OCCASIONAL PAPER NO 97

China in Africa Project

October 2011

The Sicomines Agreement: Change and Continuity in the Democratic Republic of Congo's International Relations

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South African Institute of International Affairs

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SAIIA gratefully acknowledges the generous support of the main funders of the project: The United Kingdom Department for International Development and the Swedish International Development Cooperation Agency.

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ABSTRACT

The Sicomines multibillion minerals-for-infrastructure deal was struck in 2007 between the Democratic Republic of Congo (DRC) and China. The paper investigates the drivers behind the original conception of the agreement, outlines the structure of the contract, analyses the dynamics at play during the 2007–2009 agreement negotiations, and assesses whether the agreement in its renegotiated and final form is a 'good deal' for the DRC. It argues that the Sicomines episode represents both change and continuity in the DRC's international relations. Change, since it reflects how the power configurations of the global political economy have shifted, and that China's position as a foreign policy actor is now consolidated. Continuity, since the 2009 amendment of the agreement, which came about partly as a result of China's ambitions to take up an active role in the International Monetary Fund (IMF), was to the benefit of the policy preferences of the IMF and the World Bank. This case thus indicates that since China's own aspirations are changeable, its emergence as an alternative development partner may not bring about any substantive change of direction for the DRC's international relations. Furthermore, the investment into the DRC's mining sector is in itself beneficial for the country, and the renegotiation of the agreement was positive in the sense that the Congolese state guarantee for the mining component was removed. However, the question of whether the Sicomines agreement is a good deal for the DRC will remain unanswered until the infrastructure projects have been delivered. The importance of the Congolese Agency for Public Works' task to price each project and ensure that monitoring is conducted properly can therefore not be overestimated.

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ABBREVIATIONS AND ACRONYMS

ACGT	Agence Congolaise des Grands Travaux (Congolese Agency for Public Works)
ACP	Agence Congolaise de Presse (Congolese Press Agency)
AfDB	African Development Bank
BCPSC	Bureau de Coordination et de Suivi du Programme Sino–Congolais (Bureau for Coordination and Monitoring of the Sino–Congolese Programme)
CDB	China Development Bank
CMEC	China Machinery Engineering Corporation
COMILU	Compagnie Minière de Luisha (Luisha Mining Company)
COMMUS	Compagnie Minière de Musonoï (Musonoï Mining Company)
COVEC	China Overseas Engineering Group Corporation Limited
CRGL	China Railway Group Limited
CREC	China Railway Engineering Corporation
DAC	Development Assistance Committee
DRC	Democratic Republic of Congo
EITI	Extractive Industries Transparency Initiative
Exim Bank	Export–Import Bank (of China)
HIPC	Heavily Indebted Poor Countries
ICG	International Crisis Group
IFI	international financial institution
IMF	International Monetary Fund
JV	joint venture
MONUC	Mission de l'Organisation des Nations Unies en République Démocratique du Congo, the UN's peacekeeping mission in the DRC (until 30 June 2010)
MONUSCO	Mission de l'Organisation des Nations Unies pour la Stabilisation en République Démocratique du Congo, the UN's peacekeeping mission in the DRC (since 1 July 2010)
MOU	memorandum of understanding
NDRC	National Development and Reform Commission
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PPRD	Le Parti du People pour la Reconstruction et la Démocratie (People's Party for Reconstruction and Democracy)
RAID	Rights and Accountability in Development
Sicomines	Sino–Congolais des Mines (the Sino–Congolese mining joint venture)
SOE	state-owned enterprise

INTRODUCTION[1]

The multibillion minerals-for-infrastructure deal struck in 2007 between the Democratic Republic of Congo (DRC) and China is one of the most well-known embodiments of the increasing Chinese presence on the African continent. By means of this barter arrangement, the Sino–Congolese mining joint venture (JV), Sino–Congolais des Mines (Sicomines), was created and allocated mining titles in the DRC's mineral-rich, south-eastern Katanga Province. In exchange for access to mining titles, Sicomines will construct transport and social infrastructure in the DRC, financed by loans from the state-owned Export–Import (Exim) Bank of China. The loans are to be reimbursed by means of the profits from the mining venture. The agreement was contested by a range of domestic and international actors during 2008 and 2009. Among the concerns raised, the most salient pertained to a lack of transparency in the negotiation process, concerns for debt sustainability and the claim that the agreement was skewed in favour of the Chinese party. After lengthy discussions and debate, a revised version of the agreement was finally signed in October 2009, and is currently under implementation.

The paper argues that the Sicomines episode represents both change and continuity in the DRC's international relations. Change, since it reflects how the power configurations of the global political economy have shifted and that China's position as a foreign policy actor is now consolidated. Continuity, since the 2009 amendment of the agreement, which came about partly as a result of China's ambitions to take up an active role in the International Monetary Fund (IMF), was to the benefit of the policy preferences of the IMF and the World Bank. The case thus indicates that since China's own aspirations are changeable, its emergence as an alternative development partner may not bring about any substantive change of direction for the DRC's international relations. Furthermore, the investment into the DRC's mining sector is in itself beneficial for the country, and the renegotiation of the agreement was positive in the sense that the Congolese state guarantee for the mining component was removed. However, the question of whether the Sicomines agreement is a 'good deal' for the DRC will remain unanswered until the infrastructure projects have been delivered. The importance of the Congolese Agency for Public Works' task to price each project and ensure that monitoring is conducted properly can therefore not be overestimated.

The paper is structured in four parts. The first investigates the Congolese and Chinese drivers behind the conception of the Sicomines agreement in 2007, and analyses how state–company relations in China played out during this phase. The second analyses the contract and shows how it should be understood in relation to the labels used by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). The third interprets the dynamics at play during the 2008–2009 controversy over the agreement, and analyses why the outcome of the renegotiations was in line with the traditional donors' agenda. The final part assesses whether the agreement in its renegotiated and final form is a 'good deal' for the DRC.

The analysis draws on empirical data collected by the author during field work in Kinshasa and Lubumbashi, the DRC, in October 2008, February–March 2009, October 2009 and February–May 2011. Interviews were conducted with Congolese respondents from government departments, civil society and the private sector; Chinese respondents from state-owned and private enterprises, and the Chinese Embassy; and representatives

from international governmental and non-governmental organisations, the diplomatic community and observers. Most interviews with Chinese stakeholders in the DRC were conducted in collaboration with Professor Jiang Wenran of the China Institute, University of Alberta, Canada, without whom many of the insights provided by the Chinese respondents would probably have been out of reach. Professor Jiang's contribution is gratefully acknowledged.

INTRODUCING SINO–CONGOLESE RELATIONS

The DRC's elections in 2006 marked the end of the transition period that followed the country's 1996–1997 and 1998–2003 civil wars. Although Sino–Congolese relations date back to 1972, and before that to early independence years, it was only after the 2006 elections that China began to play a more active role in the DRC. Prior to this, the Chinese state-level presence in the DRC had comprised donations of stadiums, hospitals and other buildings; modest credit lines; the provision of scholarships to Congolese students; the dispatching of Chinese medical teams to the DRC; and since 2003, the contribution of troops to the UN's peacekeeping mission, MONUC.[2] Indeed, these features characterised China's relations with most African countries in the 20th century. Thus, although Sino–Congolese relations did not emerge from a void after the DRC's 2006 elections, the limited number of projects and the modest amounts involved indicate that the DRC was fairly peripheral to China's foreign policy ambitions in the conflict-ridden pre-2006 period. The 2006 elections were organised with substantial assistance from the traditional donors,[3] but had no Chinese involvement. The Sicomines agreement thus meant a radical amplification of Sino–Congolese ties, and following 2007, China took an important leap up on the Congolese government's list of important external partners.

