuvre)
ANAPI	National Agency for Investment Promotion (Agence Nationale pour la Promotion des Investissements)
ASADHO	African Association for Human Rights (Association Africaine des Droits de l'Homme)
CBFC	Congo Basin Forest Partnership
CEEAC	Economic Community of Central African States (Communauté Économique des États de l'Afrique Centrale)
CEMAC	Economic and Monetary Community of Central Africa (Communauté Économique and Monétaire de l'Afrique Centrale)
CIFOR	Center for International Forestry Research
CJCC	China Jiangsu Construction Group Corporation
COMIFAC	Central African Forests Commission (Commission des Forêts d'Afrique Centrale)
CSOS	Civil society organisations
DCVI	Directorate for Internal Monitoring and Audit
DGF	Forest Management Directorate (Direction de Gestion Forestière)
DIMA	Dikulwe-Mashamba concession
DRC	Democratic Republic of Congo
ECOSOC	Economic and Social Council
EITI	Extractive Industries Transparency Initiative
ESIA	Environmental and social impact assessment
EU	European Union
EUTR	EU Timber Regulation
Exim	Export-Import
FLEGT-VPA	Forest Law Enforcement, Governance and Trade's voluntary partnership
FOCAC	Forum on China-Africa Cooperation
FODECO	Forest Society for the Development of Congo (Forestière pour le Développement du Congo)
GIS	Geographic information system
GUCE	Single window for enterprise registration (Guichet Unique de Création d'Entreprise)
IIED	International Institute for Environment and Development
ITB	Industrial Wood Processing (Industrie de Transformation du Bois
MECNT	Ministry of the Environment, Nature Conservation and Tourism
MIPWR	Ministry of Infrastructure, Public Works and Reconstruction
NBK	National Bank of Kuwait
NGO	Non-governmental organisation
ONATRA	National Office for Transport (Office National des Transports)
OPEC	Office pour la Promotion des Petites et Moyens Entreprises Congolaises
PCB	Felling permit for artisanal loggers (*permis de coupe de bois*)
RAID	Rights and Accountability in Development
ROC	Republic of China (Taiwan)
RRN	Natural Resources Network (Réseau Ressources Naturelles)
Scibois	Congolese Industrial Wood Company (Société Congolaise Industrielle du
SCPT	National Transport and Ports Company (Société Commerciale de Transport and des Ports)
Sicomines	Sino-Congolese Mines (Sino-Congolaise des Mines)
Sodefor	Forest Development Company (Société de Développement Forestier)
Somifor	The Millennium Forest Company (Société La Millénaire Forestière)
WWF	World Wide Fund for Nature
ZTE	Telecommunication Equipment Corporation

Summary

This report has been prepared as part of the China-Africa Forest Governance project funded by the UK Department for International Development (DFID). It comprises four components of a situation analysis – summarising the main findings from desk and field-based data collection carried out in 2015–2016, with some minor updates from 2018.

The first component provides an overview of China's land use and trade activities and investments affecting forest resources and people's livelihoods in the DRC. It describes China's evolving role in the DRC's development over the past decade. The second gives an overview of the functioning of the DRC's national system for monitoring round logs and processed timber products exported to China. The third study analyses the legislative and regulatory texts of various sectors that have an impact on the environment (forests, mines, nature conservation, land, hydrocarbons, and agriculture) and shows the conflicts between these different legislations. Finally, the last component identifies the priorities of Chinese companies in the mining and forestry sectors in the provinces of Upper Katanga and Lualaba. It analyses the impacts of Chinese investments on the forest sector and protected areas. The research results should help define actions to support Chinese investments to sustainably exploit natural resources and implement good environmental and socially responsible practices.

The economic analysis of cooperation between the DRC and China shows that the DRC is heavily dependent on Chinese investments. Funds come mainly from concessional loans targeting very specific development sectors. The mining and infrastructure sectors are most prominently linked to these concessional loans, in what are known as 'resources for infrastructure' deals. The most prominent example is the Sino-Congolese Mines (Sicomines) agreement. It links a Chinese credit line worth US$6.2 billion in concessional loans to a joint venture between the DRC state-owned Gécamines (which has 32 per cent ownership) and a consortium of Chinese firms (68 per cent ownership).

In the forestry sector, in 2015 two Chinese companies obtained concession titles for two forest concessions totalling about 380,000 hectares in the DRC. These include the Millennium Forest Company (Somifor) in the provinces of Équateur and Tshuapa, and the Forest Society for the Development of Congo SARL (FODECO) in the province of Tshopo. These were later cancelled. However, the two companies re-emerged in 2018 when it became know that both had acquired three new concessions in Équateur province, sitting on top of the Cuvette Centrale peatlands, the largest tropical peatland in the world. Official data on Chinese small and medium forest enterprises operating as traders or illegally under artisanal logging permits (only open to Congolese nationals) is hard to verify. Overall, it is difficult to assess the true scale and impact of Chinese investments in the DRC's forests sector. This is due to high levels of informality and limitations imposed by the moratorium on industrial logging.

More significant is the role of China as a major export market for Congolese timber. In the last five years, between 30 to 65 per cent of total timber exports from the DRC were destined for China. Data is extremely difficult to verify. Timber imports data from China indicates that receipts from the DRC exceed the total legal supply produced in the country. And this is without taking into account timber illegally shipped to China via neighbouring countries. Analysing this would require a more in-depth analysis of the region. But overall, an effective system for monitoring and controlling export-import flows on both the DRC and Chinese customs side is needed.

Since 2009, in the mining sector more than 80 per cent of the DRC's copper production is destined for China. A total of 47 enterprises backed by Chinese capital in the provinces of

Upper Katanga and Lualaba was identified. Available data on production, export, payment of mining royalties and social investments show that copper production for Chinese companies that reported data amounts to just over 170,850 tonnes out of 915,000 tonnes produced in 2013 for the whole country – a mere 19 per cent of national production. This proportion is very low and suggests discrepancies in reporting rather than production.

Related to the identified mining investments is a host of Chinese civil engineering enterprises that operate in the construction, repair or rehabilitation of infrastructure including roads, bridges and buildings (such as schools, hospitals or hotels). Research has identified 16 civil engineering companies operating in Upper Katanga and Lualaba. Chinese companies were categorised according to the size of their investment based on the amount of share capital declared to the Commercial Court.

In the agri-food and agro-pastoral sector, data were collected on companies processing raw materials from agriculture, livestock farming or fishing into food products intended primarily for consumption. Only five companies operating in these sectors in Upper Katanga and Lualaba were identified.

At the regulatory level, enforcing environmental obligations by Chinese companies is low. Most companies do not have someone responsible for environmental issues. Ultimately, the boom in the trade and investment relationship between China and the DRC does not benefit all sectors of the national economy equally.

1 Introduction

With an estimated 152 million hectares of dense tropical forest covering 60 per cent of its territory the Democratic Republic of Congo (DRC) is the second largest forested country in the world. Below ground lies a mineral wealth estimated to be worth a staggering US$24 trillion (UNDP 2011). This natural capital can provide the country with wealth for its citizens and contribute to reducing poverty. For a country that has experienced more than a 700 per cent population increase since the 1950s (from 12 million in 1950 to 78 million in 2016), and where at least 68 per cent of the population is under the age of 25, ensuring that national growth leads to employment generation and the sustainable utilisation of natural resources, is of critical importance. But it is also a formidable challenge (World Bank undated).

However, such a goal can be achieved through a combination of good policy and regulations on the extractive industries, fiscal and non-fiscal incentives for sustainable investment in natural resources development, the development of industries for value addition and support for local-level entrepreneurs. Instruments to support the latter include provision of infrastructure, technical know-how, favourable financing conditions and developing integrated supply chains that ensures access to markets. Creation of employment and generation of economic wealth through royalties and taxes on resources extraction, personal and corporate taxes, value addition in country among others can provide the prosperity envisaged by the government's long-term development plan. Government pledges to deliver social infrastructure such as education, water and electricity as well as creating employment can be achieved. Redistributive policies are needed for extending the wealth generated from the exploitation of renewable and non-renewable resources into the development of other forms of capital, such as human capital. This is critical for the long-term development of the DRC.

1.1 Background

The China-Africa Forest Governance project led by the International Institute for Environment and Development (IIED) with funding from the UK government sought to engage local stakeholders to respond to these questions and mobilise action. IIED partnered with the World Wildlife Fund (WWF) and the Natural Resources Network (Reseaux Ressources Naturelles – RRN) in DRC and also collaborated with China-based state and non-state actors to gather evidence on Chinese investments in DRC's forests. The research identified capacity gaps, organised relevant capacity-building and promoted dialogue between state and non-state actors on improving sustainability and strong governance in the natural resources sector. It also recommends action to improve policy and practice related to Chinese investments in the DRC.

In summary, the work in DRC comprised the following key elements.

1.1.1 Evidence

A diagnostic study, database and primary data collection from the field analysis (see Figure 1) was carried out in 2015 to assess the scale and impact of Chinese investment and operations in the forestry and non-forestry sectors. This was reassessed in 2016 and 2017 to gauge changes.

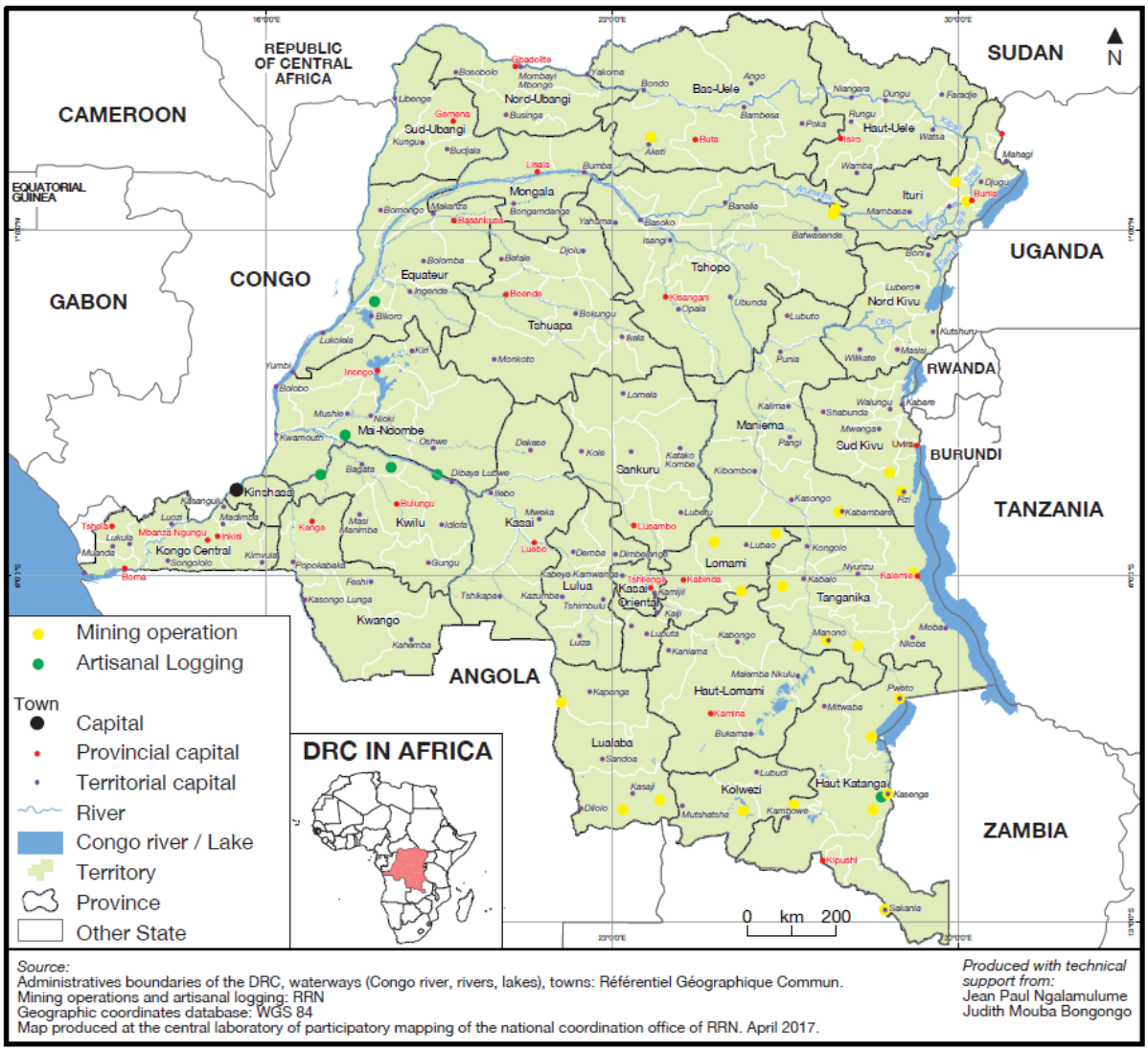

Figure 1. Map of Chinese operations in artisanal logging and mining. Map developed as part of field-level observations and interviews carried out in 2016 in nine provinces.

