

Investor Risk Assessment: Cobalt Mine in the Democratic Republic of Congo

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Executive Summary

The Democratic Republic of the Congo (DRC) is a recommended place to invest in cobalt, accounting for around 35% of the world's cobalt production and holding a huge potential of cobalt in the mining sector. In spite of that investing in DRC is not easy. The DRC's had issues with governance, weak laws, corruption and terrible infrastructure for years, which increase the costs. The Congolese Franc doesn't have a steady value either, so businesses don't know what they're getting themselves into. Some parts of the country, in the east, are controlled by rebel groups like M23, making security a real concern. DRC has signed several trade agreements, such as the AfCFTA, East African Community, and US-DRC Bilateral Investment Treaty, give investors some protection and the option of international arbitration, which is great for companies, but won't solve all the problems. The key to success in the DRC lies in winning social license in other words convince the local people, as Arezki (2025) said, "when mining fails to deliver value to local communities, companies lose their social license to operate". In order to avoid that, companies need to engage, build trust and avoid any conflict. The safest area for investment in the DRC are in the southern Copperbelt area, and if done with community engagement, responsible sourcing and critical risk management.

Table 1.*Risk summary table.*

Risk Category	Risk Level	Key Issues
Political, Corruption & Governance	High	Poor rule of law, pervasive corruption, low levels of economic freedom, political instability, and weak corruption law enforcement
Security	Very High	Rebel groups, like M23; illegal taxes; risk of project shut-down; and supply chain issues
Economic & Currency	Medium	High inflation, depreciation of the franc, and difficulty sending profits out of the country
Regulatory & Legal	Medium	Laws are good, but are not well enforced; slow courts; high taxes
Social & Community	High	Companies need the approval of local communities; risk of losing the “social license to operate”
Infrastructure & Logistics	Medium	Poor infrastructure: bad roads and limited rail, but new corridors (Lobito and Matadi–Kinshasa) are helping
Market Opportunity	Very High	Very rich resources: 35% of global cobalt and strong copper reserves; high global demand
Investment Attractiveness	Conditional	Good opportunities but also high risks; needs strong planning and good work with communities

Finally, it is recommended to invest, but with conditions. It is good to invest in cobalt projects in the southern Copperbelt, because this area has better stability and better infrastructure. But the projects must:

- Give priority to community development and work with local partners.
- Follow strong environmental, social, and governance rules and responsible sourcing.
- Avoid areas controlled by rebels.
- Make financial plans to reduce currency and inflation risks.
- Use legal protections and trade agreements for safety.

With careful planning and good relations with communities, the DRC can give high returns, because it is one of the most important mineral regions in the world.

Country Profile

Economic and Geographic Overview

The DRC is a large country in Central Africa and is highly endowed with minerals. Massive mineral reserves exist in the DRC, including copper, cobalt, gold, diamonds, manganese, and tantalum. Most of the cobalt are found in the southern Copperbelt, and the country has 35% of the world's cobalt, therefore it has become crucial for batteries. Copper, Gold and diamonds exist in big quantities. Oil and gas resources exist although underdeveloped due to poor infrastructure. Consequently, the country is rich in natural resources; however, some factors have limited the sector, which includes political instability, rebel groups, corruption, and ultimately the scarcity of infrastructure that makes the exploitation of minerals challenging, impeding the realization of full country potential (Cannon, 2024).

Figure 1.

Picture of Africa and the DRC map.



Note. Adapted from the DRC, African Minerals Development Center, n.d.