THE GENESIS OF THE AGREEMENT: CHINESE STATE–COMPANY RELATIONS PLAYING OUT IN THE DRC

The Sicomines agreement is an expression of the global ambitions and endeavours of the Chinese government and China's state-owned enterprises (SOEs): Chinese state-level activities. This means that the activities of the many private Chinese companies operating worldwide and in Africa do not form part of the paper's analysis.[4] Chinese private companies operating globally are, contrary to what is often assumed, driven by market-seeking logics rather than by central government decrees, pushed abroad by the saturation in the Chinese market rather than by any Beijing-co-ordinated expansion plan.[5] The private Chinese companies that are active in the DRC have few or no direct links to the Chinese government, although many nurture close connections with the Congolese establishment and President Kabila's entourage.[6]

When analysing Chinese state-level activities globally, it is important to consider the dynamics of state–company relations in China. Beijing's ambition in the internationalisation of its SOEs was formulated in the 2001 Going Global Strategy, *zou chu qu* (literally meaning 'go out'), which encouraged the companies to expand abroad to gain experience and capture market share, particularly with regards to energy.[7] The

policy bank China Exim plays an important role in furthering China's ambitions in this regard, since it manages the concessional loans that form an important part of China's aid portfolio.[8] Although *zou chu qu* guides the SOEs' operations abroad in a broad sense, the expansion strategies pursued by each company, and other types of decisions taken, are determined mainly by commercial considerations. The SOEs, some of them former government departments, often fiercely compete with each other.[9] As argued by Jiang:[10]

> Corporate interests, profit considerations, firm development strategies, growing legal limitations and many other factors preclude these firms from simply marching in step with Beijing's orders. ... More and more often, many of the decisions and practices of these enterprises do not necessarily coincide with the directives of the Chinese leadership and, sometimes, are even in conflict with them.

These dynamics are further confounded by the fragmented energy policymaking process in Beijing. Institutional coherence remains wanting in this area, despite reform efforts of past years.[11]

The Sicomines agreement has been widely interpreted as a show of force in terms of the Chinese government's ambition to secure access to Africa's raw materials.[12] This is correct in the sense that the companies and the financial institution involved are owned by the Chinese state. Yet at the same time it is a shallow interpretation, which obscures important nuances in the dynamics behind the conception of the agreement. In fact, the Sicomines agreement was initiated by the SOE, China Railway Engineering Corporation (CREC), one of the world's largest construction companies, as it was in the process of implementing its diversification strategy to expand into resource extraction activities. According to a well-placed Chinese respondent, before the discussions in the DRC started, a CREC delegation had travelled to Latin America – to Brazil, Chile and Peru – where no opportunities were identified.[13] The delegation then travelled to Zambia and from there to Lubumbashi, capital of the DRC's mineral-rich, south-eastern Katanga Province. According to the respondent, CREC ended up with concessions in the DRC partly because the China Railway Group Limited (CRGL) already had substantial in-house experience of operating in the DRC's mining sector. The CRGL subsidiary, China Overseas Engineering Group Corporation Limited (COVEC), has been active in the DRC's mining sector since 2005 as party to two joint ventures: COMILU (Compagnie Minière de Luisha) and COMMUS (Compagnie Minière de Musonoï). COMILU is a JV in which the Congolese parastatal,[14] Gécamines, holds 28%, COVEC 35.38% and CRGL 36.72%. Established in 2006, this JV mines the 26.1 million tonnes of Luisha copper and cobalt deposits, the 1.45 million tonnes of Kalumbwe and Myunga deposits, and has a fairly large smelting operation. COMMUS is a 73:27 JV between COVEC and Gécamines. Established in 2005, it holds the Musonoï copper and cobalt concession for 30 million tonnes.[15]

Thus CREC's arrival in the DRC should not be understood as the result of a direct order given by the Chinese government. It was rather due to the company's previous experience in the country as well as its inability to secure access to mining concessions elsewhere. According to a well-placed Chinese respondent it was CREC, and not the Chinese government, that initiated the Sicomines agreement.[16] However, that China Exim Bank, subsequently made significant funds available towards infrastructure financing

indicates that the Chinese leadership regarded CREC's expansion into the DRC as strategically highly important.

PRESIDENT KABILA'S AGENDA AND TIMELY CHINESE FINANCING

In seeking to understand the Congolese drivers behind the initiation of the Sicomines agreement, it is necessary to analyse the government's – or more specifically President Kabila's – political needs following the 2006 elections. Kabila and his party, le Parti du People pour la Reconstruction et la Démocratie (PPRD), won both the presidential and the legislative elections in 2006 with the help of fragile coalitions.[17] It was clear from the start of Kabila's term in office that to stand a chance of re-election in 2011 he had to live up to the pledges he had made in his election programme, *les Cinq Chantiers* (the five public works). After Kabila's inauguration as president in December 2006, *les Cinq Chantiers* was transformed into a flagship policy programme and permanent public relations campaign. The five-part programme does not contain any detailed pledges of projects to be implemented. Rather, it is a broad declaration of ambitions covering virtually all the country's practical needs: infrastructure, health, education, water and electricity, housing and employment.

During this period, the international community had, and still has, a considerable presence in the DRC. However, the funds brought into the country by the UN, other international non-governmental organisations and bilateral donors were not devoted to the type of post-conflict reconstruction envisaged in *les Cinq Chantiers*. The Congolese government's options to secure funding in this regard were limited. The country's Poverty Reduction and Growth Facility programme with the IMF had been prematurely terminated in March 2006 due to misreporting of budgetary spending and non-implementation of certain structural measures.[18] Thus, since the country was not following an IMF programme, the Paris Club donors[19] could not provide the country with loans either. Financial support offered by the IMF to the country between March 2006 and December 2009, when the country re-started its IMF programme, comprised of a March 2009 disbursement of $195.5 million under the IMF's Exogenous Shocks Facility. This served to facilitate the DRC's adjustment to sharp drops in export revenue caused by the global economic crisis.[20] One respondent argued at the time, the Congolese presidency was pessimistic about the prospects of the DRC ever reaching Heavily Indebted Poor Countries (HIPC) completion point and thereby obtaining debt relief.[21] This pessimism seems to be reflected in the original version of the Sicomines contract, in which the DRC essentially contracts $9 billion of debt on top of its existing $13.1 billon of bilateral and multilateral debt.[22] Indeed, this could reflect that the DRC government did not perceive HIPC debt relief and continued financing from the West as a realistic possibility and therefore decided to maximise the financing it could secure from China. However, the original contract could also be interpreted as an indicator that the government did not consider the long-term interests of the country when it negotiated the agreement; that the delegation negotiating the contract simply did not have enough technical capacity; or that its primary focus was to secure funding towards infrastructure refurbishment and not to ensure macroeconomic stability and debt sustainability. These factors probably intertwine, and it is difficult to

determine with certainty the rationale for the manner in which the original contract was structured.

It is understandable that the Congolese government did not pay too much attention to issues of debt sustainability at this point in time, since the DRC's debt has become, in the words of one respondent, 'virtual'.[23] The country had not paid its arrears to the Paris Club bilateral donors or to the London Club creditors[24] for many years. In 2007, when the Sicomines agreement was first formulated, the DRC was servicing only parts of its debt to the Kinshasa Club[25] and to multilateral creditors.[26]

Furthermore, the DRC had no alternative development partners to turn to 'for recourse'. Its other emerging partners from the South – India and South Korea, which as of 2011 are showing interest in the country[27] – had yet to come to the table. The emergence of 'the Chinese option' was thus timely and, as a result, CREC's interest reverberated all the way up to the highest political level in the DRC. Certainly the presidency, President Kabila and his advisors, has managed the Sicomines agreement in an exclusive manner from the onset. Two administrative entities are charged with the management of the Sicomines deal: l'Agence Congolaise des Grands Travaux (ACGT), and the Bureau de Coordination et de Suivi du Programme Sino–Congolais (BCPSC). The ACGT operates under the Ministry of Infrastructure, Public Works and Reconstruction, which handles all infrastructure-related projects. The BCPSC manages the financial side, contract negotiation and monitoring, and is also intended to manage the mining project once it starts. The head of the BCPSC has been in charge of the Sicomines negotiations throughout the entire process. Although the BCPSC operates under the prime minister's office, the latter is heavily subordinated to the presidency. Given that the Sicomines portfolio is of such importance to President Kabila's political ambitions, Prime Minister Muzito probably has little control over the BCPSC and the management of the Sicomines agreement.

