Foreign direct investment, mining, and development in the DRC

21 February 2014 | Ben Radley

Ben Radley is a British researcher with five years experience in the Great Lakes Region of Africa, working primarily on issues related to natural resources, governance and artisanal mining. Ben has conducted research in the region for a variety of organisations, including NGOs, research institutes, consultancy firms and universities.

Since the end of the Second Congo War in 2003, the Congolese government has sought to reverse the historic decline of industrial mining through the promotion of foreign direct investment (FDI) in the country's mining sector, assisted by financial and technical support from the IMF and the World Bank . Foreign investors have responded to the call. The DRC's FDI stocks rose steeply as a percentage of GDP from 9.6% in 1995 to 30.2% in 2010 . In 2012, the DRC was among one of only five African countries to receive more than $3 billion in FDI inflows . In Katanga, industrial production of copper and cobalt has reached unprecedented levels .

Mining Copper and Cobalt has contributed hugely to DRC development

The mainstream response to this shift has been to focus on asserting a number of subjective transparency and ‘good governance’ norms (such as those set out in the Extractive Industries Transparency Initiative, the Millennium Development Goals, and other such ‘good governance’ agendas in the realm of international policy). With differing interpretations as to what these terms mean and their relative importance, there is a general acceptance of FDI’s role within them.

But what do we know about the impact of FDI on national processes of accumulation and development in the 21st century? Surprisingly little. A review of the recent research looking at this question reveals a scarcity of evidence demonstrating FDI’s positive impact on development. Of the evidence that does exist, very little has considered the impact of FDI in sub-Saharan Africa , let alone the DRC, and most limits itself to a narrow consideration of FDI’s impact on economic growth through the use of regression analyses.

DR Congo: Macroeconomic Indicators						
	(In % GDP, unless otherwise indicated)					
	2011	2012	2013	2014	2015	Av. 2011-15
Real GDP growth (%)	6.5	6	8	6.1	5.9	6.5
Total Revenues	20.6	20.3	21.1	22	22.6	21.3
Total expenses	36.4	34.9	33.2	31.5	30	33.2
Overall deficit	7.1	6	5	3.7	2.1	3.3
Current account balance	-2.8	-0.7	0.6	1.2	-1.3	-0.6
Public investment	13.1	12.2	10.7	8.9	7	10.4
Private investment	16.5	22.7	23.8	24.6	25.3	22.6
Source: International Monetary Fund						

DRC Macroeconomics Indicators

Clearly, the Congolese mining industry holds unparalleled potential as a driver of national development; the country’s real GDP growth rates have averaged more than 5% since 2003, driven almost entirely by its enormous mineral wealth.

However, there is a need for research that goes beyond a consideration of transparency and ‘good governance’ norms, to an assessment of the structural effects of FDI in the Congolese mining sector on national processes of ownership, accumulation, and socio-political development.   Earlier research on FDI and development led by 1960s development economists – in particular those working for the United Nations Economic Commission for Latin America and the Caribbean – suggests transparency or ‘good governance’ per se may not be significant determinants of an underdeveloped country’s ability to benefit from FDI. This is because, they argued, structural factors that undermine national forms of accumulation and development have the potential to wipe out industrial catch-up strategies irrespective of transparency or governance norms. Rviewing and updating this body of work and applying its analytical lens to the DRC would likely lead to a more nuanced understanding of the relationship between FDI and development, that goes beyond a narrow consideration of FDI's impact on growth rates. Development by whom, for whom, and to what end would be central questions at the heart of such an analysis.

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