1.1.2 Capacity and dialogue

- Roundtables to stimulate dialogue at national and provincial level (in Mai Ndombe and Thsopo) were undertaken throughout the project to discuss broad issues related to the context of Chinese investment in the DRC.
- Training in investigative journalism was organised by RRN and the Chinese NGO Global Environment Institute (GEI) in 2017. It involved 12 journalists working in radio, written media and TV. Two investigative reports were selected for support by the project for a written article on the impacts of the growing demand for *Pterocarpus tinctorius* (kakula) from the miombo woodlands of Katanga, and a video discussing the impact of large-scale mining in Kasai Province.
- Trainings on the legislation guiding access, use and sustainable management of resources and institutions responsible for the development of SMEs took place in 2017. The trainings involved over 60 artisanal loggers, nearly 70 state actors (including the judiciary from Mai Ndombe and Tshopo) and more than 30 artisanal miners (Tshopo and Ituri). An additional 10 members of the umbrella artisanal loggers' organisations ACEFA (Congolese Association of Artisanal Loggers), AEFABAC (Association of Artisanal Loggers of Bas-Congo) and DEDM (Timber

harvesting for development of Masimanimba/Kwuilu) were also trained in Kinshasa in 2017.

- Exchange visits between the DRC and Chinese governments, the private sector and NGOs including participation in the China-Africa Governance Learning Platform, took place in China (2014 and 2016), Cameroon (2015) and Mozambique (2017).
- A high-level national dialogue was organised in 2016 and 2017 presenting project findings and recommendations to 20 members of the Economic and Social Council (ECOSOC) and five parliamentarians.

1.1.3 Policy and practice

Long-lasting change in the governance of Chinese investments in the DRC requires participation of all entrepreneurs, through both dialogue and field activities. Nearly 300 people were engaged through the project in trainings and dialogues at national and provincial levels. Commitment was made in particular by the artisanal loggers to act towards more sustainable practices. But there were also calls for greater support within their enabling environment. In Mai Ndombe, 20 artisanal loggers came together to organise their operations to improve timber supply to the domestic market. Representatives from government institutions responsible for supporting SMEs, such as the Office pour la Promotion des Petites et Moyens Entreprises Congolaises (OPEC) (which supports SMEs with business trainings and financing) were deliberately involved in the activities of this project to stimulate action going forward. The trainings in Mai Ndombe (Nyoki), Tshopo (Kisangani) and Kinshasa as well as dialogues with policymakers produced statements of commitments from Congolese artisanal logging SMEs to engage in the implementation of good practices and monitoring impacts.

1.2 What this report is about: DRC-China relations in context

As the largest country in the world importing tropical timber, China currently exports three-quarters of Africa's timber (Huang et al. 2013). The proportion of African timber exports to China increased from 35 per cent in 2000 to 78 per cent in 2009 (ibid), making timber the third-largest export of African commodities after oil, gas and ore. This increase is accompanied by an increase in Chinese involvement in the producing countries. For example, in 2010 25 per cent of logging concessions in Gabon belonged to Chinese companies (Putzel et al. 2011). The percentage continues to increase as these companies acquire farms. This demand raises concerns about the environmental and socioeconomic impacts of timber supply chains of Chinese companies in Africa.

At the international level, there is a feeling that Chinese investments and trade in African forests have negative environmental and social consequences. These include deforestation (Environmental Investigation Agency 2012, Cuypers et al. 2013), the deterioration of local living conditions, (Mackenzie 2006, Environmental Investigation Agency 2012), bribery and illegal logging (Milledge et al. 2007, Roque 2009, Greenpeace Africa 2013). But while the magnitude of Chinese commercial interests in forests could lead to environmental and social externalities, there is little scientific evidence and verification to support most of the claims heard so far in the Democratic Republic of Congo (DRC).

In the DRC, it is clear that there are many types of Chinese actors in different sectors. A range of private companies and traders play a large role in facilitating natural resource exports to China. Chinese companies occupy an important place in the bilateral cooperation space of the DRC in several sectors: mining and forestry, industrial agro-food systems, infrastructure, construction and trade. China is today almost ubiquitous in the economic

landscape of the Congo – and the DRC intends to take advantage to accelerate its development and economic recovery. But many observers question whether most Chinese investment projects in the DRC really equate to a 'win-win' situation.

In this study, we describe situations and trends of China-related investments in the forest and land use sectors and especially forestry. We look at socioeconomic impacts but also underlying conditions in the DRC rooted in the laws, regulations and Sino-Congolese international cooperation initiatives.

1.3 Study limitations

One of the main challenges and limitations of this study has been our access to formal records of Chinese investments in the DRC. For this reason, we have relied heavily on field-based observations and interviews with a wide range of stakeholders. We had initial ambitions to provide answers to questions of social (such as jobs), economic (such as tax revenue) and environmental (such as pollution and deforestation) impacts. But accessing any such records from either the government or companies themselves in a systematic manner and with the time and resources available proved difficult. Therefore, these questions remain largely unanswered. Another major constraint of this study is that data collection was carried out mainly during 2015 and 2016, with some minor updates in 2018. Therefore, by the time of publication of this study in 2019, there is a risk much of this data is out of date, given the fast-changing environment of the Chinese investments in the DRC.

The degree to which we have been able to properly triangulate and verify the collected data through different sources of information has undoubtedly affected the overall quality of our findings. And this is a general challenge, due to the dynamic and rapidly changing nature of Chinese investments in the Congo's natural resource sectors. The clandestine nature and the wide interaction between Chinese operators and Congolese actors make it difficult to estimate both their scale and value in terms of the number of establishments and salaried jobs created. Reliable statistics cannot be made in this sector without quantified and verifiable data. This also explains the difficulties of identifying these companies at the provincial administration level with the National Employment Office (ONEM) and Directorate General of Taxes (DGI), or with provincial coordinators responsible for the environment and sustainable development.

1.4 Current situation and trends

The DRC and China have negotiated various resources-for-infrastructure deals since the early 1970s. Most have focused on road and dam construction linked to extraction of minerals and timber. In the past decade, financing has come mainly from credit lines from the Export-Import (Exim) Bank of China. Previous research by the Center for International Forestry Research (CIFOR) provides a first cross-sectoral insight into the complexity and indirect impacts of these investments on both the forests and people of the DRC (see Putzel and Kabuyaya, 2011; Putzel et al. 2013). But it also demonstrates the scale of importance of these deals to the Congolese state. In 2010, Chinese loans made up 25–99 per cent of the Congolese state budgets for investing in infrastructure (rail and road), agriculture and energy.

The most prominent example is the Sino-Congolese Mines (Sicomines) agreement. This dates back to September 2007 and links a Chinese credit line worth US$6.2 billion in concessional loans to a joint venture between the DRC state-owned Gécamines (which has

32 per cent ownership) and a consortium of Chinese firms (68 per cent ownership) (Jansson 2013).[1] Embedded in the Sicomines agreement is reportedly US$3.2 billion of infrastructure deals to construct 3,400km of highway, a 3,200km railway, 31 hospitals, 145 health centres and two universities. This is in exchange for US$3 billion of mining projects in the DRC's Katanga province. Although estimates for confirmed deposits have fluctuated, the deal provides predominantly Chinese mining companies with access to deposits of 10.6 million tonnes of copper and 627,000 tonnes of cobalt over 25 years – tax free – until the loan is repaid from mining profits. The Sicomines deal has been mired in controversy and complexity from the start. Projects have proceeded slowly.

In the context of industrial exploitation through forest concessions, the rush of investors to the DRC has taken place during a forestry-sector moratorium due to the passing of the 2002 Forest Code, which is still in effect today. The aim of the moratorium on allocating new industrial logging concessions was to enable the country to improve the sector in the aftermath of the civil war and develop a sustainable logging industry capable of creating employment and generating tax revenues for the country. The code sets out 'basic principles for better forest policy and greater protections for local people in production forests' (Forest Legality Initiative). The code should provide for benefit sharing with communities living around logging (and conservation) concessions (Samndong and Nhantumbo 2015). However, there is little clarity on partnership conditions for communities and investors. This has led to different interpretations of the law, illegal extraction and unsustainable practices (Nhantumbo et al. 2019). On several occasions, civil society organisations (CSOs) have protested about the government's failure to achieve the code's objectives and against stated intentions to lift the moratorium on the granting of forest concessions in the DRC.[2]

Official data indicate that there are no Chinese companies with forest concessions in the DRC. But there are cases of joint ventures, notably that of SCPT (Société Commerciale de Transport et des Ports)[3] and YFIDE, SOFOBA (former YIFA) and SCIBOIS (Société Congolaise Industrielle du Bois) repurchase agreement.[4] However, according to unpublished reports and observations from our project partners' network working in northern Bandundu Province, three industrial forest concessionaries have in recent years signed partnership agreements with Chinese investors for logging in their titles. This includes ITB (Industrie de Transformation du Bois) located in the Oshwe Territory, SCTP, and Maison NBK Services in the Territory of Mushie. Production from these partnerships would most likely be destined for the Chinese market. Given the informal nature of these latter agreements, we were unable to obtain data on capital, revenue generated, or taxes paid. Additional information would require more in-depth research, and collaboration with other partners operating in the field. In this context, with such limited transparency in data, any effort to estimate the number of jobs created, or the impacts of these investments, is highly complex. Given the highly dynamic context of these investments, verifying such data is also a challenge.

According to Lawson (2014), the timber harvest in the DRC can be classified into several broad categories in terms of legality. Most timber harvest currently harvested in the DRC (87 per cent) is from unlicensed small-scale artisanal logging. Formal artisanal logging is still very limited. The remaining 13 per cent is harvested under legal industrial concession agreements, some independently verified for legality, but the majority are very likely illegal logging practices according to independent forest monitoring reports (see Lawson 2014). This means that nearly all logging in the DRC is 'illegal'.

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[1] When the deal was signed in 2007 it was for US$9 billion and worth more than the Congolese state budget. However, after international concerns (including the International Monetary Fund) were raised about the risk this involved, the amount was revised down to US$6.2 billion.

[2] Several environmental CSOs recommend the continuation of the moratorium, see for example Greenpeace (2016).

[3] Formerly ONATRA (Office National des Transports)

[4] Some data has been collected on this (see Global Witness 2015), but most of this information was not available through official documentation. Instead through interviews with relevant stakeholders in April 2015.