Including infrastructure

Initially CREC only sought to engage in a standard mining project.[28] However, during discussions about the establishment of the mandatory JV with Gécamines, the Congolese party suggested that the project should include an infrastructure component. Several respondents suggested that the idea to design the agreement as a barter deal was inspired by the so-called 'Angola model',[29] which the Congolese had witnessed at close quarters. A large number of Congolese respondents from different government departments, the presidency and the prime minister's office interviewed during 2008, 2009 and 2011 argued that the Congolese party sought to include an infrastructure component in the mining venture because of the country's restraints in accessing finance from the international financial institutions (IFIs) and the traditional donors for the type of large-scale infrastructure refurbishment envisaged in *les Cinq Chantiers*. The common view is that the DRC had approached the traditional donors, which were unable to provide the necessary funds, and so they approached China, which had funds available. This view was not contested by Western observers and respondents from Western donor agencies interviewed during 2008, 2009 and 2011. They agreed that the Chinese government could indeed contribute towards post-conflict reconstruction of the DRC with sizeable amounts that Western donors were unable to put on the table, particularly in the aftermath of

the global economic crisis. Rather, criticism from the traditional donors pertained to the structure of the agreement, a discussion to which we return below.

STRUCTURE OF THE AGREEMENT

A first memorandum of understanding (MOU) (*protocole d'accord*) between the Chinese and Congolese parties was signed on 17 September 2007.[30] Following the Congolese demands to include an infrastructure component in the deal, the agreement outlined in the MOU was structured according to a barter principle. A JV between the DRC's Gécamines (with a 32% stake) and a consortium of Chinese companies (with a 68% stake) was to be formed under the name of Sicomines. In exchange for access to mining titles[31] (see Box 1), the consortium of Chinese companies would provide the DRC with two tranches of turnkey transport and social infrastructure projects, funded by loans from China Exim Bank. The infrastructure projects envisaged are not designed to evacuate minerals from a mining site, but are rather of public goods character (such as roads, hospitals and schools).[32] The reimbursement of the loans extended is tied directly to the profits from Sicomines' mining operation. This barter arrangement remains the same to date, although

Box 1: The different versions of the Sicomines agreement, 2007–2009

As indicated below, the amounts widely cited in the reporting on the Sicomines negotiations are actually moving targets. The 2008 convention makes no mention of the exact value of the infrastructure investments. However, Article 9 stipulates that '[t]he total amount of this will be determined following the results of the exploitation of the mine' (author's translation). The widely cited amount of $6 billion probably comes from the September 2007 MOU, which mentions an amount of $6.5 billion. When asked about this in 2009, the former Chinese ambassador to the DRC, Wu Zexian, stated that he did not understand why the amounts were quoted with such certainty in the media – to the Chinese party, the amounts were not set in stone.[a] That the amounts are seen by the Chinese party as changeable was reiterated by a well-placed Chinese respondent in 2011.[b]

Version 1: MOU (*Protocole d'accord*), September 2007
(Laid the basis for the main agreement, *la Convention de Collaboration*)

Congolese party to the agreement	Gécamines, 32%
Chinese parties to the agreement	CREC and Sinohydro, 68%
Mining concessions	Copper: 8.05 million tonnes; Cobalt: 202 290 tonnes. The concessions were not in production when they were allocated to the Sino–Congolese JV
Infrastructure worth	$6.57 billion
Mining investment worth	Not mentioned
DRC government guarantee for the commercial mining investment	Not mentioned

the amounts, concessions and other details of the agreement were gradually renegotiated between 2007 and 2009, as indicated in Box 1.

Version 2: Main agreement (*Convention de Collaboration*), April 2008
(Subsequently renegotiated)

Congolese party to the agreement	Unchanged from the MOU. Gécamines, 32%.
Chinese parties to the agreement	Unchanged from the MOU. CREC and Sinohydro, 68%.[c]
Mining concessions	Copper: 10.6 million tonnes, Cobalt: 626 619 tonnes
Infrastructure worth	No amounts mentioned. Article 9 on p. 11 only mentions that it will take place in two tranches and that the amount will be determined by the productivity of the mining venture. The amount has, however, been widely reported to be $6 billion, probably quoted from the MOU
Mining investment worth	Not mentioned but widely reported to be $3 billion
DRC government guarantee for the commercial mining investment	Yes (article 13.3.4)

Version 3: Third and final contract amendment, October 2009
(Currently under implementation)

Congolese party	Unchanged from the MOU. Gécamines, 32%.
Chinese parties	CREC, Sinohydro and Zhejiang Huayou Cobalt, 68%.[d]
Mining concessions	Unchanged from the Convention. Copper: 10.6 million tonnes; Cobalt: 626 619 tonnes.
Infrastructure worth	A maximum of $3 billion (article 6, p. 6). Article 12 stipulates that the second tranche of infrastructure investments is cancelled
Mining investment worth	Not mentioned but still widely reported to be $3 billion
DRC government guarantee for the commercial mining investment	Removed (article 8)

a Personal interview, 23 February 2009, Kinshasa.
b Personal interview, 14 March 2011, Kinshasa.
c According to a well-placed Chinese respondent, the CMEC has been part of the JV since 2008 but was unable to sign the convention owing to technical reasons (Personal interview, 14 March 2011, Kinshasa).
d The amendment does not mention the CMEC either, although according to a Chinese respondent, the company is currently part of the JV (Personal interview, *ibid.*).

Apart from CREC, the consortium of Chinese companies also comprises the Chinese SOE, Sinohydro, the company behind China's Three Gorges Dam in China. The incorporation of Sinohydro was driven by China Exim Bank, which saw the strategy to include another company with a different competency in the JV as a way of reducing performance risk.[33] In 2008, Zhejiang Huayou Cobalt and the China Machinery Engineering Corporation (CMEC) were included in the JV, the latter because of its mining expertise. In interviews, relevant Chinese respondents preferred not to share the exact internal partition of the stakes between the Chinese companies with the author. However, it was stated that as of 2011, CREC has the largest share, followed by Sinohydro, then CMEC, and lastly Zhejiang Huayou Cobalt, which has a fairly small share.[34] Global Witness states that CREC has 33%, Sinohydro 30% and Zhejiang Huayou Cobalt 5%. However, given that these figures do not include CMEC, it is not clear whether Global Witness' information on the stakes is correct.[35]

Aid, trade or investment?

As noted by Brautigam,[36] the Chinese government uses a variety of tools to facilitate its economic engagement overseas, and the Sicomines agreement is one of the more prominent examples of this. The SOE CREC's quest for mining titles was given considerable political backing by the Chinese government. It added to CREC's negotiating basket the possibility for the DRC to access significant loans to finance infrastructure refurbishment. This arrangement, unusual in the Congolese context, has created confusion over the labelling of the agreement since its inception, in terms of whether it is an aid agreement, a trade agreement, an investment deal, or all three. This section shows that the agreement includes components of development assistance (in OECD–DAC terms) and of investment, but that it is not concerned with trade (how the minerals extracted are to be sold and to whom).

The OECD–DAC classifies a loan to a developing country as official development assistance (ODA) if it is:[37]

> provided by official agencies, including state and local governments, or by their executive agencies; ... is administered with the promotion of the economic development and welfare of developing countries as its main objective; and ... is concessional in character and conveys a grant element of at least 25 per cent.

