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More transparency in resource sector vital for Congo to benefit from debt relief says Global Witness

Last week's long-awaited decision by the World Bank and International Monetary Fund to forgive \$12.3 billion of the Democratic Republic of Congo's debt is to be welcomed, but a raft of transparency reforms are urgently needed in the mining and oil sectors if the country is to truly benefit from the decision, said campaign group Global Witness today.

The country has vast natural resource wealth – timber, minerals and oil – but so far Congolese people have not benefited because of widespread corruption and mismanagement over decades.

“Congo being granted debt relief on the 50th anniversary of independence is a unique chance to break with the destructive behaviour of the past,” said Lizzie Parsons, campaigner for Global Witness. “However, we have seen recent worrying developments in the natural resource sector which go against the progress of debt relief being granted.”

Within Congo's lucrative mining and oil sectors, various shadowy deals have been signed in recent months without any public scrutiny. The ownership of companies gaining rights to important resources is kept hidden behind offshore companies. The transfer of oil and mining rights without clear international bidding raises questions about respect for due process.

A mysterious British Virgin Islands-registered company, Highwind Properties Ltd., was awarded the rights to the Katanga-based copper mine Kingamyambo Musonoi Tailings in January 2010. It is unclear on what basis the allocation of rights to Highwinds was made. The mine had previously belonged to Canadian miner First Quantum Minerals Ltd., which invested \$750 million in the project before it was forcibly shut by the government in September 2009 after a review of dozens of mining contracts. Earlier in the year, First Quantum had paid \$55 million in tax – the largest tax payment ever made to the government according to the company's chief executive.

Two previously unknown oil companies, Caprikat Ltd. and Foxwhelp Ltd., both also registered in the British Virgin Islands, were granted rights to two untapped oil blocks in northeastern Congo by a June presidential decree. It is unclear on what basis the two companies were selected. The decision came despite the government already awarding the blocks multiple times to other companies, with signature bonuses totalling \$3 million, though Presidential decrees ratifying the earlier awarding of oil blocks were never made. A nephew of South African President Jacob Zuma is widely reported to own Caprikat and Foxwhelp.

“At present there is no way for Congolese citizens to know whether deals being done by the government are in the country's best interest. The government should make it absolutely clear who is involved in the latest deals and on what basis they were selected as partners,” said Parsons. “The ability for citizens to understand and scrutinize the agreements is vital for the country to turn the page on its past.”

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Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses



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Notes to editors:

1. The Democratic Republic of Congo qualified for debt relief through the Heavily Indebted Poor Countries Debt Initiative and Multilateral Debt Relief Initiative under the International Monetary Fund and the World Bank on July 1 2010.
2. A Congolese Senate commission reported in 2009 that the country had missed out on \$361 million from lost revenues from the mining sector in 2008 due to mismanagement and widespread fraud.