Most timber from artisanal logging is consumed within the DRC. But at least 10 per cent is exported to neighbouring countries (Forests Monitor 2007; WWF-Uganda 2012). The quantity of this harvested timber is increasing rapidly, as is the urban population and gross domestic product (GDP) growth. Lawson (2014) estimates (extrapolating from consumption surveys in urban centres conducted in 2009 and 2012) that the volume harvested in 2011 was more than double that collected six years earlier. Given this complex context, the forestry sector in the DRC has earnt a reputation for illegal logging and chaos, a situation denounced by several non-governmental organisations (NGOs), including recently by Chatham House (Lawson, 2014), Greenpeace (2015) and Global Witness (2015). However, the artisanal logging sector is important for domestic timber supply, employment and income. The best response is to formalise and improve artisanal logging rather than eradicating it. But the logging moratorium remains a contested issue.

Box 1. History of Sino-Congolese relations

In October 1960, the newly independent Republic of Congo-Léopoldville recognised the Republic of China (ROC or Taiwan). In February 1961, Kinshasa (the capital, formerly known as Léopoldville) recognised the People's Republic of China (PRC), and the ROC again in September the same year. In November 1972, relations were again established between the former Republic of Zaire (now the DRC) and the People's Republic of China and have remained intact ever since. Between 1961 and 1972, when the Republic of Congo-Léopoldville/Zaire recognised Taiwan, the Chinese government under the leadership of Mao Zedong provided material support to rebels based inside and outside the country, seeking to overthrow the government and supported by the USA. Mobutu, the then President of Zaire (1965–1997) and keen to maintain links the West, had no particular close relationship with China. However, he visited the country in 1973, 1974, 1980, 1982 and 1994.

From 1978 to 1995, during the reign of Mobutu, eight Chinese leaders visited Zaire. After establishing bilateral relations in 1972, the DRC received a number of donations from the Chinese government. In the 1970s, a farm producing crops and raising cattle was established in N'Djili, one of the suburbs of Kinshasa. An agricultural institute in Hebei Province in China provided financial support for the project and sent agricultural experts to the farm.

This project is still operational. One of the Chinese 1970s industrial initiatives was the construction of a sugar factory in Kisangani. It was, however, destroyed during the civil war. In addition, two well-known buildings in the capital Kinshasa are symbolic gifts from the Chinese government. The first is the DRC's National Assembly, which was built between 1975 and 1979. The donation amounted to US$42 million at the time. The second was the Stadium of Martyrs with a seating capacity of 80,000 and completed in 1994.

In June 2000, the China-Congo Telecommunications (now Orange RDC) was established under the name of the Chinese company Zhongxing Telecommunication Equipment Corporation (ZTE). The Congolese government signed a partnership contract between ZTE and the Ministry of Post and Communications of the Congo. The partnership had access to reduced interest-rate financing of 80 million renminbi from the Exim Bank of China. Nevertheless, in April 2009 it was reported that ZTE was seeking to sell its 51 per cent stake in the China-Congo telecommunications company and that the South African company MTN had proposed a US$200 million buyback. This business has now been sold to Orange. In addition, the Sino-Congolese Friendship Hospital of N'Djili is a gift from the Chinese government, built by the China Jiangsu Construction Group Corporation. The

construction of the hospital began in 2004 and was inaugurated and handed over to the Congolese government in June 2006.

In recent years, there has been an upscale in the number of research, NGO or trade initiatives and international cooperation programmes for Chinese investments in the DRC (see Table 2). The Forum on China-Africa Cooperation (FOCAC) is one of the most prominent ones and has become the main platform for political and commercial engagements in the region. To put the FOCAC into context in relation to the DRC, it should be noted that during the FOCAC 2006 summit, the country had just held its first democratic elections since 1965. Even though the elections took place in July 2006, its results were disputed until the FOCAC meeting in November. The country was (and still is) experiencing a fragile peace, especially due to the precarious situation in the eastern parts of the country. A delegation from the DRC took part in the FOCAC 2006 summit despite the absence of the-then President Kabila. Finally, given that the DRC is still in a fragile post-conflict situation, it has not yet been granted Approved Destination Status (ADS) by China.
Source: Hon et al. (2010).

1.5 Brief assessment of the Beijing action plan in the DRC

In September 2018, representatives of the People's Republic of China, 53 African countries and the chair of the African Union Commission (AUC) gathered in China for the 2018 Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) (MFA 2018). Delegates committed to the development of FOCAC and to deepening a China-Africa comprehensive, strategic and cooperative partnership. They adopted by consensus the Beijing Declaration: toward an even stronger China-Africa community with a shared future (ibid).

To achieve the goals of the Beijing Declaration, China and Africa must continue to engage in high-level visits and dialogues. In the DRC, Sino-Congolese relations with China have grown rapidly since the 2006 FOCAC summit. Several official visits had taken place between China and the DRC since then.

In addition, there is a significant presence of Chinese entrepreneurs in south-central DRC, especially Katanga Province. However, the global economic crisis and falling commodity prices have led to a critical reduction of activities there. Jansson et al. (2009) note that ‘many of these Chinese entrepreneurs would have liked to have contact with the Chinese Embassy more than today, but there is no project under way to establish a Chinese Consulate in the capital of Katanga Province, Lubumbashi’.

Given the substantial presence of Chinese entrepreneurs in Katanga, the Chinese Ministry of Foreign Affairs could open a consulate in Lubumbashi to support coordination between Chinese entrepreneurs, Congolese authorities and Congolese civil society. However, the Sino-Congolese cooperation focuses heavily on the presidency and key players around the capital Kinshasa and the president. The relationship with China is important for President Kabila, for whom the 2006 election campaign was built on the Cinq Chantiers (five pillars) programme, which included improvements to domestic welfare and foreign trade. Key areas were infrastructure, energy, healthcare, education, housing and employment. After the 2011 elections, President Kabila has been keen to fulfil his election promises. Ongoing and future Chinese investments in infrastructure are therefore crucial to demonstrating progress to voters.

The Prime Minister's Office and the Ministry of Foreign Affairs are also crucial actors in Sino-Congolese relations. A FOCAC monitoring committee led by the MFA meets three times a year. It consists of 30 members: five MFA representatives and representatives of the ministries of planning, agriculture, transport, primary and secondary education, mines, energy, and higher education and research. There are also representatives of the Central Bank of Congo, the National Electricity Company, the Congolese Ministry of Post and Telecommunications (OCPT) and the Water Board, the public company in charge of water distribution. But unfortunately, despite the rise of Chinese investors in the forestry sector, no representative of the Ministry of Environment and Sustainable Development takes part in these high-level meetings.

In addition, Chinese activities in the DRC focus mainly on infrastructure and resource extraction (Jansson et al. 2009). As a result, the Ministry of Infrastructure, Public Works and Reconstruction (MIPWR) and the Ministry of Mines are key players in Sino-Congolese relations. Within MIPWR, two special agencies were formed in August 2008 to manage infrastructure projects funded by the Chinese. The Office of Coordination and Monitoring of the Sino-Congolese Programme (BCPSC) and the Congolese Agency of Great Works (ACGT) have the main task of advancing Sino-Congolese project implementation. It is therefore important to integrate the forest sector into this bilateral Sino-Congolese relationship.

Table 1. Research, NGO or trade initiatives and international cooperation programmes for Chinese investments in DRC

Initiatives	Objectives	Key partners	Activities
FOCAC	Promote transparency and legality in Chinese investment operations in Africa and DRC	China, CEEAC COMIFAC CBFP	• Communicating FOCAC activities • Elaborating Chinese investment guidelines in the forest sector in Central Africa • Raising awareness of the principles of sustainable overseas forest management trade and investment, as set out in the IUCN guide for Chinese investors (IUCN 2009) (particularly Principle 2.1.3 on the coherence of ecological, social and environmental interests and Principle 2.1.5 on sustainable harvesting and value-addition)
COMIFAC	Present and discuss the COMIFAC convergence plan with Chinese investors	CBFP African Union CEMAC	• Support China's implementation of the convergence plan
CBFP	Invite Chinese investors to participate in CBFP activities that promote forest governance and sustainable forest management	CBFP China COMIFAC	• This includes initiatives by Chinese investors to support forest communities to alleviate poverty and protect ecosystems

Notes:
CBFC Congo Basin Forest Partnership
CEEAC Economic Community of Central African States (Communauté Économique des États de l'Afrique Centrale)
CEMAC Economic and Monetary Community of Central Africa (Communauté Économique and Monétaire de l'Afrique Centrale)
COMIFAC Central African Forests Commission (Commission des Forêts d'Afrique Centrale)

2. Research methodology

The methodology used in this study included a desk-based review of secondary data and field surveys in nine provinces of the country (May-Ndombe, Équateur, Haut-Katanga, Kasaï-Central, Sud-Kivu, Lualaba, Tshopo, Bas Uele and Ituri). The research and subsequent analysis and discussion of results are described in more detail below.

2.1 Literature and data review

Our assessments of mining and other non-forestry-related investments included collecting secondary data from the following sources:

- The Environment Water and Engineering Services (EWES) databases (EWES is an independent laboratory certified by the Congolese government).
- Libraries in the city of Lubumbashi. These are mainly university libraries and include dissertations, internship reports, doctoral theses and other publications from the scientific community.
- Public administrative services, including provincial mining divisions, mining cadastres, the commercial court and tax divisions, and the Small-Scale Mining Support and Management Service (SAESSCAM). To create a mining company in the DRC, it is essential to go through these services.
- NGO documentation (such as press releases, reports, journals) , mainly examining NGO interventions in the field of the natural resource management.

To assess the scale and value of the timber trade between the DRC and China, our research collected production and export data from private companies, public institutions and NGOs. This included information to assess four main aspects:

- **Species exported.** Copies of phytosanitary certificates and certificates of origin were obtained from the Forest Management Directorate (Direction de Gestion Forestière or DGF) and filtered by: volume of species exported, volume exported by type of timber and exported timber products and the volume of timber and timber products actually exported to China. We converted the data from tonnes to cubic metres.
- **Volume exported.** Information on total volumes of timber granted to industrial logging concessionaries and artisanal logging permit holders in the DRC were obtained (from the DGF) and compared against annual felling permits (*autorisation de coupe de bois d'oeuvre* or ACIBO for concessions and *permis de coupe de bois* or PCB for artisanal loggers), and the production declaration data produced by each concession holder or artisanal forester.
- **Companies exporting**. Information on timber sales contracts was obtained (from the DGF) to identify which main logging companies are exporting timber and timber products to China.
- **Chinese import versus Congolese export data**. Customs-related data from the Directorate-General for Customs and Excise (Direction Générale des Douanes and Accises or DGDA) was obtained to analyse volumes, converted from kilograms in cubic metres, to compare import values from China and those exported by the DRC.

2.2 Fieldwork

The field surveys were intended to:

- Geolocate companies investing Chinese capital (physical address),
- Officially request and obtain from them data for the study,
- Conduct environmental observations and obtain information from local communities, and
- Triangulate information from the literature and data review with the reality on the ground.

The field surveys were supported by a questionnaire. It was distributed widely to obtain information both from workers from the companies concerned and from the population at all levels and professions (such as students, journalists and traders). Informants with business relations or under contract with the targeted companies remained anonymous. Annex 1 contains a list of findings from field-based investigations of Chinese company locations and activities.

2.3 Assessing compliance with environmental obligations

To assess the level of enforcement of environmental obligations with respect to mining companies, we used a three-pronged approach:

- Review of environmental documents and registers
- Direct consultation with company representatives
- Observation of environmental impacts

The purpose of reviewing environmental documents and registers was to assess compliance with the requirements of the mining legislation of the DRC. In accordance with the Mining Code and Regulations of the DRC these include:

- Annual activity report and environmental report: Articles 501 and 458 of the mining regulations,
- Environmental impact study: Article 204 of the Mining Code,
- Environmental audit: Article 459 of the mining regulations,
- Water quality monitoring records: Articles 69 to 74 of Annex IX of the mining regulations, and
- Air quality monitoring records: Articles 51 to 52 of Annex IX of the mining regulations.

