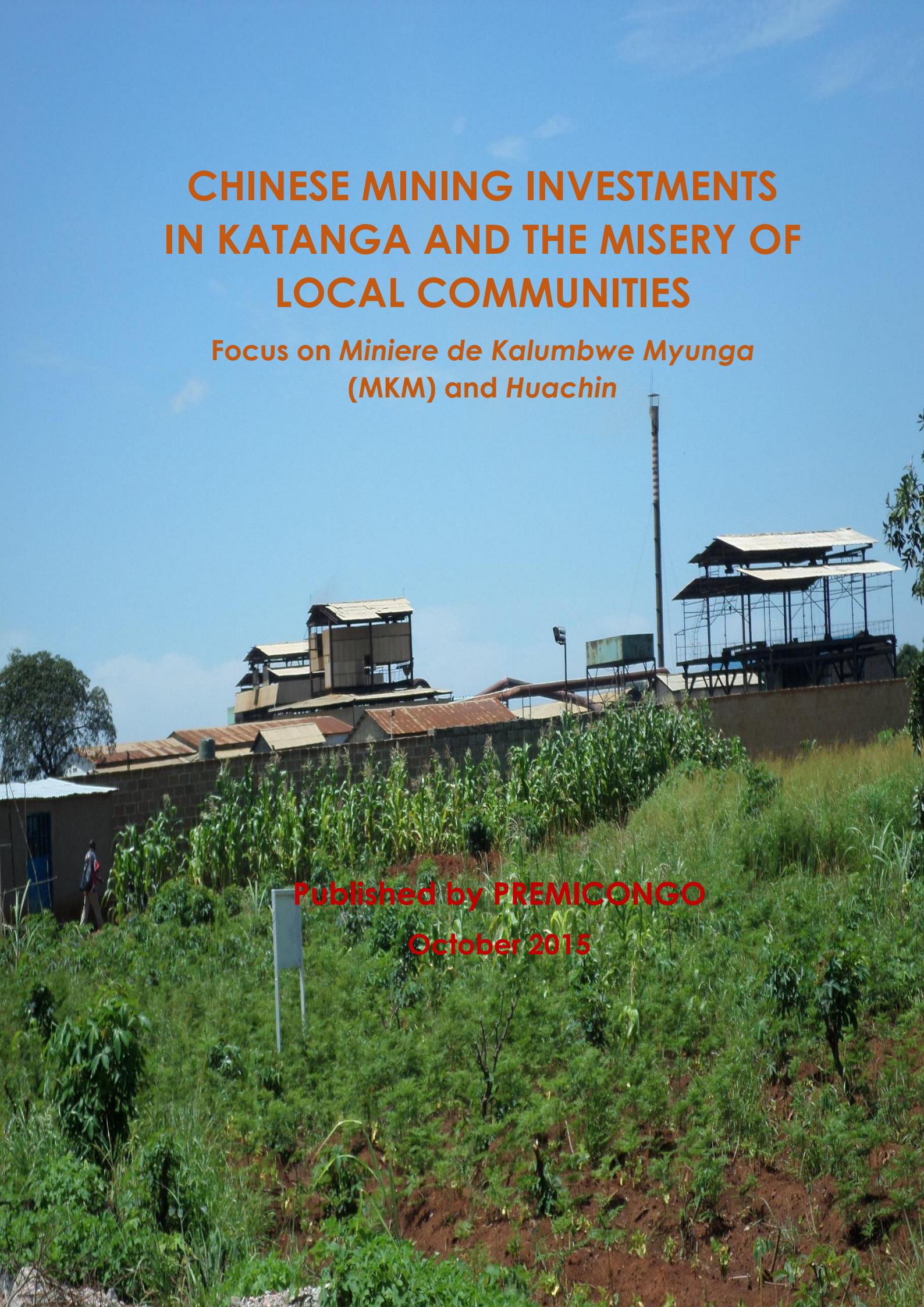


# CHINESE MINING INVESTMENTS IN KATANGA AND THE MISERY OF LOCAL COMMUNITIES

*Focus on Minière de Kalumbwe Myunga  
(MKM) and Huachin*

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**Photo of cover:** The factory of HUACHIN in the suburbs of Lubumbashi