The loans extended by means of the Sicomines agreement are provided by China Exim Bank, which is owned by the Chinese government and thus to be seen as an official agency. The credit line's main objective is to finance post-conflict reconstruction in the form of infrastructure construction and refurbishment, which is to be considered promotion of economic development. The third and last element of OECD–DAC's ODA definition is the grant element. This is a way to calculate that the cost for the loan is low enough – that it is concessional.[38] The loan conditions provided in the original 2008 agreement did not meet the requirements for concessionality. However, in the revised 2009 version, the interest rate for the infrastructure loans was reduced from 6.6% to 4.4%.[39] Currently, the grant element is estimated by the IMF and the World Bank to be at least 42%, which far exceeds the 25% minimum level required by OECD–DAC.[40] This means that in its revised

Box 2: Reimbursement plan and tax obligations for the Sicomines JV

The following draws on the 2008 agreement (*La Convention de Collaboration*) (Articles 12 and 14.2) and the third contract amendment from 2009 (Articles 6 and 9).

The reimbursement of the China Exim Bank loan will take place in two tranches, for which no exact time period has been specified. During these two phases, the JV is exempt from all tax obligations. The phases are structured as follows:

1) During the first period, all the JV's profits will go towards the reimbursement of the loans for the 'most urgent infrastructure projects', plus accrued interest.
2) During the second period, 85% of the JV's profits will go towards the reimbursement of the loans for financing the mining investment, plus accrued interest. The remaining 15% of the profits will go to the JV parties. Following the reimbursement of the loans for the mining investment, the loans for the remainder of the infrastructure investments, plus accrued interest, will be paid back in a similar 85:15 arrangement.

Once all the loans are reimbursed, profits will be distributed among the parties and the JV will start paying taxes to the Congolese state in accordance with the DRC's 2002 Mining Code. Global Witness' 2011 report on Sicomines includes a useful illustration of the loan and the reimbursement plan.[a] However, it does not mention that China Exim Bank's funds for infrastructure refurbishment are directly disbursed to the Chinese company that is the contractor for each project. This is standard procedure for all projects funded by China Exim Bank.[b]

Adopted in 2002, the DRC's current Mining Code was intended to put an end to discretionary presidential powers to conclude stand-alone conventions with special (tax) dispensations in a non-transparent manner.[c] Theoretically, all post-2002 mining contracts are subject to the binding provisions of the code. The Sicomines agreement is, however, exactly such a stand-alone contract formulated in breach of the country's mining code. The agreement implicitly recognises this, as it requires the DRC to pass a parliamentary law recognising the special tax regime that is part of the barter deal.

[a] Global Witness, *China and Congo: Friends in Need*. London: Global Witness, March 2011, p. 17, http://www.globalwitness.org/sites/default/files/library/friends_in_need_en_lr.pdf.

[b] China Exim Bank, 'Chinese government concessional loan and preferential export buyer's credit', 2011, http://english.eximbank.gov.cn/businessarticle/activities/loan/200905/9398_1.html, accessed 20 June 2011.

[c] Mazalto M, '*La réforme des législations minières en Afrique et le rôle des institutions financières internationales. Le cas de la République démocratique du Congo*', in Marysse S & F Reyntjens (eds), *L'Afrique des Grands Lacs. Annuaire 2004–2005*, Anvers; Centre d'étude de la région des Grands Lacs and Paris: Édition L'Harmattan, 2005, pp. 263–287.

form, the loans extended under the Sicomines framework comply with the OECD–DAC's definition of ODA.

There has also been uncertainty in terms of how the investment component of the agreement should be understood. Marysse and Geenen claim that 'the investments are made by private companies'.[41] This is not entirely correct given that the only Chinese private

company party to the JV, Zhejiang Huayou Cobalt, has a very small stake (see Box 1 on page 10–11). The investment in itself is, however, of private character and no different from other large-scale ventures in the DRC's mining sector, save for one factor: the tax component (see Box 2 on page 13).

In terms of the trade component, the connection between the Sicomines agreement and Sino–Congolese trade flows is only indirect. The JV's mineral produce may be sold on the global mineral market or directly to China, as is the case for all mining companies, but this is not regulated in the agreement.

INTERNATIONAL CONTROVERSY (2008–2009)

Following the signature of the September 2007 MOU, a Congolese delegation spent November and December 2007 in Beijing to negotiate with the Chinese party.[42] On 22 April 2008 the main agreement was signed – *la Convention de Collaboration*.[43] The announcement of the convention gave rise to national and international controversy.[44] The agreement was criticised by domestic opposition and civil society, the international community and by international civil society. Four main concerns were expressed. The first claim was that the contract was *léonin* – skewed in favour of the Chinese party – with the mining concessions being worth a great deal more than the infrastructure projects the Chinese loans would finance (refer, for example, to Marysse and Geenen's calculation).[45] The second concern pertained to the debt situation. This was the main worry for the Paris Club donors, which at the time were working towards debt relief for the DRC. The debt argument was twofold. Firstly, the $9 billion loan was not concessional and too large given the country's existing $13.1 billion external bilateral and multilateral debt.[46] The IMF argued that the DRC should cancel the second tranche of infrastructure projects, wait until the first tranche had been implemented around 2014, and then consider other offers that might be on the table for infrastructure financing.[47] Secondly, the convention included a guarantee (Article 13.3.4) that the Congolese government would ensure that the reimbursement of the loan (widely reported to be $3 billion, although this amount is not mentioned in any of the contract versions, as discussed in Box 1) extended towards investments in the mining operation should the profits from the mining venture not suffice to reimburse it. This guarantee was considered problematic from a debt sustainability point of view, and unreasonable since no other investor in the country's mining sector has a guarantee from the government on the return on its investment. The third concern was about the Congolese and Chinese parties' way of handling the Sicomines agreement. The claim was that the agreement was drafted in secrecy with an absence of broad national stakeholder engagement.[48]

From April 2008 to May 2009, the agreement was discussed in many different arenas. In the DRC itself, the contract was debated in political circles, within civil society and among ordinary Congolese (refer to Marysse and Geenen[49] for an interesting account of the debates in the Congolese media). One respondent argued that it was the first time in the DRC, a country where political discussion is an important part of everyday life, that an issue concerning the country's external relations became the subject of such broad debate.[50] Mass media worldwide wrote about the contract. The Chinese ambassador to the DRC, Wu Zexian, one of China's most senior francophone diplomats,[51] devoted much

time and energy to receive delegations, researchers and journalists to explain and defend the agreement. Discussions were held between the IMF and China both in Beijing and in Washington.[52] The Belgian government was the first of the DRC's bilateral donors to react publically to the agreement, and representatives for the Belgian government even held discussions in China to push for an amendment of the contract.[53] All the DRC's traditional donors united behind the agenda to reduce the size of the loans to finance infrastructure construction and to remove the Congolese state's guarantee on the mining component. With 57% of the budget coming from external assistance in 2006,[54] 35% in 2007[55] and 36% in 2008,[56] the Congolese government undoubtedly felt pressure from the traditional donors to renegotiate the agreement. Yet it did not budge, and the situation remained at a standstill until May 2009.