Direct consultations involved dialogues with operators on the environmental impacts of their activities and obtaining an environmental management policy. Finally, environmental observations involved collecting information on the impacts of activities on the environment (air, soil, water and biodiversity), particularly through the management of mine discharges and the evacuation of liquid and gaseous effluents from the operation.

2.4 Assessing compliance with social responsibilities

To assess compliance with social responsibilities, four sectors were examined:

- Social achievements
- Wage policy
- Security and risk management
- Respect for human rights and DRC's laws and regulations

Our evaluation involved identifying social works carried out by the company, such as the provision of facilities such as health centres, schools, recreation centres and drinking water. In addition to information we collected from the public, we visited each to assess the level of investment in facilities made by the company concerned. To evaluate wage policies, we obtained information on the remuneration of workers and day labourers. To assess levels of safety and risk management, we focused on the provision of personal safety equipment (such as helmets, gloves, protective footwear, safety glasses) and road signs within and around the factory.

To investigate respect for human rights and the laws and regulations of the country, our research examined how the company deals with the public services of the state and the police, as well as the way in which the workers are considered, housed, transported and fed.

3. Legal and regulatory contexts

3.1 Forest governance, legality and transparency in the DRC

At the beginning of 2000, with the gradual return of peace, the DRC undertook a vast programme of political, economic and institutional reforms, notably concerning the forest sector (Debroux et al. 2007). Under pressure from some international donors (Trefon 2006), a Forest Code was adopted – Law 11/2002 of 29 August 2002 – to promote sustainable management of resources and increase the sector's contribution to economic and social development and cultural well-being.

The management of forest concessions is one of the major objectives of the 2002 Forest Code (Bayol et al. 2012, Durrieu de Madron et al. 2011). A special effort was made to delimit permanent production forests. Allocation has been limited since the moratorium on the allocation of new titles introduced in 2002. This moratorium (which was only partially respected) was completed and reinforced in 2005 with the publication of a decree establishing the terms and conditions for converting former forest titles into forest concession contracts. Conversion requests covering 156 forest titles for a total of 22 million hectares were submitted by their holders to the conversion process. At the beginning of 2011, 80 titles were declared convertible, corresponding to an 'administrative' area of 12 million hectares. In 2013, 68 industrial logging titles were operational on approximately 10 million hectares (FIB 2012).

Since the opening of negotiations in May 2011 with the European Union (EU), the DRC has made a legal commitment through the Forest Law Enforcement, Governance and Trade's voluntary partnership agreements (FLEGT-VPA). The eventual signing of the VPA agreement with the European Union will also lead to the revision of the forest policy and law. Consequently, the DRC as a priority must:

- Clarify the sustainable financing process for the negotiation and implementation of the FLEGT-VPA between the DRC and the EU,
- Position the FLEGT-VPA steering and negotiation process in the Prime Minister's Office,
- Finalise, test and validate the legality frameworks,
- Develop and implement a system for compiling, centralising and archiving information on the national forest sector,
- Support the functioning of the legality assurance system (with a high-performance national forest control service) in close collaboration with other public administration bodies involved in the FLEGT-VPA, and
- Support the organisation of the domestic timber market and build the capacity of national forest enterprises, small producers and the artisanal sector to comply with FLEGT-VPA requirements (Bigombé 2014).

In 2007, the DRC began implementing the Extractive Industries Transparency Initiative (EITI) Standard, which is the global standard for the good governance of oil, gas and mineral resources. Reporting also covers forestry and the artisanal and small-scale mining sectors. This is quite innovative in comparison to other countries. It also follows specific thematic issues, such as the infrastructure provisions put in place by the Sicomines project. Forestry was added in 2015 in response to the scale and widespread informality and illegality in the sector. In 2012, only 10 per cent of the revenues from surface royalties were collected by the Treasury (Greenpeace Africa 2013). Since then, given the area of all forest concessions in the DRC (14,941,935 hectares) and the statutory standing charge of US$0.50 per hectare, the Treasury should have collected nearly US$7.5 million per year.[5] But figures released by the

[5] In fact, two sets of figures relate to the area of forest concessions in the DRC. The figure given here (14,941,935 hectares) refers to the geographic information system (GIS) area calculated by the World Resources Institute. There is also a second set of

Ministry of Finance show that the sum collected in 2011 was US$3,090,586 and in 2012 was US$777,908. This means a shortfall of over US$11 million in the state funds for these two years alone.

By including the forestry sector in EITI reporting, we can establish the materiality of the forest sector during the post-conversion tax periods of forest titles. It allows (as is done in the oil and gas industries) the flow of payments to be traced with the list of public and administrative services and forest operators. Apart from promoting sustainable logging practices, the EITI standard applied in the forestry sector has the advantage of increasing the contribution of the sector's revenues to the state budget.

On the basis of the 2013 data included in the EITI-DRC 2013 scoping report, 190 operators in the forest sector have been identified, contributing 79.77 per cent of forest sector revenues (Moore Stephens 2015). Of the total identified, only 33 account for more than US$20,000 and cover 76.96 per cent of total forest revenues. Companies with payments below the threshold of US$20,000, of which there are 157, represent only a non-significant share of the total contribution of all identified loggers, or 2.82 per cent.

3.2. Main legal and regulatory instruments

During our study, the analysis of the regulatory framework for timber products exports focuses on the interpretation of certain regulatory provisions of the Forest Code (Law 011/2002 of 29 August 2002) and in particular:

- Article 109 of Ministerial Decree 056/MIN/AFF-ECN/01/01/00 of 28 March 2000 regulating international trade in endangered species of fauna and flora in the DRC,
- CAB/MIN/AFF Decree ET/276/2002 of 5 November 2002 determining the protected forest tree species in the DRC,
- Interministerial Decree 003 and 029 of 26 April 2010 fixing rates, taxes and fees to be collected relating to fauna and flora, and
- The initiative of the Ministry of the Environment, Nature Conservation and Tourism and the interdepartmental order of the Republic of Zaire BCE/BC/ECNT/007/85 of 15 December 1985 regulating the export of logs.

The Department of Foreign Trade, in consultation with the Department of the Environment, Nature Conservation and Tourism, sets the annual export quota for round and squared logs. Any company seeking to export timber products must obtain an export permit. Companies must either have a functional timber processing facility in the DRC, or be in the process of constructing one that must be operational during the year of quota allocation. Companies must also submit an application for the annual quota allocation of exports. But in practice, most forestry companies operating in the DRC do not fulfil either of these conditions. Also, according to the regulations, the export quota for logs is valid for one calendar year. It cannot be carried forward to a later period – although in practice, many companies request postponements either for a later period or for the following year. Non-compliance with these regulations could result in penalty fees or the withdrawal of the export licence. But this is rarely enforced.

Given that the provisions of the interdepartmental order are still applicable and that no other provisions relating to the regulation of timber export activities have been signed, the Congolese government through the Ministry of Forests should update and ensure strict

figures for the 'administrative area'. This corresponds to the area used in the contracts of the former forest titles of the DRC, some of which have now been converted into forest concessions. However, the administrative area figures are less accurate than the GIS figures, which are based on a detailed mapping exercise. For more information on concession areas, see Mertens and Bélanger (2010).

compliance with these provisions to ensure the sustainable management of the country's forests. There is also a need to harmonise the current Forest Code (2002) with the current realities of forestry activities and address confusion and overlap with other regulatory provisions. Our analysis of the current situation of timber exports in the DRC reveals several irregularities:

- More than 70 per cent of the annual production of timber is exported as logs, contrary to the 30 per cent authorised by the Forest Code in accordance with Article 109.
- The industrial sector has a low export volume (more or less 300,000m^3/year).
- There has been a rise in the export of timber in the artisanal sector, which is not always done legally. Non-compliance with regulations, especially by the artisanal sector, has an impact on the credibility of Congolese timber in European and American markets.
- Trade is making a minimal contribution to the development of the sector or to local communities and indigenous peoples.

3.3 Taxation on timber exports

Box 2. Taxation system for timber and timber products exports in the DRC

The taxation system for timber and timber products exports in the DRC is regulated by the following regulations:

- Law 011/2002 of 29 August 2002 on the Forest Code.
- Decree 031/2012 amending and supplementing Order 011/CAB/MIN/ECN-EF/2007 of 12 April 2007 regulating the authorisation of industrial timber cutting and purchase authorisations for the sale and export of timber.
- Order ECB/EC/ECNT/007/85 on the export of logs.
- Ministerial decree 056/MIN/AFF-ECN/01/01/00 of 28 March 2000, which regulates international trade in endangered species of fauna and flora (CITES) in the DRC.
- Decree CAB/MIN/AFF.ET/276/2002 of 5 November 2002 determining protected forest tree species in the DRC.
- Interministerial decrees 003 and 029 of 26 April 2010 and 004 and 030 of 26 April 2012 fixing rates, taxes and fees to be collected for the protection of fauna and flora (a Ministry of the Environment, Nature Conservation and Tourism initiative).

The Forest Code is the legal instrument regulating sustainable forest management. It states that no harvester, exporter or processor of forest products may, regardless of the tax regime to which he is subject, be exempt from paying the duties, taxes and fees provided for in the Forest Code or its implementing measures. It further stipulates that the rates of taxes and royalties outlines in the Forest Code are fixed by a joint ministerial decree:

- **Surface area of the concessions granted:** any additional offer proposed by the concession holder at the time of the auction is added to the basic area tax rate (the 'taxe de superficie' fixed per hectare).
- **Felling tax:** the rate varies according to the classes of forest species and the sampling areas.
- **Export tax:** export taxes on raw products are higher than those on processed products.
- **Deforestation tax:** the rate corresponds to the cost of reforestation per hectare.

- **Reforestation tax:** the rate corresponds to 10 per cent of the reforestation cost per hectare.

After collecting these different taxes, Article 122 of the Forest Code provides that the proceeds of these taxes and forest fees are paid to the Treasury and distributed as follows:

- **For surface area concessions granted:** 40 per cent is paid to Decentralised Administrative Entities (DAEs) from timber or forest products and 60 per cent to the Treasury.
- **Felling tax:** 50 per cent is paid to the National Forest Fund and 50 per cent to the Treasury.
- **Export tax:** 100 per cent is paid to the Treasury.
- **Deforestation tax:** 50 per cent is paid to the Treasury and 50 per cent to the National Forest Fund.
- **Reforestation tax:** 100 per cent to the National Forest Fund.

Of these taxes and fees, the provincial administrative bodies are entitled to 25 per cent and the DAEs to 15 per cent. Funds are paid to the administrative bodies of the province, city or territory where the forest resources exploitation takes place.

In addition to the provisions of the Forest Code relating to taxation and the orders listed in Box 2, Interministerial orders 004 and 030 of 26 April 2012 fix the rates, duties, taxes and fees to be collected in relation to the international trade in endangered species of fauna and flora (CITES) in the DRC. These orders specifically establish taxation conditions for different timber products intended for export in its articles 11, 12 and 13 on the export of CITES plant species.

However, in practice, none of these regulations are followed. Different tax rates per species and small forest products are not adhered to and penalties for non-compliance with the regulations are not enforced.

3.4 Major constraints

Clearly, these are key issues affecting the proper regulation of the forestry sector. But several other aspects related to these different provisions must be taken into account for possible improvements.

With quota management, for example, disparities have been noted between the volume allocation data given to concessionaries and artisanal miners (felling permits or ACIBOs and PCBs) by the DGF and those of export licences for CITES-listed species under the management of the Directorate of Nature Conservation (DCN). This has caused enormous difficulties in coordinating and managing quotas allocated to the DRC by the Executive Secretariat of the CITES Convention. The same difficulty also lies in collecting any penalties against offenders for any practice that does not comply with the regulatory provisions relating to the export of timber and timber products.