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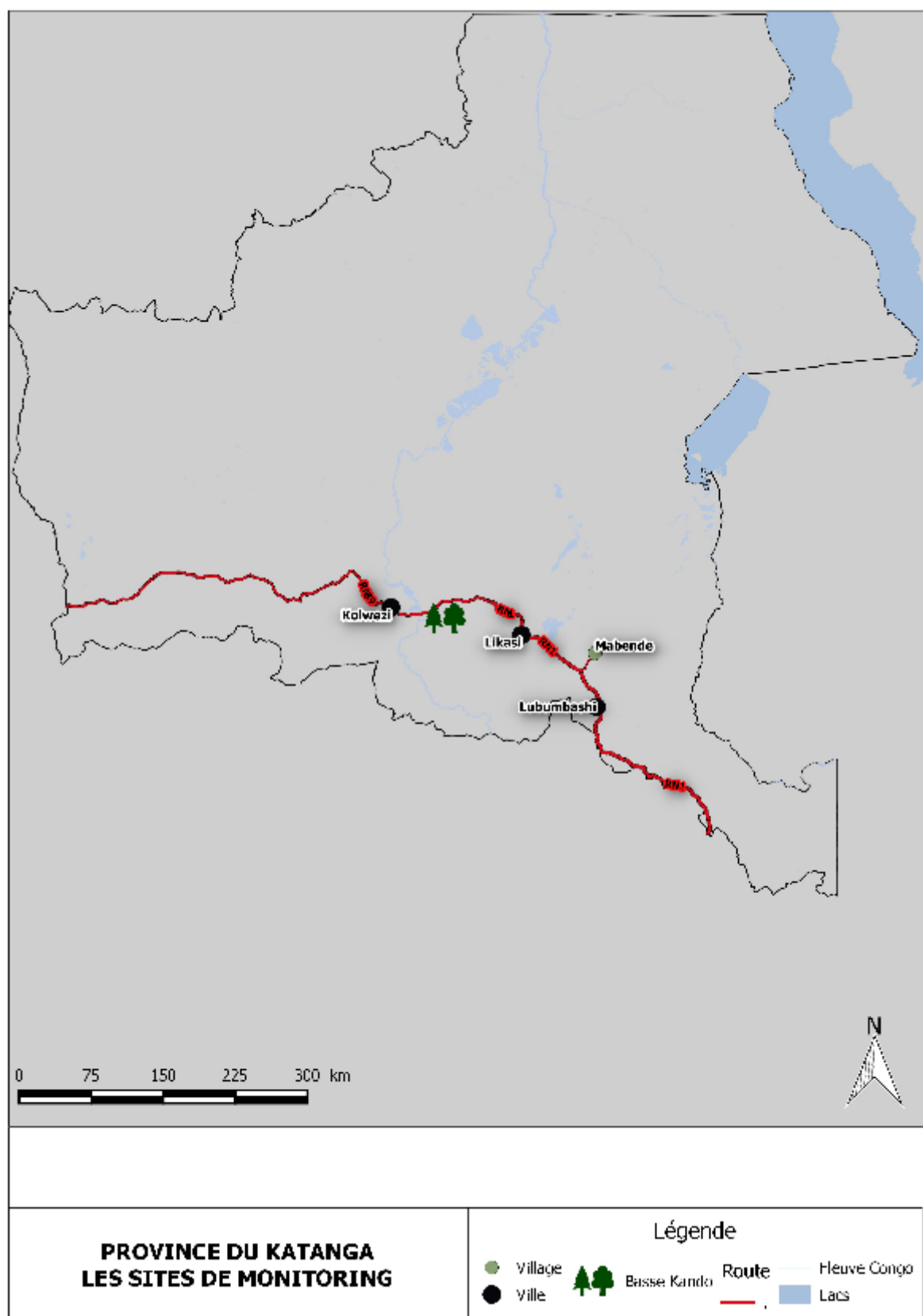


PREMICONGO is a Non-Governmental Development Organization founded in 2002 in Lubumbashi. Our mission is to contribute in setting up a sustainable governance of clear forests (Miombo) in Katanga which are an important biodiversity reserve and a living space for over ten million people in this part of DRC.

Since 2010, we have developed, beside our traditional forest program, a mining program. This program aims to make the mining investors in Katanga to comply with the legal environmental and social standards in force in DRC in relation to the development of their projects. **SOMO** and **Friends of earth Netherland/Milieudefensie** financially (and technically) support the implementation of this program.



The researches took place in the Katanga old province, dismembered since a few weeks; Lubumbashi, Mabende and Likasi are situated in the **Haut Katanga** province where as Kisanfu is situated in the **Lualaba** province



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## ACRONYMS

**C.B.R.C.:** China Banking Regulatory Commission

**C.C.C.M.C.:** China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters

**C.N.M.M.:** China Non-ferrous Metal Mining

**C.O.V.E.C.:** China National Overseas Engineering Corporation

**DPEM:** Mining Environment Protection Office

**E.I.S.:** Environmental Impact Study

**EXACO:** Congo Artisanal Miners

**GECAMINES:** Mines and Quarries General Enterprise

**ICMM:** International Council on Mining & Metal

**I.N.S.S.:** National Social Security Institute

**EITI:** Extractive Industries Transparency Initiative

**M.C.A.A.:** Multinational in Conflict Affected Areas

**M.K.M.:** Kalumbwe Myunga Mining

**I.L.O.:** International Labor Organization

**P.A.R.:** Rehabilitation and Mitigation Plan

**S.D.P.:** Sustainable Development Plan

**P.G.E.P. :** Project's Environnemental Management Plan

**PREMICONGO:** Miombo Ecoregions Protection in Congo

**DRC:** Democratic Republic of Congo

**C.S.R:** Corporate Social Responsibility

**SICOMINES:** China-DRC MINING

**SOMO:** Stichting Onderzoek Multinationale Ondernemingen (Centre for Research on multinational corporations)

**UNILU:** University of Lubumbashi

**WWF:** World Wide Fund

**ZEA:** Artisanal Mining Zone

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- Our partners, SOMO and FRIENDS OF EARTH NETHERLAND/MILIEUDEFENSIE, for their financial support.
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- Mr Hugues Banza who efficiently guided us through our research in Likasi and its neighborhood;
- Mr Fabien Mayani from the Carter Center for his advice on the methodology;
- Mr Petrus Kapend Yav who translated the report in English;
- And all people whose names are not cited here and who contributed more or less in the implementation of our research activities.

## EXECUTIVE SUMMARY

According to the statistics by the Katanga provincial division of the National Mining Ministry, in terms of direct foreign investments in the mining sector in Katanga, over two-thirds of the companies are from China. They therefore contribute substantially to the increase in economic growth of the province after the doldrums in the nineties following the collapse of Gécamines. The contribution of the Chinese mining investments grows more noticeable on daily basis, especially with the creation of many jobs. It was also the Chinese mining investments that enabled the creation of infrastructure in Kinshasa, the capital of DRC, which is the outcome of the mining convention between the two countries.

However, the Chinese mining investors are often judged harshly by the public opinion in Katanga. Out of nostalgia for the better days when Gécamines promoted a person-centered policy, the population complains about their ‘stingy bosses’ that pay their engineers lower salaries than Gécamines used to pay its workers. But Gécamines did not care about good management of the natural and sociological environment. Despite these unanimously expressed reproaches in the opinion, there are not many systematic studies on the Chinese mining companies in Katanga. To date, the only study that we know about was conducted in 2014 on SICOMINES by ASIBOG and IBDH, two NGOs in Kolwezi, with technical and financial support of the Carter Center. Therefore, on grounds of the preponderance of Chinese companies in the mining sector in Katanga and the lack of studies that confirms or rejects their indifference as regards the environmental and social areas, we made our choice on Mining Kalumbwe Myunga (MKM) and HUACHIN Group, that we will be simply calling HUACHIN.