STRAUSS-KAHN'S VISIT AND THE FINAL SETTLEMENT

While the fierce debate around the agreement continued domestically and internationally, the IMF maintained a low profile. It claimed not to have received a copy of the by then widely circulated convention through official channels.[57] The IMF did not pronounce on the matter publicly until May 2009, when its then Managing Director Dominique Strauss-Kahn visited Kinshasa. The visit is widely seen as having carried significant political weight. Two narratives emerge from the interviews conducted in terms of Kabila's considerations before Strauss-Kahn's visit. First, several respondents argued that prior to this, President Kabila seemed to have been convinced that he had to choose between Chinese financing and HIPC debt relief. In this view, Kabila was already preparing to opt for the Chinese alternative only, given that he perceived it unlikely that the DRC would obtain HIPC debt relief and access finance from the traditional donors. Second, other respondents argued that this idea is not plausible. They meant that Kabila could not have considered jeopardising the ties to the very donors that contribute around half the country's budget. At any rate, the *tête-à-tête* between Kabila and Strauss-Kahn on 24 May 2009 changed something in Kabila's way of perceiving the situation. The understanding of most respondents is epitomised in the words of one, who stated that after the meeting, '*il a commencé à jouer sur les deux tableaux*'[58] (he started to play on both boards), meaning that he began working towards securing both HIPC debt relief and Chinese financing. On 2 June 2009, less than two weeks after Strauss-Kahn's visit, the Congolese government sent an official letter to CREC requesting that the Congolese state guarantee on the mining investment be removed.[59] On 29 June 2009, CREC responded that '*nous pensons que l'investissement du Projet Minier ... n'a pas besoin de la garantie de la RDC*'[60] (we believe that the investment in the Mining Project ... does not need the guarantee of the DRC). The second tranche (estimated to be worth $3 billion) of the infrastructure investments was subsequently cancelled by the third and final contract amendment,[61] signed in October 2009. In its current form, the agreement is worth a total of $6 billion, with the DRC's debt burden reduced to a maximum of $3 billion, in lieu of the original $9 billion of debt.

Following the signature of the final contract amendment in October 2009, the DRC re-entered into an IMF programme, signing a 3-year Extended Credit Facility arrangement in December 2009. As mentioned, the country's total external bilateral and multilateral debt stood at an estimated $13.1 billion at the end of 2009.[62] As the HIPC completion

point was reached on 1 July 2010, the IMF and the World Bank announced that the DRC would be granted a total of $12.3 billion in debt relief. Of this, $11.1 billion would fall under the enhanced HIPC initiative and $1.2 billion under the Multilateral Debt Relief Initiative.[63] On 17 November 2010, the Paris Club donors cancelled $7.35 billion of the DRC's debt. This left the country with $200 million still owing to the Paris Club.[64] Debt relief was a political goal of great importance to the DRC since it was perceived to signal a break with the country's history of deficient governance. One respondent even argued that it was regarded as a 'second independence'.[65] At the time of writing, a number of infrastructure projects, termed 'the most urgent infrastructure works' in the 2008 convention,[66] have already been implemented or are under implementation (see Table 1 on page 17). The release of this part of the loan, $750 million, was not contingent upon the approval of the feasibility study by the Chinese and Congolese governments. Of this amount, $350 million was released in 2009, $128 million in 2010 and the remaining $272 will be released in 2011.[67]

As of June 2011, China's powerful National Development and Reform Commission (NDRC) was in the process of examining the Sicomines portfolio. This review process is catered for in the contracts.[68] The disbursement of funds for the remaining infrastructure investments will only commence once China's State Council has approved the portfolio. The disbursement pace will then be determined by the mine's productivity, as well as by the implementation capacity of the Congolese authorities and the Chinese contractors.[69] The mining venture is estimated to start production in 2013–2014 and to reach full capacity in 2016.[70]

Why did President Kabila change his mind?

There are several interpretations of President Kabila's decision to finally accommodate the demands of the traditional donors. The first, somewhat paternalistic interpretation is that Strauss-Kahn pedagogically explained the situation to Kabila, prompting him to recognise that it was problematic to provide state guarantees for the profitability of a commercial mining operation; and that it was possible to have both Chinese financing and HIPC debt relief, if the required changes were made to the agreement. These were to halve the infrastructure component and to remove the Congolese state's guarantee on the mining component of the agreement. In this view, Kabila's change of mind after the meeting was a genuine reordering of priorities brought about by lobbying from the IMF and the traditional donors.

The second interpretation suggests a politically shrewder President Kabila, who during the talks, realised he had no choice but to adapt to the changes the IMF proposed. One respondent argued that given the lack of sensible options, Kabila had to take the 'exit plan' formulated by the IMF.[71] The alternative of refusing a renegotiation was perhaps not tempting at this point, since it could have deteriorated relations with the IFIs, and consequently also with the traditional donors. This would have affected the country's ability to access assistance and loans from the IFIs and the traditional donors, and most importantly, to reach HIPC completion point and get debt relief.[72] This second interpretation of why President Kabila's changed his mind should be understood against the backdrop of China's increasingly positive attitude during 2008 and 2009 towards renegotiation of the agreement. The Sicomines episode took place over a period of

Table 1: Infrastructure projects financed through the Sicomines agreement

Project	Measure	Contractor	Status as of June 2011	Cost ($million)
Road between Beni and Niania, North Kivu	Refurbishment	Sinohydro	Completed and evaluated	57
Boulevard Triomphale, Kinshasa		CREC	Underway, about to be completed	N/A
Boulevard Sendwe, Kinshasa				
Central hospital (Hôpital du Cinquantenaire), Kinshasa	Construction	Sinohydro	Underway, estimated inauguration October 2011	200
Part 1 of the Boulevard du 30 juin, Kinshasa	Refurbishment	CREC	Underway, about to be completed	N/A
Part 2 of the Boulevard du 30 juin, Kinshasa			Underway	N/A
Tourism Avenue, Kinshasa				24.4
Lutendele Road, Kinshasa				21
Road between Lubumbashi and Kasomeno, Katanga province				138
15 km of road in Butembo, North Kivu province		Sinohydro	Not yet started	30
Part 1 of the esplanade in front of the People's Palace, Kinshasa				19
Part 2 of the esplanade in front of the People's Palace, Kinshasa				Not negotiated at the time of the 2011 field research
Avenue de la Paix, Kinshasa				
Avenue Ndjoku, Kinshasa				
Road between Bukavu and Kamaniola				

Source: Author's personal interviews in Kinshasa with ACGT representatives, 15 February 2011 and 3 February 2009; a representative for one of the Chinese companies within Sicomines, 3 May 2011; and with BCPSC representatives, 23 February 2009 and 3 March 2009

time during which China's global role underwent rapid and profound changes. A factor with major implications for this process was the global economic crisis, from which China emerged as one of the, if not the global leader.[73] This fast-tracked the Chinese government's ambition to assume the position of a responsible international actor, and part of this ambition was to take a more active role in the IMF. As a result, the pressure exercised by other IMF board member countries during the Sicomines controversy, for China to adapt to the IMF's agenda, had the intended effect. In the words of an observer, 'China had to mediate between its role in the Congo and its role in the IMF'[74]. All things

considered, China eventually took a more accommodating stance towards the idea of amending the Sicomines agreement. This means that in 2009, Kabila probably had little support from China to push ahead with the criticised original version of the Sicomines agreement against the IMF's recommendations. This, of course, circumscribed Kabila's room for manoeuvre.

The third interpretation suggests that Kabila played a clever strategic game, knowing that the IMF's political will to ensure debt relief for the DRC would increase as a result of the competition from China. The concessions made to the IMF's demands are in this interpretation viewed rather as a calculated move, where the sacrifice that the reduction of the Sicomines agreement entailed was worthwhile in relation to the gains made from debt relief. The true reasons behind Kabila's decision to renegotiate the agreement probably lie within range of these interpretations.

ASSESSING THE IMPACTS OF THE SICOMINES AGREEMENT

Given its magnitude, timing and unique structure, the Sicomines agreement has created much apprehension in terms of the actual and potential implications for a number of areas.

Is the agreement skewed in favour of the Chinese party?