3.5 The 2011 legal framework for the environment

The environment sector in the DRC has long been governed by a set of sectoral legal texts organising the preservation and management of the environment. These include the Nature Conservation Act (1969), the Mining Code (2002), the Forest Code (2002), the Land Act (1973) on the general regime for property, tenure, real estate and tenure security, the Hunting Act (1982 Act), the Agriculture Act (2011) and other sector-specific regulations. But there is not yet a framework law on the environment to which all sectors should refer in the

management of sectoral issues related to the environment. Because of this, each sector has issued environmental standards which relate to the value of that sector's activities, but without reference to the values protected by other related sectors. This has led to several overlaps – to the point that applying different regulations has become difficult.

It is only as recently as 2011 that the DRC has adopted a legal framework which constitutes a unifying law covering all sectoral environmental values to support the protection of the environment according to global standards. Law 11/009 of 9 July 2011 is intended in particular to:

- Define the main guidelines for environmental protection, and
- Serve as a basis for specific legislation governing the conduct of sectors that are distinct from the environment but whose direct or indirect impact is undeniable.

In addition, since 2011, any legislation that deals with environmental issues is required to refer to and comply with the various principles set out in this law. It also means that the proposed modification of the Mining Code should conform with the environmental indicators set out in the framework law.

The new legal framework includes several innovations for the global management of the environment to which all derivative laws should be subject. In its entirety, the fundamental principles of environmental protection established by this environmental framework law is summarised in Table 2.

Table 2. Principles of environmental protection outlined in the DRC 2011 legal framework

Technical management body	**Environmental and social measures**	**Environmental protection mechanisms**	**Public participation**
Ministry of the Environment ensures coordination with sectoral policies A new public body[6] will be created to evaluate and approve the ESIA of any project and to follow up on implementation	To enforce the 'polluter pays' principle To prohibit activities which are harmful to the environment in protected/prohibited areas To prohibit emissions that could harm the environment and health To prohibit the discharge of waste or substances which pollute marine or water resources To prohibit any activity likely to cause pollution to or the risk of erosion/degradation of soils/subsoils To establish civil liability, offences and penalties	Any public policy, programme or plan should conduct a prior environmental assessment An ESIA and environmental management plan will be required for any project likely to have an impact on the environment Industrial safety measures and an emergency plan to be developed for any registered company An environmental audit will be required for any structure, project or activity presenting a	The public have right of access to available, complete and accurate information on the state of the environment The public have the right to participate in environmental decision-making and natural resource management processes A public survey should be conducted prior to any project or activity likely to have an impact on the environment

[6] The Congolese Environmental Agency

		in the event of any violations of the law	potential risk for the environment A national emergency response plan should be developed to respond to natural disasters and emergencies

Notes: ESIA Environmental and social impact assessment

4 Chinese investment and the commercial relationship between China and the DRC

4.1 Chinese investments in the forestry sector

4.1.1 Chinese operations in DRC forestry

A database compiled by WWF reveals that most industrial logging companies are backed by Swiss, Belgian and Lebanese capital. However, the main export market for most of them is China. Chinese investment in the forestry sector can be fluid and fungible – it involves a variety of business models from large-scale industrial logging to smaller-scale traders and timber operators (Weng et al. 2014). They operate not only in the traditionally forest-rich provinces of Bandundu, Équateur and former Orientale but throughout the country.

The increased presence of Chinese operators in the Congolese forestry sector coincided with a process of review of existing logging concessions in 2006, leading to a process of reconversion (renewal) of those deemed compliant with the 2002 Forest Law in 2008. A moratorium was approved in 2002 without a proper due diligence process. Consequently, when the moratorium was reviewed in 2006 many companies lost their concession rights due to lack of compliance and from 156 forest concessions only 72 were retained[7] (Putzel and Kabuyaya 2011). Although no Chinese companies initially obtained concession titles during the 2008 reconversion process, 'new' Chinese concessions have since been acquired through what appears to be a reallocation of cancelled titles from the existing industrial estate, either in their entirety or through joint ventures. But in both cases, this makes them more difficult to identify.

Four main mechanisms have been observed for Chinese operators to access forest resources in the DRC:

- **Direct ownership of concessions.** In late 2017, two Chinese logging companies, previously operating in Equatorial Guinea, acquired logging concessions from the Congolese government that were previously demarcated in the forest industrial estate. Information on these arrangements continues to be sparse.
- **Joint ventures with existing concession holders.** As of 2018, WWF DRC were working with two such companies in Équateur and Mai Ndombe provinces to assess compliance with African Timber Organisation (ATO) and International Tropical Timber Organisation (ITTO) standards for sustainable forest management and to establish a roadmap for improving best practice.
- **Informal partnerships acquired illegally from existing concession holders**. In 2015 there were three known partnerships of this kind with Chinese companies in Oshwe and Mushie territories in Mai Ndombe province.
- **Artisanal logging permits.** Limited data and estimates exist for the scale of Chinese involvement in the artisanal logging sector but timber from artisanal logging permits is estimated to make up for 10 per cent of total Congolese timber exports reaching China.

It is also necessary to understand the context of some of the artisanal logging sector. According to our assessments, the permit holders in most cases hold well beyond the official surface area allowance, on average more than eight times more (see also some recent data

[7] Although this has since that time been further reduced. Investigations by the Rainforest Foundations UK (RFUK, 2017) suggests only 29 of these are not legally compliant and should therefore also be cancelled.

collection by GFW 2017). Permits can be accessed without either qualifications nor technical or financial means. Inevitably, some DRC nationals have found themselves in need of both equipment and an investor – and turn to Chinese companies as a result. According to one of our interview correspondents, the rationale is simple: 'Chinese investors are hiding in the shadows to finance all operations from the acquisition of the artisanal logging permit, through logging on land, transporting timber to the point of delivery in Kinshasa, to the last transactions and completion of documents before export to China' (Greenpeace Kinshasa 2015). Data collected in this project indicate that Chinese-linked companies mainly intervene in the artisanal value chains as intermediaries and business partners, often pre-financing logging operations: from obtaining licenses (typically costing US$1,000 plus US$250/ha harvesting fees), to paying the labourers involved in harvesting (Nhantumbo 2016). Although this in itself is not illegal, because of the overall high levels of informality in the sector, the impact on the sustainability of the forest resource is questionable.

Due to weak forest governance by the forest administration, this situation exposes the lack of effective surveillance and control by the Directorate for Internal Monitoring and Audit (DCVI) within the Ministry of the Environment, Nature Conservation and Tourism (MECNT). In many cases, administrative officials are content with the statements made by the operators themselves. During our research, some interviewees reported that most artisanal loggers operate outside their authorised sites. Having some official authorisation acts as a safety net, even despite the forest administration's lack of capacity for effective monitoring and control.

4.1.2 Export of timber and forest products to China

According to the data collected for our research, China has become the leading importer of natural resources on the African continent. Timber and forest products rank third after hydrocarbons and ores.

In a study report on the flow of logs and timber products between China and the DRC, several irregularities were identified when analysing the current situation of timber exports in DRC. In addition to those set out in Section 3.2, we have also identified problems including the uncontrolled use of mercury in the artisanal mining sector and the fraudulent export of large volumes of timber to Asia, probably due to the implementation of the European Union Timber Regulation (EUTR).

4.1.3 Chinese involvement in industrial forestry

While the moratorium continues, no forest concession is held by Chinese investors. However, there are partnership agreements between some dealers and Chinese operators. The current law regulating this sector stipulates that:

- The concession holder may not rent, assign, exchange or give the forest concession without the prior authorisation of the Minister or the President of the Republic.
- Operating permits are strictly personal and may not be assigned or rented.
- The concession holder may, after informing the contracting authority in writing, subcontract all or part of certain works, in particular developing the development plan for the concession, harvesting timber, constructing and maintaining the forest-products drainage network and socioeconomic infrastructure for the benefit of local communities, transporting forest products, and any other activity related to logging. However, the concession holder remains liable both to the licensing authority for compliance with legal, regulatory and contractual obligations and to third parties for any damages.

It is this third condition which has enabled some dealers to enter into partnership agreements with Chinese operators. This is particularly the case for SCPT-YFIDE (Sofoba) in its Oshwé

concession (Figure 2). The Congolese Association of Artisanal Loggers (Association Congolaise des Exploitants Forestiers Artisanaux or ACEFA) has even reported cases where Chinese operators produce and export logs under the guise of other industrial enterprises without a formal subcontracting contract.

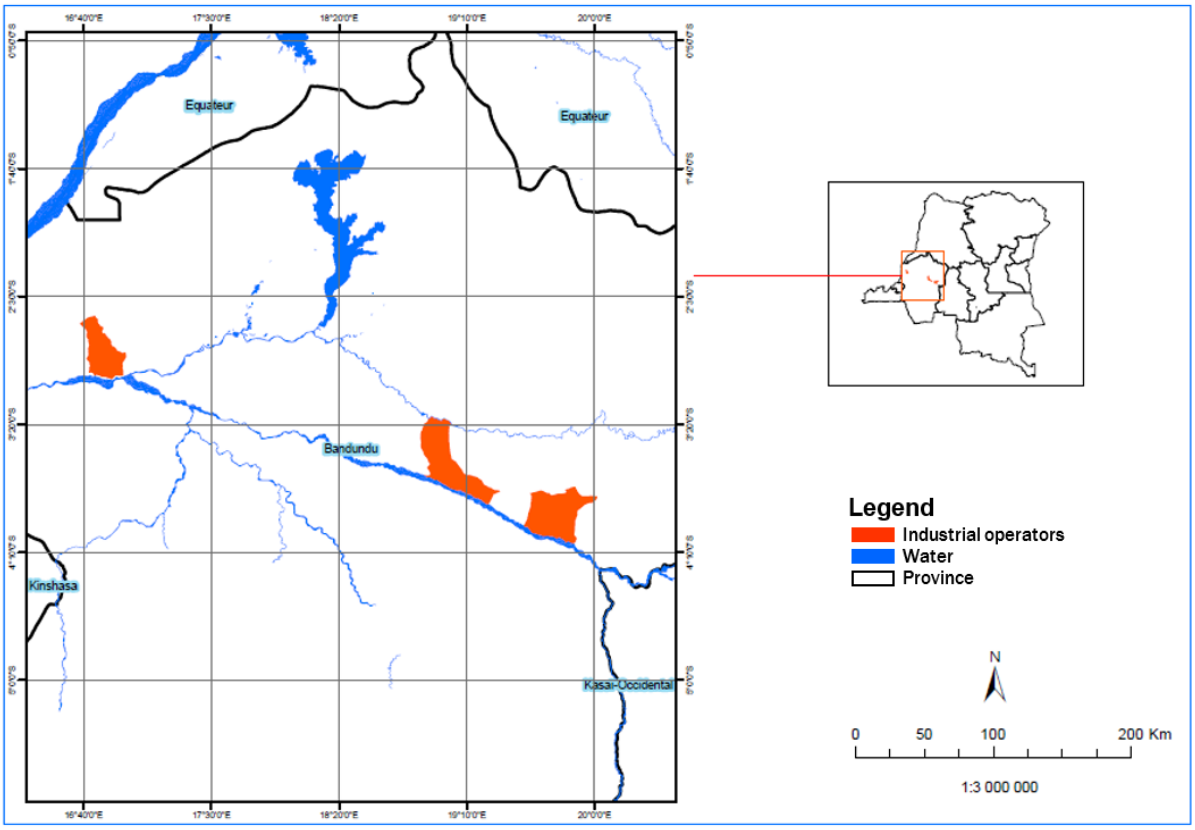

Figure 2. Map of industrial operators linked to Chinese investors: Guy Landu (2015)

4.1.4 Chinese involvement in artisanal timber harvesting

Prior to 2013, most Chinese operators held illegal timber logging permits. However, NGO reports have led to a crackdown on the allocation of permits to non-Congolese nationals. The situation has now changed. Instead, alliances are being forged between Chinese operators and Congolese artisanal loggers for the production and export of timber to China under obscure contracts. In other words, Chinese operators are producing and exporting logs under the name of and in partnership with Congolese artisanal loggers. Within this network, there are even a few who declare their exports – meaning that some customs officials are helping to facilitate this illegal trade.