Both companies had very different backgrounds. At the outset MKM invested major resources hoping to treat ore from its own mine. HUACHIN settled in earlier in the province. It was an ore processing plant from artisanal mining before it turned into a major mining group as known so far.

The first part of our report is on MKM. It is a company under Congolese law, a subsidiary of China National Overseas Engineering Corporation (COVEC), a multinational specialized in construction and engineering that chose to invest in copper and cobalt mining in DRC. Its operating site is located in Myunga, a protected area in Basse Kando. The monitoring conducted by PREMICONGO has helped to highlight countless irregularities committed by this company in managing the Congolese human resources, the environment and the fulfillment of its social obligations.

MKM is guilty of serious violations of its employees’ rights in terms of freedom of association and the right to housing. The employees also consider the company’s wage policy to be unfair. As far as the environment is concerned, the company is responsible for the pollution of the Dikanga, a tributary of Kando River that runs into Congo River. This pollution caused the destruction of the residents’ living space in the villages around the MKM site. So far it is no longer possible for them to get water, go fishing, water market gardening or bathe in the river. Moreover, the company does not abide by the law in contributing in the socioeconomic development of the riverside communities around the mining site, which increases the advantaged communities’ poverty and makes them

believe that the presence of MKM in their region is a curse. Evidently these irregularities are committed with the complicity of the Congolese State through its agents. MKM cannot help bringing forth false statements to the Extractive Industries Transparency Initiative (EITI) on the 'social investments' (draft of the 2013 report). The company claims to have made social payments, particularly for the construction and equipment of a healthcare center concerning the fight against malaria and the endowment of sports facilities for the Kalumbwe village, which happens not to be a real village, but a makeshift camp housing the company's workers. The Local communities therefore have nothing to do with these so-called social payments.

HUACHIN started its activities by a copper smelter in 2005 in the city of Likasi. Its activities took momentum when China Non Ferrous Metal Mining Office (CNMM) invested in the company's capital. This association brought about a substantial input of capital and the extension of the company's activities to two other sites; in Lubumbashi, with a pyro metallurgical ore processing plant, and in Mabende where the group operates an open pit mine and an ore processing plant. The Mabende site has been open since April 2014.

The relationship between the companies in Huachin group and their employees are not peaceful. There is no freedom for trade union within the group and the Congolese employees consider themselves underpaid. Unfair dismissals are frequent. Plus, the directing staff of at least one company of the Group organized fraud with social security. How the environment is dealt with happens to be disastrous in the sites in Lubumbashi and Likasi. The neighboring population feel the full force of the consequences of air pollution, especially since the plants were located in residential areas. In Mabende, the local communities' lifestyle is also affected by air pollution, and the destruction of the forest causes the loss of traditional livelihoods.

HUACHIN made social welfare activities for the local communities around the city of Likasi, especially in the field of education. But what is regrettable is the absence of a common policy with the affected communities so that their priority needs are taken into account.

In view of the Congolese legislation as well as the standards set by Chinese institutions, including the China Banking Regulatory Commission (CBRC) whose banks fund Chinese companies outside their country and the China Chamber of Commerce of Metals, Minerals and Chemicals Importers (CCCMI), whose members are the two parent companies, MKM and HUACHIN operate "outside the law". These malfunctions are explained in both cases by the inability for the mining administration and that in charge of labor and social security to enforce the standards in force.

We have conducted surveys the findings of which show that not only the relevant departments close their eyes, but they are also actively involved in such violations. Consequently, the Chinese investors' increase in the mining sector in Katanga has no positive impacts on the local communities. On the contrary, those communities that formerly could not afford a comfortable way of life before the arrival of these companies has so far become poorer because of the loss of their livelihoods.





*The opencast mine of MKM to Kisanfu(Photo PREMICONGO)*

## **RECOMMENDATIONS:**

To the DRC Government:

- In an inquiry into the granting of operating licenses to MKM and other mining companies in the protected areas in Katanga and the responsibility of MKM for polluting the Congo River.
- To instruct the Ministry of Mines and its specialized services, particularly the DEPEM (Mining Environment Protection Office) to ensure the implementation of the Environmental Management Plan (EMP) of the projects and Sustainable Development Plans (SDP) by MKM and HUACHIN.
- To investigate the Ministry of labor on the working conditions in these two mining companies.
- To order an investigation into the fraud practice between the HUACHIN Group and the National Social Security Institute and save the injured workers' rights.

To the national parliament

- To quicken the consideration of the Mining Code bill, taking into account the proposals of the civil society especially the prohibition to operate in protected

areas, the criminalization for non-publication of environmental studies, the accountability of the Ministry of Environment, through the DRC Environment Agency in the management of the mining environment and the transfer of some powers to the provincial governments, particularly those related to the management of the environment and the riverside communities' rights.

#### To MKM

- To set up an efficient system for the treatment of its effluents.
- To start the decontamination of Dikanga river and compensate the communities around its mining site.
- To Implement the Sustainable Development Plan and ensure the restoration of the local communities' livelihoods.
- To build a workers' camp in accordance with Article 138 of the Labor Code.
- To abide by the labor laws related to trade union.
- To pull out their misrepresentations to EITI in terms of social payments.
- To comply with the international conventions signed by the Chinese Government and the standards and principles of CBRC (China Banking Regulatory Commission) and CCCMC (China Chamber of Commerce of Minerals, Metals and Chemicals Importers and Exporters)

#### To HUACHIN GROUP

- To abide by the DRC labor legislation, particularly regarding freedom of association and social security;
- To dismantle the social security fraud organized in complicity with INSS agents (Social Security National Institute) in Likasi ;
- To restore the livelihoods in the villages within the Mabende site;
- To Review its Environmental Management Plan for Projects to ensure sustainable management of the environment around its mining sites.
- To implement its Sustainable Development Plan in collaboration with the communities around its mining sites.
- To comply with the international conventions signed by the China Government and the standards and principles of CBRC and CCCMC.