Mining Potential and Cobalt Availability

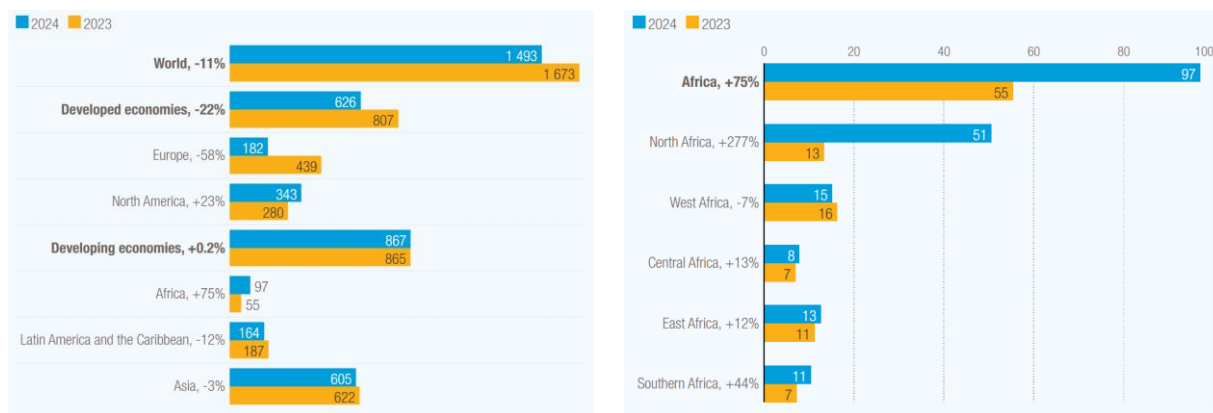
Because the DRC is so close to the Central African Copperbelt, it has become a significant African producer of cobalt. Many mines containing cobalt ore are mixed with copper. Today, 35% of global cobalt production comes from the DRC, which therefore supplies this mineral significantly. This metal is used in the making of strong metal alloys and also in the production of Cobalt-60, a radioactive isotope that generates gamma rays for use in medical and industrial applications. Therefore, international demand for cobalt is intense. The state company Gécamines was not able to invest much in the production of cobalt after 2000. It is true that at the same time, large parts of the mining areas were not well utilized. Still, foreign partners were allowed to collaborate in joint projects with the state company. A good example is the Kolwezi project of 2004 when Adastra Minerals of London took rights over the processing of large volumes of tailings. Their goal was to extract over 6,000 tons every year from over 100 million tons of old mining waste (Cannon, 2024).

Foreign Direct Investment Trends

Still, the available resources have kept foreign direct investment in the mining sector in the DRC. The DRC has FDI Inflows of around \$1.8 billion (Heritage Foundation, 2025). Thus, in 2024, foreign direct investment increased in Africa, the increase in Africa was 75%, and the increase in Central Africa was 13%, whereas globally the FDI declined by 11%, and in developed countries, it declined by 22% (UNCTAD, 2025).

Figure 2.

Foreign direct investment (FDI) inflows by economic grouping and region vs Africa by region, billions of dollars and percentage.



Note. Adapted from UN Trade and Development, 2025.

On the global level, during that time, the United States took first place in both major sending and receiving countries of FDIs. The US received USD 279 billion in inflows while sending out USD 266 billion. Other major FDI recipients included Singapore, Hong Kong, China, and Brazil, while other key FDI dispatchers were Japan, China, Luxembourg, and Canada. Five Asian economies rank among the top 10 global investors, underscoring the rising role of Asia in international investment (UNCTAD, 2025).

Figure 3.

Foreign direct investment (FDI) inflows vs outflows, top 10 destination economies, billions of dollars, 2024



Note. Adapted from UN Trade and Development, 2025.

Political and Governance Risk

Political Stability and Government Effectiveness

According to the Index of Economic Freedom (2025), the Democratic Republic of the Congo has a low economic freedom score of 47.3, ranking 161 out of 184 countries. Its economy is considered repressed. Poor rule of law, corruption, and political instability continue to militate against the development and raise investor concerns. Many people and businesses flee into the informal sector due to the absence of property rights and also the justice system. The continuous political crises and poor economic management have slowed down the growth and actually discouraged foreign investors. Despite the fact that Africa was considered the largest copper producer and the world's leading cobalt producer, the DRC still faced high inflation, limited business freedom, and obvious government control over investment and finance (Heritage Foundation, 2025).