Concerns about the fairness of the agreement were raised during the 2008–2009 controversy by the traditional donors, political opposition and domestic and international civil society. The argument was that the contract was *léonin* – skewed in favour of the Chinese party. The mining concessions, it was argued, were worth a great deal more than the infrastructure projects that the Chinese loans would finance. However, this argument fails to consider that once the loans for infrastructure refurbishment are fully reimbursed, the Sicomines JV will start paying taxes in accordance with the Mining Code, just like other large-scale mining ventures operating in the country. The agreement would thus only be skewed if value for 'money' (mining titles) is not ensured in the pricing and implementation of the infrastructure projects. However, even in this event, the agreement would only be skewed until the loans for infrastructure refurbishment are reimbursed and Sicomines enters the regular tax regime. To be exact, Sicomines would only be different from other mining ventures until this time. Whether the tax regime is skewed in favour of the foreign investors is another discussion altogether, in which this paper does not engage.

Furthermore, when assessing concerns of fairness in the context of the Sicomines agreement, it is important to note that lending and investment to the DRC cannot be analysed in a vacuum. Generally, both the risks and the returns are very high for economic operators active in the DRC, even for the large-scale companies operating legally within the framework of the Mining Code. One Western diplomat crassly stated that 'one has to be a bandit or at least an adventurer to operate in the Congo. Enormous profits are thus necessary, that's normal when one can lose everything'.[75] The same respondent, and a number of others, argued that although the Chinese consortium has secured access to important mining concessions, they still take an important risk when they extend such an extensive credit line. The exact value of the concessions is not known, and Chinese

stakeholders external to the Sicomines JV argued in interviews that CREC took a 'wild card' when they agreed to the investment without having conducted in-depth feasibility studies.[76] The concern that the DRC should be careful not to contract too much sovereign debt is certainly justified. However, it is equally important to consider that the risk for the Sicomines venture is now largely on the Chinese side. Large amounts are about to be disbursed, money that China Exim Bank cannot be sure of retrieving, since there is a limit to how far contractual guarantees can take a creditor in a highly volatile political environment.

Concerns for governance in relation to the Sicomines agreement

Another concern raised during the 2008–2009 controversy, was that the Chinese credit line was provided without demands for accountability and transparency. This was seen as highly problematic in a country like the DRC where corruption is rife.[77] Indeed, the Chinese party in the Sicomines JV has not made governance-related demands on the Congolese government. The reason for this is two-fold: the Chinese non-interference policy, which is rooted strongly in China's own experience during the 'century of humiliation' from the first opium war in 1839 to Mao's proclamation of the People's Republic of China in 1949;[78] and the Chinese view that governance issues will improve as a country develops.[79] The Chinese stance differs from the agenda pursued by the traditional donor community, which views development as more likely to occur where governance has been improved. A well-placed Chinese respondent explained that the Chinese party in the Sicomines agreement is aware of the governance challenges faced by the DRC. However, in its view, it is better to engage and improve the country's possibilities for economic development through infrastructure refurbishment.[80] Thus, although the concerns raised in terms of transparency are valid, it is important to keep in mind that this disagreement over how the Congolese government should be engaged is to due partly to contradictory interpretations of 'governance' and 'development'.

Would these mining concessions have been rejuvenated without Sicomines?

The benefits of a large-scale mining investment for the DRC should certainly be taken into account when analysing the Sicomines agreement. However, the mining concessions could also have been in operation fairly quickly even without CREC's arrival in the DRC. Prior to this, the concessions in question, Mashamba West and Dikuluwe, were held by Swiss-based Katanga Mining. In February 2008, two months before *la Convention de Collaboration*[81] was signed, Katanga Mining agreed to sell the stakes back to Gécamines for up to $825 million (a manoeuvre which incidentally supports the argument furthered above that the Congolese leadership attached great importance to the Chinese proposal).[82] In Katanga Mining's plans, the concessions were scheduled to be operational in 2020 (Mashamba West) and 2023 (Dikuluwe).[83] As mentioned, under Sicomines' management the concessions will be in operation, at the earliest, in 2013. In other words, the Chinese consortium's investment is positive in that it will contribute to the revival of the DRC's mining sector and generate tax revenues once the $6 billion credit line is reimbursed. However, the rejuvenation of these two concessions may well have taken place at any rate under Katanga Mining's management.

Do the changes made to the contract in 2009 make it a 'better deal' for the DRC?

As discussed, the two main changes made to the agreement in 2009 were, to remove the guarantee given by the Congolese state for the reimbursement of the loans for infrastructure, and to reduce the infrastructure component to a maximum of $3 billion. The removal of the state guarantee for the mining investment was a reasonable change. It improved the DRC's debt sustainability situation and placed the risk for the mining venture back on the investor. The second change to the contract, the cancelling of the second half of the infrastructure projects, was positive in terms of debt sustainability, since it limited the new debt that the DRC would contract. However, even the staff of the IMF and the World Bank have made the following assessment on the repayment of the infrastructure loans:[84]

> The public guarantee is unlikely to be invoked, even taken into [account] the high degree of uncertainty surrounding copper and cobalt prices over the 25-year projection horizon. Net operating profits from the mining project are projected to fully repay the public infrastructure loans by 2018, 16 years before the public guarantee would be invoked.

This means that even though the quantity of minerals contained by the concessions is unclear, the margins for the repayment of the loans are considered important and a second tranche of infrastructure may well have been within the reimbursement capacity of the JV.

Therefore, the paper argues that the cancelling the second tranche of the infrastructure projects should be seen as an expression of the IMF's and the traditional donor community's preference for a traditional *modus operandi* in the country's mining sector, where investments are channelled through the Mining Code, the companies pay taxes and public goods are provided by the state. Given that Sicomines' loans for the provision of infrastructure have now been halved, the JV will complete the reimbursement of the mining investments at an earlier stage. It will thus begin to pay tax in accordance with the Mining Code earlier than it would have done should the original agreement have been implemented. In other words, the DRC now has a stable macroeconomic situation in IMF terms and will receive a larger share of the returns on the Mashamba West and Dikuluwe concessions through conventional taxes rather than in the form of turnkey infrastructure projects.

Assessing which of the two approaches is the most suitable for the Congolese context is no straightforward task. The most conspicuous difference is that in the approach preferred by the IMF, the tax revenues are generated gradually, instead of the upfront financing of public goods enabled by China Exim Bank's credit line. On the one hand, the latter approach is valuable given that the DRC's reconstruction needs are immediate. On the other, the approach preferred by the IMF has the advantage of channelling revenues through the state, thus reinforcing its role. Here the decision makers can be held accountable in terms of how the funds are used. To this end, it would help if the Extractive Industries Transparency Initiative (EITI)[85] would be comprehensively implemented. Yet, EITI implementation is still in the early stages, and the DRC government's track record of using tax revenues for public gain leaves a fair amount to be desired.[86] Indeed, it has been argued that the Sicomines model is a way to ensure that the Congolese state's revenues from the extractive industries are really channelled towards public goods, since the funds for each project are disbursed directly by China Exim Bank to Sicomines and do not

pass through the Congolese treasury (see Box 2 on page 13). There are, of course, no guarantees that money will not change hands under the table in any case, but avoiding Congolese 'middlemen' may be one way of reducing the risk for embezzlement.

Value for 'money'? The pricing, implementation and monitoring of the infrastructure projects

As discussed, the tax component is the main technical difference between Sicomines and other JVs in the DRC's mining sector. Instead of paying regular taxes to the state, Sicomines will use $6 billion of its profits to repay a China Exim Bank loan (plus accrued interest) which, apart from enabling it to set up its mining operation, allows it to construct infrastructure projects upfront. Therefore, the pricing, implementation and monitoring of the infrastructure projects are the factors that will determine whether the Sicomines agreement is a good deal for the DRC, or at least equivalent to or better than the other deals currently existing in the country.

The process of deciding which infrastructure projects are to be implemented and in what order begins in Kinshasa, where the BCPSC and Kinshasa-based representatives of CREC and Sinohydro agree on a list of projects. The list is then sent to Beijing, where the Sicomines Infrastructure Committee, comprising representatives from all the Chinese companies in the consortium, handles the requests.[87] Once the committee has approved the list and decided which projects are to be implemented by CREC and Sinohydro respectively, ACGT in Kinshasa takes over the responsibility and negotiates the price for each project with the contractor.