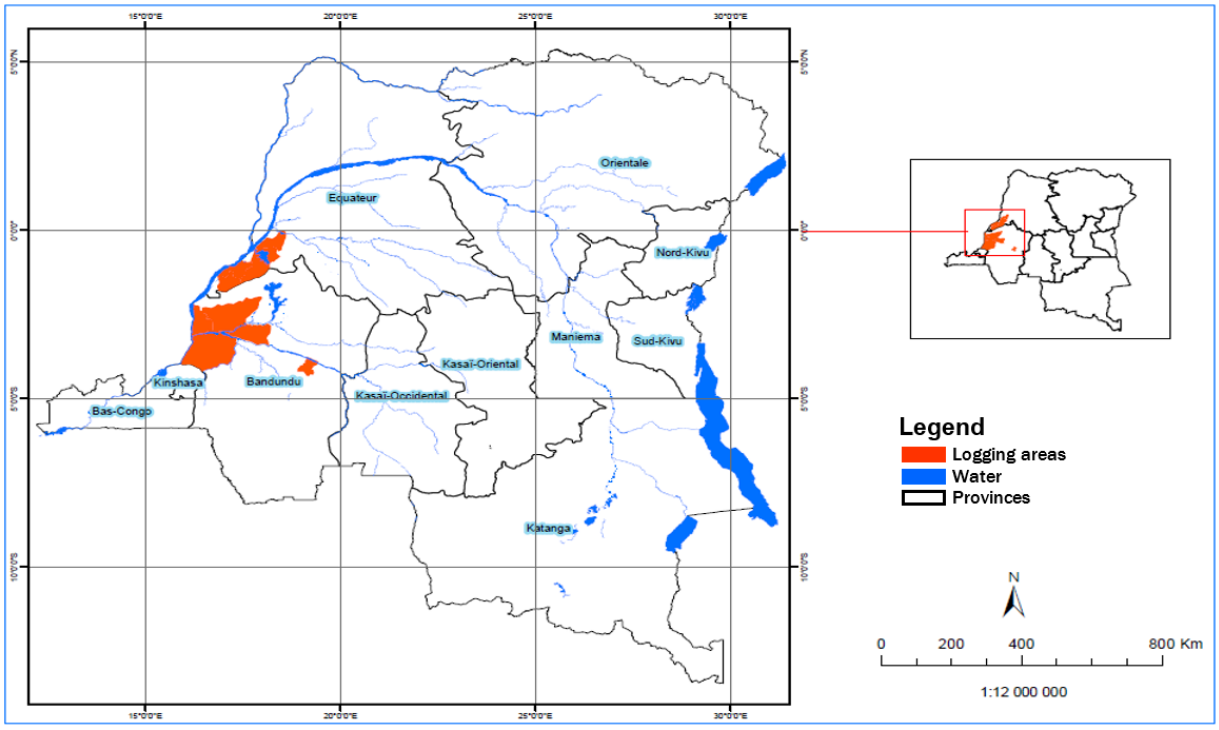

Figure 3. Map of artisanal loggers linked to Chinese investors Source: Guy Landu (2015)

Many Chinese-Congolese companies are known of, especially in the Congolese Association of Artisanal Loggers. This was evident from our field visits to harvesting sites of known Congolese operators. Our aim was to note either the physical presence of Chinese operators or the sophistication of harvesting and transporting equipment used. These indicate that the operations are not conforming with the law or production quotas. Figure 3 highlights some findings from our field-based observations.

A major challenge with these types of partnerships is that harvesting is done at a higher level than permitted by the law – without paying tax or for social investments. As a result, local communities are stripped of their resources without the benefit of any investment in infrastructure in return.

4.1.5 Authorisations to purchase, sell and export timber

Between 2013 and 2015, Chinese operators in the DRC increasingly made use of regulations allowing them to purchase, sell and export timber.[8][9] Many permits are issued to the same groups of two or three Congolese operators on behalf of a Chinese operator. One example is of Chinese operators opening timber purchasing markets, particularly on the Mongata-Bandundu Ville Road in the Kwamouth territory. Similar examples are also found in the Ngambomi-Dumu-Embwa region in the same territory. Table 4 in Annex 1 contains a list of companies created in the first half of 2015. Most list harvesting as part of their activities and the majority of their shareholders are Chinese.

[8] As stipulated by Decree 0011/CAB/MIN/ECN-EF/2007 of 12 April 2007 (also known as 011).
[9] Some Chinese operators also illegally trade in medicinal plants, which requires a special permit.

Most of the forest sector focuses on the three so-called forest provinces (Bandundu, Équateur, Orientale Province). But artisanal logging – either to supply local markets or on behalf of Chinese operators for export to China – takes place in almost all provinces of the country.

In Katanga, for example, intense logging activities are reported along the Kasomeno-Mwenda Road and Kasenga Road and in Kilwa Pweto, Kambové, Manono, Kalemie, Sakania, Mwenda and Mukoka. Artisanal logging in this region is done either by Chinese operators or is dependent on them. This exploitation concerns mainly the redwood *Pterocarpus tinctorius*, known locally as '*kakula*'. And in Maniema and Sud-Kivu, sawn timber for export often follows the route from Kabambare to Lulimba, Fizi, Port of Mshimbakye, Kibirizi/Kigoma, Dodoma, Dar-es-Salam (in Tanzania) and finally across the Indian Ocean to China.

4.1.6 Analysing changes in timber exports and flows

It is important to analyse the evolution of volumes and flows of timber exported to China to understand the balance of timber flows between the two countries. To do this, a clear mechanism is needed to ascertain the nature of the cargo and its destination after exiting customs. We analysed data from the Annual Reports from the Forest Management Directorate (DGF 2011–2015) looking at timber production (harvesting permits and reported volumes), exports from the DRC to China (volumes, typology eg round logs versus processed timber, species and companies) for the years 2010 to 2014. We found that:

- Wenge (*Millettia laurentii*) is the most exported species in the form of logs, despite being listed as an endangered species in the IUCN Red List.
- Exports to China accounts for approximately 35 per cent of total timber exports.
- Out of 10 main companies exporting timber to China, the top three export 28, 22 and 15 per cent of their total exports to China.
- More than 70 per cent of the annual production of timber is exported in logs contrary to the 30 per cent authorised by the Forestry Code (2002 Article 109).
- Timber imports data from China indicate that receipts from the DRC exceed the total legal supply produced in the country.

However, these findings rely on highly unreliable data and with little possibility to make comparisons. For example, Global Witness (2015) estimated that the volume of timber and timber products exported from the DRC to China is the double – around 65 per cent of total exports (the EU receives around 21 per cent). Chang and Peng (2015) compared China-reported imports with aggregate imports to all Asian countries and DRC exports to all Asian countries. Their findings showed that reported Chinese imports alone exceeded DRC's total reported exports to all Asian countries.

The data collected from the Forest Management Directorate was challenging to analyse. Interviews with staff from both the Forest Management Directorate and customs authority (Direction Générale des Douanes et Accises or DGDA) customs staff revealed huge challenges in the technical expertise of staff, and the nature and management of timber export data. There is no centralised system for collecting and managing data. Most information is not digitalised and that which is contained in the DGF database cannot be easily or usefully extrapolated, making further research and analysis even harder. The Forest Management Directorate also have no mandate to operate at the point of border controls: this is the mandate of the customs authority. Yet the customs staff carrying out the controls do not have the skills to measure timber volumes or species. Similar findings have been found by Lawson (2014) and REM (2013).

Furthermore, the problem of illegal logging in the DRC has been well documented (Global Witness 2015; Greenpeace 2013; Lawson 2014). In September 2015, the National Coalition Against Illegal Logging (Coalition Nationale Contre l'Exploitation Illégale du Bois or CNCEIB) examined the contents of 61 containers transporting Wenge timber in Matadi Port, Kongo Central Province.[10] They found that the entire contents were of illegal origin. Improving collaboration between customs officials in the DRC and China might help improve data collection, control and law enforcement in the supply chain between the two countries. A monitoring system based on a software of the Forest Information Management System (SIGEF) type, capable of monitoring the evolution of timber exports only to China, and including the various stakeholders who can enter their own data into the system interface without any interference with others, could help address some of these challenges.

4.2 Chinese investments in mining, hydrocarbons, agriculture and infrastructure

4.2.1 Mining investments

Mining is one of the most important sectors for Chinese investments in the DRC. The Sicomines agreement (see Section 1.4 Current situation and trends) demonstrates the magnitude of these investments.
Increasingly, large mining investments in the DRC are governed by 'conventions', which is another term used for mining development agreements. Rather than having one specific classification system imposed by the law for reporting mineral resources and reserves, private investors select the system or the convention that is most appropriate for them (Bourassa et al. 2013). This underlines their national importance and their complexity. Take, for example, the investment of the American mining company Tenke Fungurume Mining (TFM) and the Sicomines agreement presented in the Sino-Congolese Convention (CSC) of 2008. The agreement provides for mining rights for Chinese investors in the Dikulwe-Mashamba (DIMA) concession owned by Gécamines, near Kolwezi, one of the world's largest confirmed copper reserves. US$850 million was used to purchase the rights owned by a company owned by Belgian industrial magnate Georges Forrest.

The DIMA concession is located largely in the old Gécamines mines. As a result, much of the associated deforestation had already taken place many years ago. Any additional consequences for forests should be limited. However, current information indicates that new quarries are being considered and that the Sicomines consortium has already begun prospecting. Whether it begins operations in new zones or not, the law requires the preparation and approval of an environmental mitigation and rehabilitation plan, an environmental impact study and an environmental management plan for the project. These include assessments and plans for the 'sociological' environment.

It is unclear whether the Sicomines agreement was preceded by an assessments or plans, nor who should be responsible for environmental due diligence, given the shareholder structure of the joint venture and the fact that the DIMA concession is the property of Gécamines. However, environmental impacts may have already occurred.

After the liberalisation of the mining sector in 2010, the number of small Chinese mining companies has rapidly increased and continues to expand. There is a myriad of formal and informal micro, small and medium Chinese enterprises active in the artisanal and semi-industrial mining value chain. The scale of their mining and trade is difficult to ascertain, but is

[10] The 61 containers involved companies Tala Tina SPRL, TERCO, Homimex and others whose cargoes were bought by China Light Resources Import-Export Corporation based in Beijing, China. See CNCEIB (2015).

thought to be significant. These business models are generally held in partnership with Congolese stakeholders who may hold the mining rights but lack the capital to exploit the concession. They often rely to a higher degree on local labour provided by individuals and families, who often migrate far and settle in camps. They either work alone, in cooperatives, or on behalf of companies.

Mining has resulted in the widespread encroachment of concessions and artisanal and small-scale operations in forest areas and national parks. Few systematic studies have been undertaken to assess the overall impacts of the industry on forest degradation and forest cover. Several case studies have documented the negative impacts of both industrial and small to medium-scale mining on human rights related to child labour, abuse and conflict.

Annex 2 contains a list of Chinese companies authorised to operate in the DRC as identified by Huang and Wilkes (2011). Annex 3 contains information gathered by the 2013 EITI-DRC report for the mining sector in the DRC. Annex 4 contains a list of five additional companies identified by the project.

4.2.2 Agriculture investments

Over the years, a number of Chinese investments have been made in agricultural research and development. The best-known agreement in this area is that of ZTE Agri Business, which invested via the National Agency for Investment Promotion (ANAPI) in 2009, paying US$4.4 million to begin agricultural operations on the Batéké Plateau and to conduct a rice pilot project in the N'Sele presidential farm (Putzel et al. 2011).