*A school to Kisanfu, next to the factory of MKM (Photo PREMICONGO)*

## INTRODUCTION

### Contextualizing

This report summarizes the outcome of the monitoring activities conducted by PREMICONGO in relation to the follow-up of the implementation of the environmental and social obligations by MKM and HUACHIN. These activities are part of the Multinational Conflict Affect Areas program (MCAA) developed by SOMO, our Dutch partners. This program focuses on the behavior of multinational corporations in conflict areas or those emerging from conflicts. It is developed in four other countries in addition to the Democratic Republic of Congo notably, South Sudan, Liberia, Sierra Leone and Colombia. The MCAA program is in line with the PREMICONGO mining program that has been striving for five years to influence mining companies and State institutions for greater attention to compliance with the environmental and social standards.

We focus our choice on two Chinese companies in Katanga, namely MKM (Kalumbwe Myunga Mining) and HUACHIN. Given the opacity between the companies and the public administration and the lack of communication policy that characterizes these companies, deciding to conduct a study on a Chinese company sounds like a challenge. The initiative for this study can also be seen as a contribution to the efforts by the Civil Society to unravel

the mystery around Chinese mining companies and their approach to sustainable development in Katanga.

## Methodology

To collect and analyze data, and at last develop this report, we used the HRIA method (Human Right Impact Assessment) which consists of analyzing the behavior of companies in relation to current laws and conventions. HRIA has the advantage of being usable in both the preparatory phase of the research and during field investigation or the elaboration of the report.

The preparatory phase dealt with collecting documentation data necessary for the research, information on the two companies, the current legislation in DRC and the standards and policies for Chinese investors, etc. During the preparation we also formed a research team and assigned tasks: a research coordinator and two assistants, each focusing on one of the two companies. In each of the sites targeted by our research, we also appointed a focal point, responsible for forwarding us the necessary information in real time. We called for an expert from outside, notably Mr. Arthur Kaniki, professor at the University of Lubumbashi, so that he could interpret the results of the laboratory analysis of the effluents from one of the companies.

The field research phase consisted of directly watching these two companies in their respective sites. This observation was supplemented by interviews with the local communities, the traditional authorities and the representatives of governmental services. Several workers agreed to talk to us anonymously. Laboratory analysis of the samples and the interpretation of their results were part of the techniques used for data collection. We conducted the data analysis by analyzing the behavior of these companies towards the Congolese legislation (the Mining Code and the Labor Code) and the standards and policies that China imposes its companies abroad. Our final recommendations to the two companies, the public administration and the china government are based on this analysis.

## Bottlenecks

Both companies and part of the DPEM (the Mining Environment Protection Office) refuse to cooperate, which was the biggest bottleneck. During our first field visit to Myunga, we were received by an official of the company, Mrs Arianne who was an interpreter from China. She showed us around the company's facilities and promised to answer our questions during our next visit, for she was required prior permission from the Headquarters in Lubumbashi. On our second visit, she let us know that the permission had been denied, so she could not receive us. We previously contacted the company's officials who asked us what the final purpose of this research would be and whether its outcome would be published. The official that made the contact easy for us promised to explain the nature of our approach to his superiors and remember to set a meeting where he would present the company's version of the facts. But this invitation never came.



HUACHIN Group told us verbally that they had a bad time with justice because of NGOs and so they could not cooperate with CSOs. The DPEM did not allow us to access Environmental Impact Studies of these two companies, in clear violation of the mining legislation that requires that these studies be summarized in nontechnical terms and made accessible to the public. We did our best to fill these gaps by seeking information from informal sources.



*The river, although polluted remains the water supply for the villagers (photo PREMICONGO)*

## FIRST PART: MKM (KALUMBWE MYUNGA MINING)

### a) Background information

Kalumbwe Myunga Mining Limited (MKM SPRL) is a company under Congolese law that was founded in 2004. It used to be a joint venture between Gecamines, a state-owned company, and EXACO (a company owned by Artisanal Congolese Operators). What was particular with EXACO was to extract minerals by artisanal techniques and process them in a plant located in Lubumbashi. Through this joint venture, EXACO accessed the copper and cobalt deposits located Kalumbwe Myunga near the village of Kisanfu in the District of Kolwezi, 40 kilometers south of the city of Kolwezi.

In 2005, the China Overseas Engineering Corporation (COVEC) signed an agreement with MKM. In the new joint venture, 71% belongs to COVEC and 29% to MKM. At the kick-off the total cost of the project and the Chinese investment was as much as 270 million US dollars, which means that the part MKM brought into the contract is the concession. It is important to notice that COVEC is itself a subsidiary of the China Railway Engineering Corporation. COVEC implements activities in several countries where it develops engineering projects, such as Morocco with road construction, or South Africa with water distribution infrastructure. In DRC, it chose to invest in the mining sector. In addition to MKM, it holds significant shares in the COMILU (Luisha Mining Company).

MKM began the production phase in 2011. The new site includes an open pit mine and a copper and cobalt plant. Ore is processed by hydrometallurgical process. According to the company website, the annual production for 2014 was 8,700 tons of copper and 926 tons of cobalt. The company's main facilities are located in Kisanfu whereas the company's headquarters is based in Lubumbashi.

Kalumbwe used to be the name of an old home village of the **Koni**, traditional chiefs of the land named after themselves. After the Koni left, Kalumbwe lost all of its inhabitants who followed their chief in his new capital village. Nowadays MKM workers have set up a camp where there used to be a village. Myunga is the name of the huge dry and dense forest where Koni would invoke their ancestors' spirits and receive their orientations (sic).

The Koni have so far settled in Kisanfu village after which the entire region was named and where several villages are located, including the MKM workers' camp in Kalumbwe and the Myunga forest.