As a point of reference for this assessment of the price negotiations, it should be noted that in the market-oriented model preferred by the IMF, infrastructure projects are financed by tax revenue and the contractors for each infrastructure project are identified through open tender processes. (In reality, the latter tender processes are often won by Chinese companies based in the DRC, given that they often put in very competitive tenders.[88]) In the Sicomines model, CREC and Sinohydro, the two largest Chinese parties to the Sicomines JV, are the contractors for the entirety of projects and the prices are set in closed negotiations between the Congolese and Chinese parties.[89] Initially, negotiations for pricing the infrastructure projects currently under implementation (see Table 1 on page 16) were ad hoc in the sense that the parties did not use a standardised price comparison tool (known in French as a *mercuriale*). Instead, ACGT staff consulted results from earlier tenders issued by the World Bank and other international funders for reference. However, in March 2011 the Ministry of Infrastructure, Public Works and Reconstruction was in the process of forming a commission to develop a *mercuriale*.[90] A representative for one of the Chinese companies in the Sicomines JV argued that a *mercuriale* was necessary to improve the collaboration between the Chinese and Congolese parties. The respondent stated that 'since our prices are reasonable, we are open for this commission'.[91] This opinion was, however, contested by respondents from the ACGT and the BCPSC, who did not agree that the Chinese companies' prices were always reasonable. According to them, generally the prices agreed to are similar or slightly higher than the winning bids put in by Chinese companies for similar projects in open tender processes organised by funders such as the African Development Bank and the World Bank. It was for this reason that the Congolese party had initiated the development of a *mercuriale*.

It is essential to ensure that the infrastructure projects are monitored properly. To date, external consulting firms have been identified through tendering processes to monitor the implemented infrastructure projects. However, ACGT has only modest resources to fund the monitoring – 2.4% of each project's budget as compared with the 7–8% which is common practice for construction projects. Consequently, several of the firms hired performed substandard work and their contracts were cancelled. In current negotiations with the Chinese party, the Congolese party is seeking to ensure that each project's budget includes adequate provision for administration and monitoring.[92] In sum, whether the DRC is receiving the appropriate returns on the mining concessions allocated to the Sicomines JV will remain largely unanswered until all the infrastructure projects have been delivered. The importance of the Congolese authorities' task of monitoring the pricing and implementation of each project can, therefore, not be overestimated. The quality of the implemented projects is not further discussed here, since the author has not gathered any data in this regard.

Maintenance of the Chinese-funded infrastructure projects has also been raised as a key factor in ensuring that the DRC gets value for 'money' in the long run (see for example Marysse and Geenen).[93] As it stands, the agreement does not address the question of how the roads and buildings are to be maintained. However, this issue is not specific to the Sicomines agreement. Rather, it is a perennial problem for all development partners financing infrastructure construction in the DRC, regardless of the means of financing, be it bartered mining concessions, donations or loans.[94]

Has Sicomines given Kabila the political momentum he expected?

As discussed, CREC's interest in the DRC came at a time when President Kabila was in dire straits in terms of securing funding for the implementation of the *Cinq Chantiers* programme. As shown in Table 1, four years after the signature of the initial MOU in 2007, a total of nine Sicomines-funded infrastructure projects have been implemented or are under implementation. The presidency has certainly maximised these achievements for public relations purposes. During the author's 2011 field work, central Kinshasa was full of billboards with the president's face, illustrations of implemented transport infrastructure projects and the text '*les Cinq Chantiers en marche*' (the five building sites in action) or '*Il l'a dit, il l'a fait, il en fera davantage*' (he said it, he did it, he will do more of it). However, the infrastructure achievements displayed on the billboards are not only Sicomines-funded projects. Just about any efforts in the city by the government, donors or private investors (even the construction of luxury hotels, office buildings and the like) are displayed as indicators of presidential success.[95] The *Cinq Chantiers* concept is well known to the public in Kinshasa, although it is often referred to in jest while driving on one of Kinshasa's many potholed roads.[96] The intensity of the presidential public relations effort in the country's other cities seems linked with their level of political importance. In Lubumbashi, the capital of the mineral-rich south-eastern Katanga Province, *Cinq Chantiers* billboards are visible but not to the same extent as in Kinshasa. In Mbuji-Mayi, the capital of the Kasaï Oriental Province which has great developmental needs but is of limited political importance, no *Cinq Chantiers* billboard is to be seen.[97]

Public relations efforts aside, nine implemented infrastructure projects should be considered as a limited achievement given the enormous challenges facing the Congolese

Presidency, most notably the security situation in the country's eastern parts. In Kinshasa, which has received most of the Sicomines-funded projects in the form of a number of roads and a hospital, other infrastructure areas, such as electricity[98], are equally or more pressing than roads and health. Whether Kabila's high hopes for what the Sicomines agreement would bring in terms of political headway have been fulfilled remains to be seen. The most telling indicator will be the country's next elections, which are scheduled for November 2011.

Implications for the DRC's external relations

It has often been assumed that the emergence of alternative development partners from the South might increase African governments' leverage with its traditional partners.[99] Indeed, China's emergence on the Congolese scene has significantly stirred the pot in terms of the DRC's perception of which its most important external partners are. A number of respondents consulted in 2011 testified to the symbolic importance attached by Congolese government representatives to Chinese diplomats in official gatherings. One Western diplomat noted that, at a reception related to debt relief, the Chinese ambassador had received special thanks by the Congolese host. The respondent stated that 'even though it was the West's money, China got the cred politically!'[100] Beyond the symbolic importance, the emergence of a development partner of such magnitude initially meant significant leverage for the Congolese government. It was able to access substantial funding through the Sicomines agreement, despite strained relations with the IMF. However, the DRC did not manage to use this opportunity to secure both HIPC debt relief and the full Chinese agreement, since the Chinese leadership itself changed its attitude towards Sicomines. This highlights the fluidity of priorities in the international political arena and shows that emerging powers and countries from the North do not necessarily have different ambitions for their relations with African countries.

Kaplinsky and Farooki have suggested that the DRC's ability to launch its review of existing mining contracts in 2007 'was strengthened by the existence of an alternative path to exploiting the DRC's extensive mineral deposits, in large part by the Chinese aid-trade-foreign direct investment package'.[101] Indeed, the Sicomines agreement served as a lever for the Congolese government during the mining contract review in the sense that it was used as a technical reference for the calculation of the *pas de porte* (signing bonus) in the revised contracts. As argued by an observer, the Sicomines agreement paradoxically had the effect of slowing down the review process, since the investors whose contracts were up for review 'felt they were being submitted to different standards than what the Chinese got out of it'.[102] However, the notion of Sicomines as an 'alternative path' is exaggerated since it is only one company. To date, no other Chinese investor has shown serious interest in commencing large-scale mineral extraction in the country. Furthermore, the political drivers behind the mining contract review were complex and largely unrelated to the Sicomines agreement. The review was initiated in 2007 after several studies – notably the Lutundula Commission's final report[103] and a study conducted by Duncan and Allen[104] – had indicated problems with the mining contracts signed by the Congolese parastatals during the war years (1996–2003) and during the transition that followed. This was especially the case with Gécamines' contracts. The year 2007 was considered a suitable time to review the contracts, since an elected government was now in place. The review's

aims were to increase the signing bonuses, create new revenue streams (royalties and dividends) for the Congolese parastatals of each venture, and to increase the JV share of the parastatals. Political dynamics are also, however, seen to have been at play. The most commonly cited example is the cancellation of Canadian First Quantum's contract in August 2009. This is widely seen to have been made on political grounds, yet none of the respondents interviewed about these dynamics mentioned China or the Sicomines agreement as potential drivers in this regard.[105]

Implications for China's foreign policy towards the DRC

Of the potential explanations as to why President Kabila conceded to the demands of the traditional donors in the Sicomines episode, the one that carries the most weight is the argument that when China's attitude towards the agreement changed, so did Kabila's ability to persist in relation to the IMF. As a result of the DRC's ambitions as a responsible international actor and its growing aspirations as an active actor in the IMF, its will to pursue the original version of the agreement gradually weakened. During the author's 2011 field work, one and a half years after the final settlement was reached, a respondent from the Chinese embassy argued that the implementation of the agreement was a concern for China Exim Bank and the companies involved, and that it was up to them to answer such questions.[106] Interestingly, this statement reflects the IMF's preference to separate the state and private investments, as does the revision of the agreement itself (see also Marysse and Geenen's analysis in this regard[107]). Further, another respondent from the Chinese Embassy stated that 'China is a member of the IMF and cannot do things outside of the IMF framework'.[108] These statements represent a noticeable shift from former Ambassador Wu's active stance in defence of the agreement during the 2008–2009 controversy.