In August 2007, the Council of Ministers in the DRC approved a proposed project of 100,000 hectares for palm oil production. On January 14, 2008, in an interview with *Le Potentiel*, China's ambassador to the DRC said the ZTE project would cover 300,000 hectares (Brautigam 2010). Then in May 2008, an Associated Press report gave the figure of 2.8 million hectares (ibid). In an interview with Paulin Osit, Director of the Ministry of Agriculture, he acknowledged ZTE's efforts 'which have not yet resulted in the signing of an agreement with the government'. Annex 5 contains a list of identified Chinese companies in the agribusiness sectors.

4.2.4 Infrastructure investments

Chinese investments in the infrastructure sector grew rapidly in 2008, mainly in the form of infrastructure development in exchange for Sino-Congolese mining industrial projects (Sicomines). Between 2008 and 2014, China invested in ten infrastructure projects in the DRC. The total expenditure on these ongoing projects is approximately US$460 million. In 2015, planned projects included the development of public spaces, roads, solar projects and others. The total expenditure of these latest initiatives is US$250 million.
Sinohydro (a Chinese state-owned hydropower engineering and construction company) and the China Railway Group Limited (CREC) are two of the Chinese parties involved in the Sicomines agreement. Apart from their involvement in the Sicomines agreement, the two companies have been active for several years in the DRC as entrepreneurs for African and Western finance agencies as well as the Congolese government. Other noteworthy companies include the China Jiangsu Construction Group Corporation (CJCC), which is working on several major projects in Kinshasa on behalf of the Chinese government. In 2006, CJCC completed the Sino-Congolese Friendship Hospital in N'Djili.

5 Comparative analysis of national investments, companies and trade relating to other key markets

5.1 Import-export financial flows between China and the DRC

Our research has shown that the main difference between the Chinese market and the other major markets (EU and USA) is the lack of rigour in requirements relating to the legality and traceability of timber and other forest products imported from the DRC. Western countries are concerned with the future of the forests in operation and thus require certification. However, the Chinese market does not require certificates of origin or traceability for imported timber and forest products.

The Chinese timber market is growing rapidly. From January to May 2012, the volume of Congolese timber exported to China exceeded that to the European Union as a whole for the first time. Given that no Chinese company holds an industrial concession in the DRC, and that European and Lebanese forest companies continue to export mainly to European markets, it is likely that a significant share of timber exports to China are tied to the increasing number of Chinese companies that use artisanal logging permits.

There are two key reasons for this. The first is related to the international economic crisis was has impacted the main Western countries importing timber and forest products from the DRC. Their demand has fallen significantly in recent years. The second concerns conditionality. Timber imports to Western countries – and in particular the European Union – must comply with FLEGT-VPA requirements. A key FLEGT-VPA objective is to build the capacity of timber-exporting countries to more effectively control the illegal exploitation of forest resources and to reduce trade in illegal timber between these countries and the European Union.

In 2003, the European Union defined the action plan for forest law enforcement, governance and trade (FLEGT). The FLEGT initiative requires partner countries in the EU and other timber-exporting countries to implement a legality assurance system (LAS) through voluntary partnership agreements (VPAs). In June 2010, the EU also adopted new regulations. These require that timber importers and traders must be able to trace all timber or forest products to their source to ensure its legality. The EU Timber Regulation (EUTR) came into force in March 2013. It aims to reduce illegal logging by ensuring that no illegal timber or timber products can be sold in the EU. However, as a result, loggers operating in the DRC have been forced to turn to new Asian markets, with China being the most important as one of the largest consumers of timber and tropical forest products.

This trend is unlikely to change soon as Chinese demand for Congolese timber continues to increase. Gabon, the first supplier of African timber to China, has begun to strengthen its regulatory framework and requires all investors – including the Chinese – to comply with quotas for on-site timber processing and exports. As a result, Chinese investors began operations in other African countries instead, such as Cameroon and the DRC.

China also seems reluctant to engage in the International Extractive Industries Transparency Initiative (EITI), which now also monitors forestry as well as mining activities in the DRC. EITI aims to increase the transparency of financial transactions between governments and companies in the extractive industries sector. It focuses on the full disclosure and auditing of corporate payments to governments and government revenues from oil, gas and mining activities. Disclosure and verification support better governance in resource-rich countries so

that natural resource revenues are allocated to government spending on health, education and other priorities.

It has been proven around the world that the huge revenues generated by extractive industries have frequently fuelled corruption, exacerbated conflict and weakened economic development, thus contributing to rising poverty rates. Instead, extractive industry revenues should be an important driver of economic growth. When invested in public sectors such as health and education, these revenues can contribute to development, a better quality of life and poverty reduction.

EITI attempts to provide a tool that can be used by governments and relevant stakeholders to inform the way the extractive and forestry sectors are governed, so that natural resources can benefit all citizens and not just a few. Transparency of payments and revenues increases accountability. It is easier to put pressure on governments to allocate revenues to key basic services such as health and education when the information is accessible to the public. Our experience in collecting data for this report suggests this is not the case with Chinese investors. The difficulty in accessing data from government authorities in the DRC and the companies themselves, suggests they are not held accountable for any negative impacts on the populations or the development of the countries producing the raw materials.

Congolese forestry companies have two choices. The first is to comply with regulations which will able them to benefit from European and American markets. The second is to continue to trade with new markets such as in China. As China imposes no regulatory restrictions on timber imports, it is likely that current trends will accelerate and exports to the Chinese market will increase in volume as well as value.

5.2 Environmental and socioeconomic impacts

The environmental and socioeconomic impacts of Chinese investments in the DRC are worrying. Continuing to engage in dialogue with Chinese investors will be key to improving the situation. It is also important to strengthen mechanism to prevent illegal imports and exports from Chinese and Congolese ports. This could be done through increased collaboration between the Congolese Customs Administration and the Chinese Forest Administration. Improving governance of the DRC timber industry through bilateral trade agreements should also be a high priority.

Clearly, it is time to educate consumers and retailers in China about sustainable timber products. But it is also important to look at mechanisms for promoting more sustainable forestry practices by small and medium sized Congolese companies working with the Chinese. These could include, for example, policy and tax incentives that can promote the establishment of value-adding timber processing plants in the DRC. However, given current forestry practices – and particularly in the artisanal logging sector – there needs to be a shift towards a more long-term view of sustainability within the legal framework governing the sector, or negative environmental impacts are only going to get worse.

The same is true in relation to the socioeconomic impacts on the livelihoods of local populations living in areas exploited by Chinese investors. Nothing is done to improve their living conditions. According to a recent report by the African Association for Human Rights (Association Africaine des Droits de l'Homme or ASADHO) in 2014, Chinese investments only serve to further reinforced problems. For example, during the preliminary prospection phase, Sicomines destroyed local residents' fields and disrupted schools, according to complaints raised by a local cooperative. And during operations, Sicomines will employ 10,000 workers (many of whom will be Chinese). The presence of so many workers will have a negative impact on the forest area around the workers' camps.

As for artisanal mining, several Chinese companies are working with Congolese contractors in Katanga Province, according to the British NGO RAID (Rights and Accountability in Development). RAID published a report on working conditions in Chinese companies in Katanga, a subject of continuing investigation for local law experts. Overall, the RAID report showed that from the point of view of Congolese workers, general workplace conditions in Chinese companies and Congolese companies are extremely bad.

One of the key institutions that needs to be more involved in the monitoring of China-DRC investment impacts in the DRC is the Economic and Social Council (ECOSOC). ECOSOC is an independent advisory body mandated to advise the cabinet of the president of the republic, the national assembly, the senate and the government on issues relating to the economic and social development of the country. The council is responsible for monitoring national, provincial and international economic and social policies and the impact of these policies on the lives of the Congolese people. It is also responsible for promoting democratic dialogue between the main economic and social actors.

In the course of 2017, China's forest governance project in Africa engaged with ECOSOC on issues concerning the impacts of Chinese investments on the economy and Congolese society. Through studies and investigative journalism, and building on previous research, the project has been able to gather evidence of the negative social, economic and environmental impacts of these investments. At the heart of the challenge lies the question of how to ensure that these Chinese investments benefit both the national economy and the local people, not just a small elite. Addressing this complexity will require joint monitoring and enforcement efforts at the provincial level. The dialogue and collaboration between the central ECOSOC and the provincial vice-governor of Mai-Ndombe Province has been identified as a priority by the ECOSOC in a recent national dialogue where the findings of these studies were discussed. This initiative is a direct follow-up activity of a meeting with members of all seven ECOSOC members in December 2017 to present the results of the project.

6 Conclusion

During our research for the China-Africa Forest Governance project on the improvement of the governance of natural resources in the DRC, we have collected much information relating to different sectors impacting on the environment. Our studies demonstrate that industrial concessions such as those under the Sicomines and DIMA must do much more to improve social and environmental responsibility through the use of environmental impact studies and environmental and social management plans.

Chinese trade and investment activities in the mining, forestry and infrastructure sectors in the DRC have increased significantly in the last decade. In the agricultural sector, Chinese investments in the DRC have not yet reached a level where a substantial negative impact is to be expected. However, more significant investments may occur in the coming years.

A range of private companies and traders play a large role in facilitating natural resource exports to China. Chinese companies occupy an important place in the bilateral cooperation space of the DRC in several sectors: mining and forestry, industrial agro-food systems, infrastructure, construction and trade. China is today almost ubiquitous in the economic landscape of the Congo – and the DRC intends to take advantage to accelerate its development and economic recovery. But many observers question whether most Chinese investment projects in the DRC really equate to a ‘win-win’ situation. The Sicomines deal is little more than an international trade contract which works mainly to the benefit of the Chinese. In this case, mining-for-infrastructure contracts should be renegotiated to ensure that benefits to the DRC improve and that Chinese investors do not operate above the law. Otherwise Chinese investment will never become an instrument for economic development in the Democratic Republic of the Congo.

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Annex 1. Research findings 2015–2016

Table 3. Summary of findings from fieldwork observations and data collection

PROVINCES	LOCATION	CHINESE ENTITIES	NATURE OF ACTIVITIES
May-Ndombe	Ibaa Badia Chiefdom, Kutu Territory	MINA	Artisanal logging
	Kimono, Twa Sector, Bokala Group, Kwamouth Territory	YIFA (corporation) Yang Ying Ping (owner)	Artisanal logging
Équateur	Kalamba & Nsele, Elanga sector, Bikoro Territory	Chinese entities not known to local communities or authorities (no formal records)	Artisanal logging (semi-industrial)
Haut-Katanga	Kinsenda-Kitotwe, Kombo Group, Balamba Sector, Sakanya Territory	Enterprise Kinsenda Copper Company SA, KICC	Industrial mining
	Luano neighbourhood, Ruashi Ville de Lubumbashi Municipality	Ruashi Mining	Industrial mining
Kasaï-Central	Samakuta, Ana-Nama Group, Loatshi Sector, Luiza Territory	Chinese entities not known to local communities or authorities (no formal records)	Mining (dredging), Lulua River
Sud-Kivu	Lulimba, Basikasilu Group, Ngandja Sector, Fizi Territory	Societe Muungano Compagnie SARL (Congolese partnership with Chinese entities)	Artisanal logging
Lualaba	Dilala Municipality, Mutshasha Territory	Sicomines	Industrial mining
Tshopo	Ituri River in Avakubi, Bafwasende Territory	Chinese informal operations	Mining (dredging)
	Aruwimi River in Panga/Banalia Territory	Gold Dragon	Mining (dredging)
Bas-Uele	Gangu-Mbili River, Bondo Territory	Ets Wang	Mining (dredging)
Ituri	Ituri River in Avakubi, Mambasa Territory	Société FAMETAL	Mining (dredging)
	Mongbwalu and Buraki villages, Djugu Territory	COOMID, Good Luck and CMC	Mining (dredging)