***The “worker’s camp” of MKM to Kalumbwe (photo PREMICONGO)***

#### **b) Human Resource Management**

MKM has both Congolese and Chinese employees. The latter have the status of expatriate workers with all the benefits thereof, so they were not taken into account in this study. They mainly stand as management officials and foremen in the mine and the plant. Most Congolese have been enrolled as skilled workers. They come mainly from the major cities in Katanga; Lubumbashi, Likasi and Kolwezi. As for the local inhabitants, they are not hired because they are underqualified. But they are sometimes hired for tasks such as heavy manoeuvres and work as day laborers. The Congolese workers say that they face many hassles: ridiculous wages, unfair dismissal, no freedom for trade union and precarious housing.

The average salary of Congolese skilled workers is around 215,000 DRC francs per month, the equivalent of 250 US dollars. This salary is derisory in view of the cost of living in the



province, which is due to the war in the late 90s. The province has been depending entirely upon on Zambia and other southern African countries for food supply. To make both ends meet, they cut wood in the Myunga forest when they are off-duty. So the villagers are worried about their forest gradually disappearing whereas the workers get involved in selling charcoal along the National Road No.1 located nearby. These workers wonder why their wages are much lower than those earned by employees of Gecamines and mining companies from the West. So they consider that these wages are unfair on grounds of the efforts that are required.

MKM workers also complain about the company never allowing them to go on their annual leave. The Congolese employees are forced to also work on holidays too. They are entitled to a 24 hours' day-off every six days. As for those who insist on a circumstances leave (because of mourning for example), they are allowed to be off, but that time is deducted from their wages. The requirement to work on holidays is a frequent cause of disagreement

between them and their bosses. Prior to June 30, 2013, the Independence Day (a national holiday in DRC), a riot broke out because the company's officials did not agree on paying the monthly salaries setting forth the risk for the employees not to be on-duty the following day. At last, the salaries were paid, but the 'instigators' of the riot were fired. There is no trade union at MKM. Sometimes, a few times, if necessary, the company asks workers to appoint their representatives to discuss with the officials. These representatives are always excluded later on.



***The Myunga's forest is gradually destroy by MKM's workers***

***(Photo PREMICONGO)***



### c) Environmental management

The proper management of the environment do not fall within the concerns of the MKM officials. Earlier we spoke of the impoverishment of the biodiversity reservation that is the Myunga forest. Right in the protected area, this situation can only end up in accelerating the loss of wildlife and plant species. So far, the villagers observe a substantial decrease of non-timber forest products that have always been part of their food (caterpillars, mushrooms, honey, etc.).

Another worrying issue is addressed in terms how to deal with the effluent. MKM treats its ores by hydrometallurgical process and immediately pours the effluents into nature. These effluents have dug a kind of pipe in a slope of Dikanga river flowing nearby and end in it. It is important to notice that Dikanga river pours into Kando, a tributary of the Congo River. MKM workers told us the effluents were treated with lime before being discharged outside the plant. But for the riverside communities, the water out of the river and that of nearby wells became smelly. Bathing in these rivers causes tingling on the skin and the eyes. The villagers said that from time to time they could watch dead fish floating in the river.

To convince ourselves, we collected samples out of Dikanga river and had them analyzed by an independent laboratory (Robinson International Africa SARL). We then had the results of the laboratory tests interpreted by Professor Arthur Kaniki, PhD, of the University of Lubumbashi. He specialized in mineral and environmental engineering and has a keen interest in how the mining companies in Katanga deal with the environment. His interpretation of these results (see Annex) reveals the following facts:

- The river where the samples came from is used as an outlet of an industrial liquid effluent.
- The evidence is the very high electrical conductivity which indicates that the river is highly mineralized.
- The high concentration of lead makes any consumption by humans or animals, or watering vegetables dangerous.
- The presence of a large concentration of elements such as sodium, magnesium and calcium proves the fact that lime is frequently used to reduce the potential of hydrogen (pH)
- In conclusion, the river is indeed polluted by a metallurgical activity.

The professor recommends that neither humans nor animals consume this water. He also advises not to for watering vegetables. Fish in this river should not be consumed for fear that toxic elements be transmitted to humans. These recommendations has come too late because since the plant was open (2011), the villagers have never stopped using this water (actually, they have no other options.)



*The effluents of the factory of MKM are rejected in the forest, in the hillside  
of Dikanga's river (Photo PREMICONGO)*

#### d) Corporate Social responsibility

MKM has not strictly speaking a set policy for the implementation of its social responsibility. We have not seen the implementation of a Sustainable Development Plan for local communities as required by the Mining Code. The company raised a number of actions which are much more like charity: a 1,000 US dollar donation to Chief Koni; a soccer ball, a few books and a few chalk boxes were given to a school (See annex).

What is worse is that MKM has been guilty of misrepresentation to the Extractive Industries Transparency Initiative (EITI) on the so-called social payments that are as high as 151,000 US dollars ; medical assistance (1,000 US dollars), construction of latrines (10.000USD), Healthcare Centre (140,000 US dollars) and support to sports (300 USD) (See 2013 EITI report draft in preparation). The company claims to have made these payments



to local communities in Kalumbwe where there are no villages but a camp of MKM workers. Therefore there are no social payments, but initiatives for workers' households in Kalumbwe.

#### e) Co-responsibility of MKM and the Government for the violations of the law

MKM and the DRC administration are both accountable for the violations of the legislation as mentioned above:

-The DRC administration is accountable for granting the mining concession to MKM in Basse Kando, a protected area, which is a violation of the mining regulations (Chapter 2, article 8). In fact, the mining regulations list up the sites where mining is forbidden, and Basse Kando is one of these sites. MKM is also accountable for this violation because they did not have to take this concession where mining is forbidden by the law.

-MKM does not comply with the DRC Labor Code, notably the right to a break time, which 48 hours for each 7 days (article 121), the right to an annual leave that the employer cannot afford to deny the employee (article 140), the right to a leave for exceptional circumstances that the employer has to pay for if the leave is no longer than fifteen days (article 146), the right for the employer and their family to decent housing and food supply when they are transferred or hired away from home (article 138), the prohibition of firing a personnel representative without the approval of the Labor Inspection Office (article 258). The Labor Inspection is also guilty of not considering all these abnormalities described above.

