

**Strategic Development Plan for Natural Resources and
Other Foreign Investments in the
Democratic Republic of the Congo**

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Purpose

The Democratic Republic of the Congo (DR Congo) has been presented with a unique opportunity to be the driving force behind sustainable development in all of Africa. For this development to be successful there must be a totally new direction taken to achieve industrial development and an increased living standard in the region. The development of human capital and natural resources can and must be accomplished in a complimentary fashion as quickly as possible. While the need to act quickly is paramount the development must be done in a financially and socially responsible manner or it will not be sustainable.

The ideas expressed in this Development Plan must be viewed primarily as one aspect of the necessary framework to assist in ensuring peace is maintained and economic benefit flows to as many as possible in the DR Congo. The history and current reality of the DR Congo is that the violence will continue until the economic prospects for a vast majority of the people improves as quickly as possible.

The DR Congo can avoid the Nigerian trauma of exploding pipelines that kill hundreds at a time and armed militias who kidnap foreign workers in order to secure a bigger piece of the natural resource pie. A new, balanced, economic and social development plan for the DR Congo is the key to avoid a return to violence. A new African business and social development model that includes a better balance between the importance of shareholder value and people value is one that will guarantee a more secure life for people in places like Nigeria and DR Congo.

This plan will also explore new and creative ways that the extensive natural resources and investment potential of the region bring a reasonable and substantial profit to the investor but also effectively provide the human side of the development process with an equally rapid rise in their standard of living. Increasing regional living standards is the only method to help ensure the income stream of the large multinational corporation increases and is as secure as possible. As we see in Nigeria, people will act in a very violent

fashion if the means they need to raise their living standard leaves the country and flows into the boardrooms of already successful foreign corporations.

So much of the investment and resource development in the DR Congo has had a primary focus of maximizing the financial return to the mining concessionaire at the expense of the social and material welfare of the local and regional inhabitants. All of these contract holders must be encouraged to re-examine their long term investment goals in a spirit of cooperation in serving the best interests of the people of the DR Congo.

This plan will describe a process where significant, above average financial returns will flow both to the investment risk takers and the local citizens. The overall success of peace will only be realized when a significant number of the local citizens can be encouraged to become stakeholders in the economic activities. Simply put this strategic plan is a radical departure to the way outside investment, especially in the mineral extraction business is “normally” conducted. It must be remembered, however that the DR Congo is no “ordinary” place even for a least developed region. We must never forget that the only business effort that will be sustainable in this region is one that is developed from the standpoint that people after all do matter and are the reason for proceeding.

This plan will outline a new business and investment model that is called a Participatory, Public Private Partnership (PPPP). Public Private Partnerships are not new however the Participatory aspect is very different since it will allow all the stakeholders to take part in the development process and see financial rewards for their contribution. In the usual natural resource investment model, it is mainly the contributors of financial capital that reap 80% to 90% of the financial rewards. What is proposed is a new African Model of investment and resource development that is based on the belief that an equal partnership means that an equal division of the income is reasonable.

In the Democratic Republic of the Congo the development of the industrial base and infrastructure repair must be accelerated and driven by this 50% split of resource income.

This Strategic plan will describe a process that will allow exceptional, above average, long term financial returns to the natural resource developer and investment risk takers but more importantly the plan will also describe how all the local citizens can become shareholders in the process. The foundation of this plan is a very simple concept, but one that is often misunderstood or misapplied from a business standpoint. The only investment philosophy that will work in this part of Africa, is one that is developed from the standpoint that ordinary people really do matter and that the welfare of the ordinary people must be the reason to invest, especially in the eastern region of the DR Congo. The history of investment development in Africa has shown that when the “lure of the gold” becomes the primary reason of the investment then the rewards are often illusionary at best. The investment decisions of foreign and domestic natural resource developers must give all the people in the region reasons to assist in creating and sustaining the projects.