Yet this does not imply that China has abandoned the foreign policy practice of using credit lines strategically. The other major Chinese bank used as a tool for the implementation of the Going Global Strategy is China Development Bank (CDB). It was previously a policy bank, but was restructured as a commercial bank in 2008.[109] It has shown interest in the DRC for almost as long as China Exim Bank. During 2008–2009, negotiations were at an advanced stage for the financing of a Sicomines-type barter deal. More specifically, a highway from Kinshasa's central station to the N'Djili Airport in Kinshasa and modernisation of the airport was to be financed by a CDB credit line. The loans were to be reimbursed through the profits from a mining JV to be set up for the exploitation of copper and cobalt concessions in Kolwezi and Potopoto in Katanga Province.[110] The contractor considered for the assignment was China Communications Construction Company. However, these 2008–2009 negotiations never led to any concrete agreement being signed. According to a senior representative for the BCPSC, this was not because of a lack of interest from the CDB's side, but because the concessions under discussion turned out to contain less mineral reserves than expected.[111] As of 2011, relations between the CDB and the DRC seem reinvigorated. An agreement was signed in March 2011 to collaborate on a number of areas: roads and railways, mines, energy, oil, agriculture and manufacturing.[112] Detailed information on this agreement has yet to be released. However, according to the aforementioned respondent from the BCPSC, negotiations with the CDB now concern a barter agreement based on oil blocks rather than on mineral concessions, and discussions are ongoing to establish a Special Economic

Zone in the DRC.[113] It remains to be seen whether the CDB's interest in the DRC will materialise into a fully fledged deal, but it is at least clear that the Sicomines controversy has not deterred this financial institution from pursuing its interests in the DRC.

CONCLUSION

The developments around the Sicomines agreement are powerful indicators of both change and continuity in the DRC's international relations. Change, since they reflect how the power configurations of the global political economy have shifted. China's is now a global leader with clearly formulated goals for its activities overseas and a firm vision of which tools to use to implement these. Continuity, since they show that the policy hegemony enjoyed by the IFIs, the IMF and the World Bank, over the past three decades in matters relating to economy and development remains relatively solid in the DRC, as a result of China's own interests in assuming an active role in the IMF. This ambition made China step back from the developmental state-type arrangement it had initially committed to, and agree to a revision in favour of a market-oriented model.

The current, revised version of the agreement is a better deal for the DRC compared with the original version, in the sense that the public guarantee on the mining component of the deal was removed. Furthermore, the investment into the DRC's mining sector is in itself beneficial for the country. Yet, the question of whether or not the Sicomines agreement is really a good deal for the DRC will remain unanswered until the infrastructure projects have been delivered. The importance of the Congolese Agency for Public Works' task to price each project and to ensure that the monitoring is conducted properly can therefore not be overestimated. Once Sicomines has paid off the loans to China Exim bank for the infrastructure projects and enters the regular tax regime, it will, along with all investors in the DRC's mining sector, be as good a deal for the country as the general governance environment permits at the time.

ENDNOTES

1 The paper draws on field research funded by the Tornspiran Foundation, Revenue Watch Institute and the Extractive Industries Transparency Initiative. It has greatly benefited from comments received on an earlier version of the paper, as well as on a different version presented at the 4th European Conference on African Studies in Uppsala in June 2011. The author would like to thank Elisabeth Caesens for generously sharing her insights; and all the respondents for their time, confidence and invaluable contributions to the analysis.

2 Mission de l'Organisation des Nations Unies en République Démocratique du Congo (MONUC), active in the DRC since 1999 (UN, 'MONUC: Helping bring peace and stability in the DRC', 2011, http://www.un.org/en/peacekeeping/missions/monuc/). On 1 July 2010, MONUC changed its name to MONUSCO (Mission de l'Organisation des Nations Unies pour la Stabilisation en République Démocratique du Congo) (United Nations Security Council, Resolution 1925 (2010), S/RES/1925, (2010), 2010). See Jansson J, 'The manifold reflections of China's rise in the Democratic Republic of Congo: Views from the periphery', in Li X & S

Fryba Christensen (eds), *The Rise of China: What Implication to Semi-periphery and Periphery Countries?* Aalborg: Aalborg University Press, forthcoming.

3 ICG (International Crisis Group), *Congo: Le dilemme électoral*, rapport Afrique de Crisis Group, 175. Brussels: ICG, 2011, p. i.

4 As discussed further below, one private Chinese company (Zhejiang Huayou Cobalt) presently has a small stake in the Sicomines joint venture. However, given that the vast majority of the stakeholders involved are related to the state (SOEs and the policy bank China Exim), this paper argues that the agreement is still to be understood as an expression of Chinese state-level engagement with an African country.

5 See, for example, Gu J 'China's private enterprises in Africa and the implications for African development', *European Journal of Development Research*, Special Issue, 21, 4, 2009, pp. 570–587.

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10 *Ibid.*, p. 9.

11 Kong B, 'Institutional insecurity', *China Security*, Summer 2006, pp. 64–88; Zha D & W Hu, 2007, *op. cit.*

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13 Personal interview, 14 March 2011, Kinshasa.

14 Most mining ventures in the DRC take place in a joint venture (JV) with one of the country's mining parastatals. These are Gécamines and Sodimico (copper and cobalt), MIBA (diamonds), Okimo (gold), Sakima (cassiterite) and l'Entreprise Minière de Kisenge (manganese). Generally the JVs are set up with the foreign investor as a majority shareholder.

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16 Personal interview, 14 March 2011, Kinshasa.

17 PPRD won the second round of the presidential elections with the support of l'Union des Démocrates Mobutistes and le Parti Lumumbiste Unifié, which in exchange were given the posts as prime minister and vice prime minister. The coalition government is frail, characterised by internal tension, and the current government formation is Kabila's fifth since 2006 (See ICG, 2011, *op. cit.*, pp. 1–3). In the legislative elections, PPRD secured only 111 seats out of 500 in the National Assembly and had to seek support from a number of parties to form l'Alliance pour la majorité présidentielle (Coalition for Presidential Majority). The legislative coalition has a high political cost for the government, which 'has to negotiate permanently with micro parties having less than five seats in parliament' (ICG, 2011, *op. cit.*, p. 3, author's translation).

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SAIIA'S FUNDING PROFILE

SAIIA raises funds from governments, charitable foundations, companies and individual donors. Our work is currently being funded by, among others, the Bradlow Foundation, the United Kingdom's Department for International Development, the European Commission, the British High Commission of South Africa, the Finnish Ministry for Foreign Affairs, the International Institute for Sustainable Development, INWENT, the Konrad Adenauer Foundation, the Royal Norwegian Ministry of Foreign Affairs, the Royal Danish Ministry of Foreign Affairs, the Royal Netherlands Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the Canadian International Development Agency, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Economic Commission for Africa, the African Development Bank, and the Open Society Foundation for South Africa.
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