MKM does not respect the mining legislation either, notably concerning the provisions on information and consultation of local communities during the elaboration and the implementation of the environmental studies (Environmental Impact Studies, Project's Environmental Management Plan, and Sustainable Development Plan for riverside communities) in accordance with article 69 of the Mining Code.

MKM does not comply with the guidelines of the China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCC MC) whose COVEC is a member, in terms of:

- The obligation of bringing together local communities and the NGOs for the implementation of social plans (2.1.5), the obligation of respecting human rights for the duration of the project (2.4.1).
- Concerning the right to employment, CCC MC guidelines recommend that the companies provide jobs and living wages (2.5), keep the premises clean and safe and, if necessary, provide decent accommodation (comfortable dormitories) within the site, supply drinking water and clean and hygienic sanitation (2.5.6).
- From the same perspective, the guidelines require that the companies respect freedom for employees to submit their claims without undergoing sanctions or retaliation. (2.5.9)
- The guidelines put forth how to manage the environment:

- Set up a system for the management of the environment and adapt it to the laws and regulations of the hosting countries (...) reinforce monitoring on pollution and foresee the environment impacts (...) (2.7.1), conduct environmental impact assessment prior to every mining activity and regularly monitor the impacts (...), strictly respect the laws in hosting countries concerning the assessments of environmental impacts (...) (2.7.2).
- MKM also violate the *Greens Credit Guidelines* of the « China Banking Regulatory Commission » (CBRC), a commission of banks and other Chinese financial institutions that fund the Chinese investments abroad.

In 2012 CBRC published the *Greens Credits Guidelines* which aim to encourage the companies funded by these institutions to design sustainable projects.

Concretely the *Greens Credits Guidelines* require notably the following:

- Support due diligence by determining how big the social and environmental risks of projects on the basis of the sectors of their activities and the features of the regions where these activities are to be implemented. Thus, banks are advised to request the support of independent and qualified third parties for the assessment of social and environmental risks of projects that they want to fund.
- Improve the agreements on loans so that they can get their clients to prioritize the social and environmental risks of their projects.
- Systematically check how the social and environmental risks of their projects are dealt with during the cycle of their lives, suspend or cancel the release of funds in case of potential major risks.
- Etc.

#### f) Conclusion

Deficiencies in terms of human resources management, environment management and the implementation of social responsibility for the local communities are due to not only the weakness of the legislation, but also poor governance of the public administration and the lack of ethic in the company.

The counter performances of CAMI, DPEM and the Labor Inspection Office show paralysis in the institutions of the DRC administration. CAMI issues a mining license in a protected area. DPEM indorses environmental studies that are not implemented, conducts inspection that does not change the way the company deals with the environment. The Labor Inspection Office does not say anything before the flagrant violations of the Labor Code.

The local communities in the village of KONI, KISANFU, do not benefit from MKM settling in their region. No jobs for the inhabitants and, on the other hand, they are powerless before the destruction of their life space through the pollution of Dikanga and the gradual disappearance of the Myunga Forest. The local community has become poorer because of the negative impacts caused by the coming of this company in the region.





*The office of HUACHIN to Lubumbashi (Photo PREMICONGO)*

## SECOND PART: HUACHIN GROUP

### a) Background information

HUACHIN was founded in 2005 in Likasi by a few Chinese and Congolese who had set up a foundry for processing ore purchased from artisanal miners (commonly known as diggers in Katanga). HUACHIN gradually grew up and built a second plant in 2007 in a suburb of Lubumbashi. But the enterprise really increased as of 2008 with the creation of a joint venture with the Chinese multinational CNMC (China Non - ferrous Metal Mining Corporation) which had already been open in the Zambia Coopertbelt. The joint venture was named CNMC HUACHIN Metal Leaching Co LTD. Part of this group was owned by other Hong Kong companies supervised by CNMC.

Founded in 1983, CNMC is a group whose majority shareholder is China. This group already owned two companies in China and other mining companies in Zambia, Mongolia and Thailand before settling in to DRC the contribution by CNMC helped HUACHIN to start the **Mabende** project.

Inaugurated in April 2014, the Mabende project is the most precious of this group in Katanga with a copper mine and a processing plant in the village of Mabende which is 100 km East of Lubumbashi. The company's ambition is to annually produce 20,000 tons of copper cathodes. CNMC HUACHIN has three separate mining sites in Katanga:

- HUACHIN is located in both Lubumbashi and Likasi

- HUACHIN / Mabende is located in Mabende

The group also owns several concessions in Haut-Katanga (Southern part of the province) and Haut- Lomami (Northern part of the province), but the exploration phase runs on.

#### b)Huachin and artisanal mining

HUACHIN started as a ‘foundry’ and had no self-owned mining concession in 2014. The company stocks up with artisanal miners that it had developed specific relationships. Until 2013, the bulk of supply for the company came from Shamitumba artisanal mine in Likasi. Since then, the company has come into conflict with Bazano Group, another company, on which of the two is the exclusive purchaser of minerals from Shamitumba. So far the case is at court awaiting the verdict, but in the meantime the mine has been closed.

Shamitumba is an artisanal mining zone (ZEA) opened by the provincial government that has entrusted its management to CMKK (Maadini Kwa Kilimo Mining Cooperative, which in Swahili means, Minerals to support agriculture). Shamitumba is an artisanal mining zone (ZEA) opened by the provincial government that has entrusted its management to CMKK (Maadini Kwa Kilimo Mining Cooperative, which in Swahili means, Minerals to support agriculture). On a request from the Provincial Government for stripping activities, HUACHIN got, as a balance, the monopoly for the purchase of minerals from this site. CMKK is assigned to reinvest the profits from the sale of minerals in agriculture.

But CMKK, like other mining cooperatives in Katanga, is not really a cooperative, that is to say, a group of artisanal miners, but it is rather a structure set up by influential political figures and businessmen who happened to be the real owners.