The development of business in most of Africa has been largely dominated by government policy and a business profit model that does not work to increase the living standard of the region as quickly as it raises the profits of the foreign business interests. The roles of governments and business leaders have encouraged and allowed for the exploitation of people, natural resources and the environment in the mistaken belief that this is the only way to foster development.

Vision

The vision behind this plan is first of all guided by the belief that any large scale projects, especially in the natural resource development sectors must be pursued in a way that will deliver both an exceptional return to the investors in an environmentally friendly and socially responsible manner. Another pillar of the plan incorporates the belief that if companies desire to engage in natural resource development then they must also be ready to concurrently engage in the development of significant infrastructure projects or business ventures that assist diversify the industrial base. The foreign corporations and investors are in excellent positions to encourage their Embassy and other large companies to come invest in the DR Congo. The large foreign companies can also be well situated

to encourage the government to adopt socially responsible, business friendly legislative regulations.

The large foreign companies and investors have the know-how and expertise to actively encourage the Small and Medium sized Enterprises (SME) community through direct investment or mentoring. In the DR Congo this process of SME development must be accelerated as a way that will assist with the rebuilding of all regions of the country in sustainable ways. Development cannot favor only the areas with the highest concentration of natural resources. The large projects must encourage development of human capacity at all levels of the DR Congo society and across the whole of the country.

This new business model is called the “People Centered, Participatory, Business Development Approach”. The current natural resource development business model in the DR Congo has the effect of allowing far too much of the benefit of the natural resources to flow outside the country. The fragile peace in the DR Congo can be sustained but only if there are sufficient resources to assist with that process. If a regionally intergraded approach, like that outlined in this plan is not pursued then the various ethnic and outside factions will continue to threaten the peace and development of the whole country. Foreign companies and investors, however, must be allowed to be as profitable as they would be in other locations or the investment funds will flow to these other more profitable locations. Foreign business is willing to respond in creative ways when they have input in formulating the solutions and are given enough time to adapt to the changing environment.

People Centered, Participatory, Business Development Model

The People Centered, Participatory, Business Development Model is based on the premise that people really do matter. In the DR Congo and most of Africa, it is also true that when people really do matter in investment decisions then projects will have the best chance for genuinely succeed and become sustainable. In a region like Kivu Lakes and with large scale projects that involve mineral exploration and extraction the “Peoples

Centered” approach is the type of model that will ensure the social fabric of the region is strengthened and repaired. This regional rebuilding process in turn will work to ensure the security of any investment and the long-term peace and stability of the region is fostered.

The “Participatory” aspect of this model is vitally important to ensure all the various and competing forces will be included in the different aspects of the regional development process. It must be remembered that millions of innocent people have been killed or died only because they have been members of a different tribe. Now that a fragile peace has become a recent reality it is too idealistic to think that lasting peace and long-term stability for the region will endure unless a majority of the people of the region can see tangible results for cooperating and assisting the rebuilding process.

The scope of the problems in the DR Congo are so significant that it will only be when all the different stakeholders, including governments, business leaders, local community and ordinary citizens can be brought together that there is any hope for comprehensive solutions. Due to the dynamics of the region if bold and assertive steps are not taken to address some of the extreme social and economic inequalities then it will be very likely that any large-scale investment in the region will fail or at best limp along at marginal productivity and financial profitability as we see is happening in Nigeria. It must be remembered that what is suggested here with this strategic plan is not some wholesale give away or redistribution of the resources but the development of a process that will ensure a reasonable financial return for both the investor and the people of the region. A socially orientated business process may be easier to understand in theory than practice. The reality of present day DR Congo and the history of the region demands that a more dynamic, comprehensive action plan be developed than just concentrating on natural resource development if progress in the region is the goal. If a participatory, integrated approach to investment and social development is not actively pursued it is doubtful that any meaningful change in the level of corruption or violence can be expected. Due to the complete breakdown of institutions, infrastructure and industry it will be necessary to develop a plan that will encourage participation by all members of society and industry.