Figure 4.

12 Economic freedom indicators



Note. Adapted from Heritage Foundation, 2025.

Rule of Law

The rule of law is very weak in the Democratic Republic of the Congo. The country's score on property rights is lower than the world average; that on the effectiveness of the judiciary is below the world average. The government's integrity score is also lower than the world average (Heritage Foundation, 2025).

Figure 5.

Rule of law.

COMPONENT	SCORE
Property Rights ⓘ	15.6
Judicial Effectiveness ⓘ	12
Government Integrity ⓘ	11.7

Note. Adapted from Heritage Foundation, 2025.

Risk of Conflict and Rebel Control

The risk is very serious in the eastern provinces. For example, a rebel group called M23 controls some mineral-rich areas and created a kind of parallel governance whereby they do their own taxation, give visas, and control borders. This weakened the state's authority and increased problems like reduced mining and supply chain disruption. Recently, M23 has been collecting revenue from mining operations, imposing taxes on mines and exports under de facto control. If the project location is close to a rebel area, chances are very high to completely close the project or even impose more taxes (Rolley & Njini, 2025).

Corruption and Transparency

Although existing laws to combat corruption in the DRC are in place, their enforcement remains weak. High-ranking officials face prosecution from time to time, but with significantly reduced sentences; recovery of embezzled funds is also never made. In fact, the country ranks 166th out of 180 regarding perception of corruption on the Corruption Perceptions Index 2021, indicating very high corruption. The main anti-corruption agency has limited resources, and NGOs face pressure when they expose wrongdoing. U.S. firms have reported that corruption, unfair taxation, and security agency harassment remain key deterrents to investment (U.S. Department of State, 2023).

Currency and Economic Risk**Currency Volatility and Inflation**

Due to export sales, the used currency in trade is the USD; however, some costs like wages, local services, and logistics, for example, will be in Congolese francs, the domestic currency. According to information from the U.S. Department of Commerce (2024), regarding

economic instability and the risk related to inflation, the inflation rate for 2023 is 19.9% CPI (Heritage Foundation, 2025).

Exchange Rate Regime and Convertibility

The DRC has strict currency regulations. Sending profits out of the country takes a long time due to such rules that make the process complex. More uncertainty comes with new controls and quotas, among other export regulations. The companies are not sure when they will shift their money home (U.S. Department of Commerce, 2024).

Macro-economic and Financial Infrastructure Constraints

The DRC economy expanded by 6.5% in 2024. The major driver behind such growth comes from mining, particularly copper and cobalt, at 12.8%, while other sectors expanded by 3.2%. The current account deficit narrowed to reach 3.4% of GDP. Reserves increased by 2.5 months of imports. The franc lost 8.7% of its value. Inflation declined to 11.3%. Growth may slow down to 5.1% in 2025. The suspension of the exports of cobalt may slash growth by 3.7 percentage points. There are possibilities of higher growth in construction and other non-mining sectors. Poverty is still extremely high, with an estimated 72.9% (World Bank, 2025).

Regulatory and Legal Environment

Mining Laws, Licensing and Export Regulation

Mining legislation, licenses, and export regulations in DRC conform to the Investment Code of 2002. The law states that all property, private or collective, is sacred. The state protects local and foreign investments. Mining companies also will be protected when they apply for exploration or mining licenses. No one can lose property except for public use, but they will receive a fair compensation. The law extends benefits like customs, tax, and other exemptions. These help projects that import heavy equipment or export minerals. For exports, the government

uses the GUICE system. It is an electronic platform for customs and logistics. The system is neutral, transparent, and secure. It helps investors follow rules and makes export process easier (U.S. Department of State, 2023).