Their advantage is the financial means and the influence to get the authorizations required for ZEA (Artisanal Mining Zones), the only places where artisanal mining is regularly dealt with. Although diggers are key-actors of artisanal mining production, they are also its victims, working under slave-like conditions.

In Likasi we interviewed a group of diggers who regularly supply minerals to the HUACHIN plant in this city. Mr Banza Tite, their leader, along with a SAESCAM had an unfavorable opinion on the role of the cooperatives and what happens to the diggers in artisanal mining production.

The diggers risk their necks in frequent landslides in artisanal mines. The statistics in terms of deaths are no longer published by SAESCAM, and no one talks about the numerous case of handicaps caused by the accidents anymore. Apart from daily unsafety, there are diseases due to insalubrity in the work conditions. So the diggers have no access to social security and there is no way out for the ill and the disabled. The diggers are not satisfied with their wages. The purchase price of ore are given by CMMK. The diggers have to sell their products. They have no other choice. In case of resistance, the owners of the cooperatives retaliate. When necessary, they call for the military to brutalize recalcitrant diggers. The transaction is made in the same arbitrary manner. ‘Metorex’ is the name of the instrument used to measure the grade of ore. The measurements are falsified so that they can indicate lower grade. As for the quantity, it is measured by scales that don’t work



properly, so that put the weighs of the products lower. The actual transaction is made between HUACHIN and the bosses of the cooperative.

The company is always an accomplice to the cooperatives that it purchases minerals from. HUACHIN stocks up with diggers that use child labor, which means that HUACHIN does not care about ethical considerations. Children are so short that they can easily enter ‘narrow galleries’, Mr Banza and the SAESCAM official say. Children also carry weighs, cut and wash stones. Whenever there are visitors to the mining site, the children are hidden away. Another alternative by HUACHIN is to stock up with ‘illegal diggers’ that got rid of the ‘cooperatives’ and, since then, have been working clandestinely come hell or high water. They often enter the concessions belonging to industrial companies for minerals. Such initiatives are so dangerous that sometimes the diggers are shot at. However, their advantage is that they have direct deals with the company and earn much more than those working in the Artisanal Mining Zones (ZEA). Like other mining companies stocking up with the artisanal miners, HUACHIN does not care where the products that it buys come from. So far, HUACHIN cannot stock up with Shमितumba, but with so many sources of stock in



*In Likasi, among other HUACHIN stocks upat slag heaps formerly stored outdoors*

*by Gécamines in Panda, a residential area (Photo PREMICONGO)*



### c) Human Resource Management

In terms of wages, the HUACHIN employees that we met in Mabende seem to be satisfied, but in Lubumbashi and Likasi they claim for more equality on wages in Lubumbashi and Likasi. Skilled workers earn an average wage of 135,000 DRC Francs (more or less 150 USD). There are no complaint means, no trade union. Any form of protest causes dismissal. The workers we met in Likasi and who requested anonymity think that the managing staff embodies real terror. Every week at least an employee is fired or decides to resign unsatisfied with the working conditions.

In order for the frequent departures and arrivals not to be harmful to the company, the officials have come up with an arrangement with the National Institute of Social Security (INSS): The name of a leaving employee is replaced by a newcomer's to which the social security number is given. The replaced employees will never benefit from their contributions. The INSS employees of the INSS that are accomplices and the company seem to take advantage on their own. In Likasi, all are aware of this situation, but no one dares talk about it.

In Mabende, the workers overemphasize the security issue at work. They deplore the repeated accidents in the plant and the mine. They are astonished that nobody talks about it, not even the press. A riot broke out in April 2015, while we were in the research on the company. The workers were demanding more security in the workplace; adequate equipment's for the particular exposure. In response, the company dismissed 35 workers accused of being the instigators, which ended the riot. But so far there are still accidents from the information that we continue to collect.

### d) Environmental Management

The impact that the riverside communities criticize the most is air pollution:

- Smoke from the stacks,
- Trucks and engines in the three sites.

In Likasi HUACHIN stocks up inter alia with at heaps that left in the open air by Gécamines years back within a residential area (Panda). The inhabitants complain about several kinds of nuisance: dust blowing into the houses, noise of engines all day long, ground vibrations. HUACHIN undertakes nothing to mitigate these impacts. The collected products are stocked beside the plant, which is in a residential area. The inhabitants face the smoke, the dust from engines and that of the products stocked in the open air. According to the inhabitants in Lubumbashi and Likasi, the processing plants often belch dense smokes that covering these residential areas, which we could notice. The inhabitants are worried about the effects on their breathing and the risks of pulmonary diseases in the long run.

In Lubumbashi the company cleans the minerals inside its facilities and pours waste water in the neighborhood. For the inhabitants around, life has become really difficult.

In Mabende the copper and cobalt plant has been open for six months. A tailings pond has been constructed. There have not been any complaints on the management of waste water effluents. The negative impacts are mainly nuisance by dust and noise, as well as



deforestation. Dust and noise are caused by trucks and other engines running on the clay road along which the villages are. The implementation of the project in Mabende, which happens to be a forest zone, was possible only with large-scale deforestation. Consequently, there has been scarcity of livelihoods, notably ligneous forest products, medicine plants and small game.

To date, the company has developed no activities for the rehabilitation or the compensation of the livelihoods of the local communities. These inhabitants, like those in Lubumbashi and Likasi, were not consulted as the EIS were elaborated. The Environmental Studies have never been taken to these local communities.