Methodology

The extent of this intergraded approach to what would be considered a simple business issue reflects the extent of the problem that will be encountered with any development in the region let alone mining sites that have been exploited by the armed militias of several different groups. For too many years there have been too many competing interests that have used these mineral resources for their own individual gain at the expense and detriment of the peace and security of the whole region. It is naïve to believe that all the regional problems will be solved with a few investments from domestic or international interests. While it is impossible to solve all the regional problems if one pursues the normal natural resource development model that is currently in force in the DR Congo it is felt that if the governmental, community and business leaders can put their individual interests aside and develop a vision for the people of the DR Congo and the region that puts the social and financial interests of the community first then the long term sustainability and success of the development will be greatly accelerated.

The methodology used to support this vision is based on an understanding that the sustainability and long-term viability of this process will require that practical financial and social benefits come to as many regions of the country as possible. In many cases it will not necessarily be the size of the projects that are as important as the fact that tangible benefits can flow to as wide a segment of society as possible as quickly as possible. Governmental and business leaders must endeavor to ensure that the benefits of development flow across tribal and ethnic divides. In order to maximize the social impact and available financial resources there must be a willingness to work closely with multilateral governmental and NGO funding sources.

Operational Considerations

There are three main aspects to this operational part of the plan. The first and primary consideration will be to ensure that all business and investment activities must be included in this process. While companies with existing contracts may view this element as unfair it should be remembered that in many cases the award of concessions and

contracts have for the most part not been developed in a very open or fair manner. Another reality is that industrial activity must be streamlined and brought on line as quickly as possible. All current contract holders must be informed of pending changes as quickly as possible to allow them the opportunity to evaluate their continued participation in the development process in the DR Congo. The second main aspect of this plan will be to provide start up expertise and funding for a series of small to medium sized enterprises (SME's). The third aspect of this plan will assist in the development of infrastructure projects. The types of infrastructure projects include the development of roads, schools, hospitals, community infrastructure, homes, sanitation, water, environmental projects and wildlife conservative efforts.

Another major consideration with this development effort is the belief that a significant training element is vital to the overall development of the region. If regional stability is to be achieved and the investment income streams safeguarded then this intergraded development approach must also include infrastructure, social and SME development elements from the beginning of the process not as an after thought. Due to the size and scope of the problems and number of projects it is anticipated that extensive involvement of multilateral agencies (such as the World Bank, African Development Bank and the UN), governmental entities (such as USAid and EU) and NGO's must be included and coordinated to a much higher level than is currently the case.

Investment Credit Fund

There is no easy way for countries to generate the necessary level of investment capital in a short timeframe. There are, however, numerous examples of development funds that have been set aside from the revenue generated by natural resource development. This plan calls for the establishment of an Investment Development Fund (IDF) to assist in the creation of the capital necessary to more quickly develop the economic and social infrastructures necessary to ensure development progresses as quickly as possible.

By way of example what follows is a brief description of how the process will operate in practice. There will be a distinction drawn between companies that exploit natural resources and those that produce some product. The elements of the plan would be the same for each of these sectors and through procedural rules the details would be established. In general companies that simply exploit natural resources will be required to become much more involved with the infrastructure and industrial rebuilding process. Natural Resources development is defined in this plan as any activity that extracts minerals, or exports round log timber or any other item with little value added to the process.

When a natural resource extraction contract is signed then the estimated value of the natural resource will be established. This calculation would be based on both analyzed and annual, actual production of the material. For the purposes of our discussions let us say that the value of a resource is set at \$200,000,000 over the life of the lease. The company would then be assessed an amount equal to one half of the resource value, in our case that amount would be \$100,000,000. This assessment would be the amount that the company would have to deposit into the ICF over the life of the lease. This amount would be carried on the financial statement of the company as a liability that would be redeemed or retired as actual income is generated by the operation and deposited into the IDF. The redemption or retirement rate would be set at no more than 50% income generated by the activity. 50% of the amounts deposited in the ICF could then be used by the company for a variety of activities as prescribed by the local, region and National government entities that would be guided by government policy priorities with substantial international oversight.