Table 4. List of Chinese enterprises

N°	Company name	Form of legal entity	main activity	Head office	RCCM	N° Id. Nat
01	Somifor	SARL	Exploitation, transformation and marketing of all forest products	68 BIS, 13eme rue, C/Limete, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-7117	01-9-N95485S
02	FODECO	SARL	All activities directly or indirectly related to the exploitation and marketing of all forest products and their processing, import and export	68 BIS, 13 EME RUE, C/Limete, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-7098	01-9-N95403C
03	Interface Innovations	SARL	Logging and carpentry	24, Ma campagne, Q/Joli Parc, C/Ngaliema, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-6936	01-9-N94276Q
04	Hua Feng International	SARL	Logging (purchase and sale of logs)	4477, Militant, Q/Funa, C/Limete, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-7322	01-910-N95325R
05	Yunying Li	Private individual	Logging operations	4361, Progres, Q/Beau marché, C/Barumbu, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-A-26102	01-929-N97476W

Source: GUCE data, January– July 2015: https://guichetunique.cd

Annex 2. Chinese companies authorised to invest in mining, agriculture and forestry in the DRC (2011)

Table 5. List of some Chinese companies authorised to invest in the mining sector in the DRC

Parent company (China)	Company name	Sector of activities	Date of authorisation
Beijing Huayihuisheng Trade Co. Ltd	Unknown	Minerals exploration, production and transformation	25 December 2009
Chenzhou Jinshan Metallurgy Chemical Co. Ltd	Jinshan Africa Mining Co. Ltd	Minerals exploration	3 June 2010
Fujian Benyuan Metal Material Co. Ltd	Benyuan DRC Co. Ltd	Minerals exploration and commerce	27 January 2008
Fuyang Shenneng	Unknown	Minerals exploration, production and transformation	27 June 2008
Guangzhou Longyuan Metal Co. Ltd	JMT Mining Co. Ltd	Minerals exploration and commerce	17 December 2007
Han International Resources Group	Kingrui Mining Investment Co. Ltd	Minerals exploration, production and transformation	29 June 2010
Haining Droin Imp & Exp. Co. Ltd	DRC Chenfei Mining Co. Ltd	Transformation	23 June 2008
Henan Qianli Machinery Co. Ltd	Jinjucheng Mining Co. Ltd	Minerals exploration and commerce	24 January 2008
Henan Rebecca Holding Co. Ltd	Unknown	Minerals exploration, production and transformation	8 January 2008
Henan Rebecca Holding Co. Ltd	Rebecca DRC Mining Co. Ltd	Minerals exploration	15 October 2008
Hunan Jiahe Mining Investment Co. Ltd	Unknown	Transformation	23 August 2010
Hunan Jiahe Mining Investment Co. Ltd	Ruixiang DRC Co. Ltd	Minerals exploration and commerce	23 August 2010
Hunan Kaitong Metal Co. Ltd	DRC Kaixin Smelt Co. Ltd	Minerals exploration and commerce	15 September 2009
Hunan Shanshan New Material Co. Ltd	Shanshan Congo Co. Ltd	Minerals exploration and commerce	17 September 201
Liaoning Nonferrous Geological Exploration Institute Xinxiang	Ruixiang Congo Mining Co. Ltd	Minerals exploration	3 June 2010
Jiangsu Bureau of Coal Geology	ICAM	Transformation	21 May 2010

Jiangxi Gold Fuda Mining Co. Ltd	HaiLun Mining Co. Ltd	Minerals exploration and commerce	5 March 2009
Jinchuan Group Limited (JNMC)	JNMC DRC Office	Minerals exploration and commerce	17 April 2006
Jinchuan Group Limited (JNMC)	Unknown	Minerals exploration and commerce	7 December 2009
Liaoning Jinding Magnesite Group	Runding Industrial Congo Co. Ltd	Minerals exploration, production and transformation	29 September 2007
Naijing Hairui Cobalt	Metal Mines SPRL	Minerals exploration, production and transformation	14 July 2009
Naijing Hairui Cobalt	Congo Shengbao Mining Co. Ltd	Minerals exploration and commerce	23 November 2006
Nantong Xiongfeng Metal Material Co. Ltd	ZHX International Metal Co. Ltd.	Minerals exploration, production and transformation	28 June 2006
Ningbo Xinglong Investment Co. Ltd	Xinglong Africa Mining Co. Ltd	Minerals exploration and commerce	11 December 2007
Shanghai Overseas Company		Minerals exploration and commerce	7 April 2006
Shanghai Hong bang Development Co. Ltd	Hongbang Mining (DRC) Co. Ltd	Minerals exploration	4 January 2006
Shanghai Huangpu Cereals, Oils and Foodstuffs Development Co. Ltd	MaofaMining Co. Ltd	Minerals exploration and commerce	17 December 2007
Shanghai Jiachuang Group	Jia Cuang Mining Investment Co. Ltd	Minerals exploration, production and transformation	17 March 2008
Shanghai Kuntai Group	Kuntai Congo Mining Co. Ltd	Minerals exploration and commerce	5 November 2008
Shanghai Kuntai Group	Congo Union Mining Co. Ltd	Minerals exploration and transformation	27 October 201
Shanghai Kuntai Group	China – Africa International Mining Co.Ltd	Transformation	11 May 2010
Yixing Ming yue Ceramics Co. Ltd	Ming Yue DRC Mining Co. Ltd	Minerals exploration and extraction	16 May 2008
Yinkou BL Mining Co. Ltd	Jia Xing Mining (Congo) Co. Ltd	Minerals exploration, production and transformation	6 March 2009
Zhejiang Huayou Cobalt	Congo Dong Fang International Mining Spr	Minerals exploration, production and transformation	5 May 2009

Zhejiang JiuLun Garment Co. Ltd.	Congo Jiu Lun Mining Co. Ltd	Minerals exploration and commerce	16 January 2007
China Overseas Engineering Group Co. Ltd	DRC Luishia Mining Co. Ltd	Minerals extraction and transformation	25 June 2007

Source: Huang and Wilkes (2011)

Annex 3. Chinese companies listed in the 2013 EITI-DRC report

Chinese mining companies identified during the research and the EITI-DRC 2013 report

Table 6. Chinese companies listed in the 2013 EITI-DRC report

Company (abbrv)	Full company name	Activities sector	Date created
Ste Anhui Congo d'Invest Min/Sacim	Société Anhui Congo d'Investissement Minier	Diamond exploitation	18 March 2013
RUMI	Ruashi Mining SAS	Development and exploitation of mines and quarries	1 November2001
CIMCO	Congo International Mining Corporation SAS	Exploitation of mines and quarries	30 April 2005
Long Fei	Long Fei Mining	Exploitation of mines and quarries	18 June 2006
COMILU	Compagnie Miniere Luisha	Exploitation of mines and quarries	07 April 2006
MTM	Metal Mines	Exploitation of mines and quarries	13 July 2007
CDM	Congo Dongfang International Mining SARL	Exploitation of mines and quarries, agribusiness	26 June 2006
FEZA	FEZA Mining	Exploitation of mines and quarries	28 May 2002
SMCO	Shituru Mining Corporation SAS	Exploitation of mines and quarries	04 October 2005
CNMC	CNMC Huachin Mabende Mining SPRL	Exploitation of mines and quarries	Not confirmed
CJCMC	Congo Jin Ju Cheng Mining Company SARL	Exploitation of mines and quarries	Not confirmed
CLWM	Congo Loyal Will Mining	Exploitation of mines and quarries	n/c

Huachin Mining SPRL	Huachin Mining SPRL	Exploitation of mines and quarries	n/c
JMT	JMT Mining	Exploitation of mines and quarries	2006
COTA	COTA Mining	Exploitation of mines and quarries	n/c

Source: EITI-DRC (2013)

Annex 4. Mining companies created in 2015 using the GUCE system

Table 7. Mining companies created in the first half of 2015 whose majority shareholders are Chinese

N°	Company	Legal form	Company activities	Head office	RCCM	N° Id. Nat
01	Interface Innovations	SARL	Exploitation of minerals, precious stones and quarry products	24, Ma campagne, Q/Joli Parc, C/Ngaliema, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-6936	01-9-N94276Q
02	Hua Feng International	SARL	Exploitation of minerals	4477, Militant, Q/Funa,C/Limete, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-7322	01-910-N95325R
03	Yunying Li	Private individual	Exploitation of minerals	4361, Progrès, Q/Beau marché, C/Barumbu, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-A-26102	01-929-N97476W
04	Midcn Resource Congo Investment	SARL	Exploitation of minerals, mineral processing and trade	603, Blvd du 30 June, C/Gombe, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-7902	01-128-N99437B
05	Iris Qianjin	SARL	Exploitation of minerals (gold, diamond, copper, cobalt)	12, Comité Urbain, C/Gombe, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-6736	01-714-N93833K

Source: GUCE data, January–July 2015.

Annex 5. Chinese companies identified in the agribusiness sectors

Table 8. Agribusiness companies whose majority shareholders are Chinese

N°	Company	Legal form	Company activities	Head office	RCCM	N° Id.Nat
01	Interface Innovations	SARL	Agriculture, livestock and fish farming, fisheries, and small and medium-sized enterprises; plantations, various crops and agro-pastoral	24, Ma campagne, Q/Joli Parc, C/Ngaliema, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-6936	01-9-N94276Q
02	Yang Business YB	Private individual	Agriculture and fishing	12, Rwakadingi, C/GOMBE, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-A-24261	01-929-N94753M
03	Entreprise de la Construction and de Réparation	SARL	Agriculture and breeding	205, 6eme rue, C/Limete, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-7856	01-450-N99014M
04	Anny Solar	Private individual	Plantations, agriculture and breeding	6, Plateau, C/Ngaliema, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-A-21748	01-929-N91676Y

Source: GUCE data, first half of 2015

Table 9. Agribusiness companies whose majority shareholders are Chinese with investment projects approved by ANAPI

N°	Enterprise	Developer	Activities
01	Etablissements Ferme AMICA	Xu Genhong	Agropastoral
02	SMIK/FAUX PLANFONDS	Cai Lei Wang Kai Mbaya Gizi Amine (DRC)	Industrial fishing
03	SMIK/PÊCHE	Wang Kai Amine Mbaya Gizi Cai Lei	Industrial fishing

Table 10. GUCE created companies whose majority shareholders are Chinese

N°	Company	Legal form	Company activities	Head office	RCCM	N° Id.Nat
01	Interface Innovations	SARL	Agriculture, livestock and fish farming, fisheries, and small and medium-sized enterprises; plantations, various crops and agro-pastoral	24, Ma Campagne, Q/JOLI PARC, C/NGALIEMA, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-6936	01-9-N94276Q
02	Yang Business YB	Private individual	Agriculture and fishing	12, Rwakadingi, C/GOMBE, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-A-24261	01-929-N94753M
03	Entreprise de la Construction and de Réparation	SARL	Agriculture and breeding	205, 6EME RUE, C/Limete, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-B-7856	01-450-N99014M
04	Anny Solar	Private individual	Plantations, agriculture and breeding	6, Plateau, C/Ngaliema, V/Kinshasa, P/Kinshasa	CD/KIN/RCCM/15-A-21748	01-929-N91676Y

Source: GUCE data, first half of 2015

In the last five years, a third of all timber exported from the Democratic Republic of Congo (DRC) was destined for China – much of it illegally. Many are concerned that Chinese investments and trade in the DRC have negative environmental and social consequences. This project report provides an overview of China's activities affecting forest resources and people's livelihoods in the DRC. The results show that actions are needed to ensure Chinese investors implement good environmental and socially responsible practices in the DRC. An effective system for monitoring and controlling export-import flows with both the DRC and Chinese customs is also needed. If Chinese investment is to become an instrument for economic development in the DRC, Chinese contracts must be renegotiated to ensure that Chinese investors do not operate above the law and that benefits to the DRC improve.

Project Report

Theme

Keywords:
China-Africa, natural resources management, timber trade, China-Africa Forest Governance Platform

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