*The “health center” of the workers of HUACHIN to Mabende (Photo PREMICONGO)*

#### e) Corporate Social Responsibility

It was in the Likasi area that HUACHIN took the initiative to carry out some works in favor of the local communities. Two primary schools were built in Shamitumba and two others in the village of Kaboto. The workers let us know the company also plans to build healthcare centers and drinking water wells around the mining sites. However, these plans have been designed without the participation of the communities concerned. We also wonder how sustainable these social investments are since they do not seem to have been sufficiently planned. The teachers are supported by the parents who do not have regularly their own income. Consequently, there is no schooling for the majority of the village children, and those among them who go to school can receive poor education. But in Lubumbashi and Mabende, HUACHIN has taken no initiatives for the riverside communities. )

### GENERAL CONCLUSION

From the analysis of the various points shown above, it appears that by developing their activities, MKM and HUACHIN have intensified poverty for the communities that had a hard time seeing them in. Jobs do not offer the workers comfortable conditions for their blossoming, which brings us to the confirmation of our original thesis: the Chinese investments in the mining sector in Katanga are responsible for the impoverishment of the riverside communities. This is due to poor governance of the mining sector in DRC. It is characterized, inter alia, by the negligence of the Government services and both companies' willingness to benefit from the weakening of the Congolese State.

The negligence of the Government services is illustrated in the case of these two companies by the paralysis of several government services: CAMI (the Public Register of Mining Lands) and DPEM (the Environmental Protection Provincial Office), Labor Inspection Office, and INSS (National Social Security Office). Instead of playing their legal role, they often work in complicity with these two companies and prevent CSOs from doing their job, even in violation of the law.

As for the officials of these two companies, they seem to figure out they do not work in a law-centered system, so they can't help taking advantage.

In order to improve both the employees' working conditions and the local communities' living conditions, the actors need to change their behavior. So, the service under State control have to get the laws and regulations abided by, which implies an undefeatable political will and the motivation of the public servants responsible for the concerned sectors.

MKM and HUACHIN have the obligation of complying with the DRC laws, as well as the international conventions and treaties ratified by China, notably:

- The Convention on biological diversity,

- The International Pact on economic, social and cultural rights,
- The International Convention on the Elimination of all forms of racial discrimination,
- The ILO Convention on Equal Remuneration,
- The Convention on discrimination in employment,**
- Etc.

Taking advantage of the government's poor governing so as to decrease the expenses related to the implementation of their social responsibility will not run long because sooner or later the local communities are likely to riot. This uprising has been observed in some places in the province. Only an interactive approach including sensitization and the training of these communities can promote good conditions of peaceful and profitable coexistence between these communities and the mining companies, in particular those from China.



## APPENDICES

V. 25/05/2015

**MKM 矿业股份有限公司文件**  
(简易股份公司)

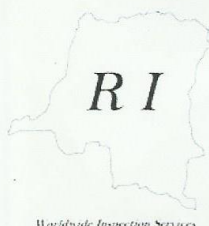
**LA MINIERE DE KALUMBWE MYUNGA SAS**  
KALUMBWE MYUNGA DANS LE DISTRICT URBANO-RURAL DE KOLWEZI  
RÉPUBLIQUE DÉMOCRATIQUE DU CONGO  
CD/L'SH/RCCM/14-B-1630(NRC:8534) No Impôt: A0704883R,  
CAPITAL SOCIAL: DOLLARS AMERICAINS UN MILLION

Liste de don pour EP2 MWANGAZA 29/05/2015

Numéro	Nom	quantité	Note
1	Cahier épais	420 pièces	
2	Cahier normal	696 pièces	
3	Globe terrestre	1 pièces	
4	Trousse	20 pièces	
5	Couteau & crayon	576 pièces	
6	Craie	1 carton	
7	Crayon	1464 pièces	
8	Bic	524 pièces	
9	gomme	480 pièces	
10	Football	5 pièces	
11	Map	2 pièces	
12	Tableaux	2 pièces	
13	CEMENTIS	10 SACS	
14	COUVERTURE	8	
15			

Date : 28 MAI 2015  
Signature :   
Scellum : 

MKM Société par action simplifiée  
Siège social : Kalumbwe Myunga, District Urbain-Rural de Kolwezi, province du Katanga,  
République Démocratique du Congo



## Robinson International Afrique S.a.r.l.

République Démocratique du Congo  
No.Id. Nat. 6-83-N44213B —RCCM CD/TRICOM/L'SHI/RCCM/13B-0670  
LUBUMBASHI – RDC

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### CERTIFICAT D'ANALYSES D'ORIENTATION (CERTIFICATE OF ANALYSIS - ORIENTATION)

Results have been obtained under the conditions and requirements stipulated by International Standard ISO/IEC 17025:2005  
Résultats ont été obtenus dans les conditions et les exigences posées par la norme internationale ISO/IEC 17025: 2005

Client	PREMI CONGO
Référence RIA (RIA Reference)	15-9470
Date de report des résultats (Date Result Reported)	11.05.15
Type de Produit (Type of material)	WATER
Identité de l'échantillon du Client (Customer sample identification)	MKM
Analyses demandées (Analysis requested)	Standard Water

Ce certificat ne peut être utilisé pour exporter. Les analyses sont à titre indicatif avant achat

This certificate may not be used for export purposes. The reported results are only a pre-purchase indication

	mg/l Cu**	mg/l Co**	mg/l Fe**	mg/l Al**	mg/l Cr**	mg/l Mn**	mg/l Ni**	mg/l Pb**
Result	<0.01	0.03	<0.01	<0.01	<0.01	<0.01	<0.01	0.04
	mg/l Zn**	mg/l As**	mg/l Cd**	mg/l Ca**	mg/l Mg**	mg/l S**	mg/l Na**	mg/l K**
Result	<0.01	<0.01	<0.01	48.92	34.83	0.05	17.39	4.44
	mg/l U**	mg/l V**	mg/l Hg**	mg/l Se**	mg/l P**	mg/l B**	mg/l Be**	mg/l Mo**
Result	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01
	mg/l Sb**	mg/l Ba**	pH**	mg/l TDS**	µS/cmK <sub>25</sub> **			
Result	<0.01	3.57	7.8	6733	10520			

L'échantillon a été fourni par le Client - The sample was provided by the Client unless otherwise stated

Analyses faites sur l'échantillon sec - Analysis performed on dried sample

\* NA – Not tested for this sample. (Non analysé dans cet échantillon.)

\* ND – Non detected in this sample (Non trouvé dans cet échantillon)

\* Tests marked with \*\* are not included in the SANAS accreditation schedule for this laboratory