A possible structure of how the ICF could operate is as follows:

- 1) The company could fund operations of another industrial entity as long as it was in a different region and industry from the original operation. This would serve to diversify the economy as quickly as possible. The company would be allowed to earn an income on this activity in the same manner as the original investment and also be required to fund the ICF in the same manner as the original investment.

- 2) The company could invest in a SME and Micro Finance operations in different region of industry in the country. The company could be given tax or other incentives for assisting this effort as a way to encourage SME and Micro business development. The company would also be allowed to earn a return on these investments.
- 3) The company could use the funds for infrastructure development in other regions of the country. A list of possible infrastructure projects could be established and modified as a function of government policy.

Some basic parameters for this program would be that a company could only direct up to 50% of the actual funds they have deposited into the ICF. A participatory, independent Board of Directors who would be made up of business, government, community and individual members would administer the ICF. The remaining 50% of the funds could be made available to other individuals or entities in the DR Congo.

In order to encourage public participation and to ensure large projects do not receive a vast majority of the funding there could be limits placed on different size categories of projects. It is understood that there would have to be a substantial educational effort to assist small business people and individuals understand how to prepare viable projects. Private organizations (banks and financial institutions), NGO's, foreign governmental entities (Peace Corps, US Aid) and UN groups (UNDP) could all be encouraged to assist with this effort.

In an attempt to avoid possible political influence and corruption problems very strict regulations will need to be established. The Board or government authorities could assess a substantial fee or fine or criminal proceedings could be brought if a company or individuals are implicated in fraud with regard to the program.

This is not meant as a detailed explanation of all the details of the program but rather a very brief explanation of some of the overall guidelines for such a program. There are

many more details that would need to be developed to ensure the program was successful and acceptable to various parties and interested entities.

Conclusion

There have been many volumes written about the problems in the DR Congo. The violence, death and dying has been witnessed and forgotten by many of the worlds population over the years. Vast amounts of natural resources have been removed – “stolen” if you will from the people of the region. Ordinary citizens in the developed world have been told that the events of the DR Congo are simply too complex to even try to develop meaningful solutions to address.

While one might be tempted to think that now that peace has a chance of succeeding it may be possible to re-open the business of mineral and round log timber extraction in the same way that it has been done before the wars or in the same way it is done in other developing countries. What this plan attempts to do is present a new model, a New African Model for resource and investment development. Due to the many human tragedies that have defined to a great extent what is now the DR Congo and the central African region, there needs to be a totally new approach to development in the DR Congo. It will be necessary for businesses to rethink or think strategically of how to bring real value to both shareholders and the people of the region. The recent and distant history of the region dictates a radically different approach to business and the development of the vast resources in the DR Congo if peace is to be guaranteed and the living standard of the people is to be increased. The people of the whole central African region are simply too poor to think war and/or corruption will not continue without a totally new approach by way both business and government approach natural resource development.

The ideas expressed in this plan are simply a starting point for a dialogue that perhaps can assist to bring peace and stability via business to a very troubled region. So often in the past, business was the driving force behind much of the misery of this region. With the increased prospects for peace, now is the time for everyone in the DR Congo, including

all foreign and domestic business interest to develop a forward looking vision. As we have seen also in the United States, contributing large amounts of money to solve social and infrastructure development issues is not the answer. Encouraging all members of the DR Congo community to come together to solve the problems holds the key to the success of peace. Talk and discussion however is never enough, people need to be assisted to discover their full potential. Community, business and government leaders need to now come together to formulate creative plans to wisely tap not only the vast natural resources, but the unused human potential as well. The underling philosophy of this strategic plan is that it is not only possible to develop profitable, people centered business models but it is the only way any benefit will flow to the local population and a more secure return will flow to investors and business operators in the process.