Environmental and Labor Regulation

The government of the DRC does not request environmental, social, and governance disclosure from companies. It also does not demand any reporting of these aspects. The investor has difficulties knowing what companies are responsible. Nevertheless, some companies comply with international standards for environmental, social, and governance practices. This they do to attract new financing. They also do it to contribute positively to the local communities and protection of the environment in which they operate (U.S. Department of State, 2023).

Taxation, Royalty Structures

The DRC has numerous agreements to support foreign investment and trade. With the U.S., the country signed a treaty in 1989 which protects investors with international courts; in 2021, it regained AGOA status for duty-free exports to the U.S. It also signed agreements with France (1972), Switzerland (1998), Germany (1961), and Belgium-Luxembourg (1984). Further agreements were signed with China, the UAE, and South Korea, but not all are active. The DRC became a member in the African Continental Free Trade Agreement (AfCFTA) in 2022 and became member of the East African Community to promote trade across the region. In 2022, the DRC reached agreement, on a deal signed along with the U.S. and Zambia, to develop an electric vehicle battery supply chain from mines to factories. The agreement is under international standards. No tax treaty exists with the U.S.-meaning that companies do face tax challenges-and it is not part of the OECD system to combat profit shifting.

Legal Protections for Foreign Investors

There are laws set by the DRC to protect a foreign investor. The Investment Code of 2002 allows for security and guarantees for investments. In addition, it provides for customs, tax, and other exemptions. The Constitution protects property. According to the Constitution, one cannot be deprived of property except for public use and only with fair compensation. The country allows for international judging. It applies ICSID, the New York Convention, and OHADA rules. Judging decisions are final and binding in all OHADA member states. Investors in this country continue to face risks, including high taxes and slow court processes (U.S. Department of State, 2023).

Trade and Investment Agreements

Trade Agreements and Treaties

The DRC signed a number of agreements toward encouraging trade and investment. The United States and the DRC signed the Bilateral Investment Treaty in 1984, which grants rights and privileges to investors on both countries. It also provides a system for under international arbitration when disputes occur. The DRC has other BITs with France, Switzerland, Germany, and Belgium-Luxembourg. On the other hand, a few agreements dealing with China, South Africa, and UAE are not yet operational. The DRC joined many regional trade agreements. The DRC joined the AfCFTA in February 2022. AfCFTA makes import and export easier among member states. Tariffs are reduced or at zero percent. Besides this, the country joined EAC in July of 2022. The DRC agreed to cooperate in customs, market, money, and politics.

Additionally, the DRC signed a number of industrial agreements. In December 2022, the United States, Zambia, and DRC signed an MOU on electric vehicle batteries. They will build a supply

chain from mine to factory in accordance with international standards (U.S. Department of State, 2023).

Investment Protections and Dispute Resolution

The DRC has some protection for foreign investors. The constitution of the country claims that all property, private or collective, is sacred. The government promises to protect private, national, and foreign investments. Property shall be taken only for public use, with fair and prior payment. In the event of a dispute, investors can have international arbitration. The DRC is a signatory to both the ICSID Convention and the New York Convention. It is also a member of OHADA, which allows binding arbitration between investors and companies. Awards under OHADA are enforceable in other member countries. Despite all this, investors may still experience problems. Investors could be fined, delayed, or treated unfairly in local courts. Many companies prefer arbitration in international courts since domestic courts usually do not rule in their favor (U.S. Department of State, 2023).

Export Infrastructure and Logistics

The DRC is in the center of Africa, having nine borders and a size larger than Western Europe. That would make DRC possible to become a large logistics hub in Africa. Its location helps trade within West, East, and Southern Africa. The African Continental Free Trade Area AfCFTA makes its position more important. For reaching this potential, DRC needs to have good infrastructure, which comprises roads, rail, ports, and improved customs regimes. The Lobito Corridor links DRC and Zambia to Angola's Atlantic coast, providing access to world markets at much lower prices. Other projects, like the Matadi-Kinshasa corridor and special economic zones near borders, can further develop trade in farming, textiles, and energy. This

may connect DRC with African trade chains, reduce costs, and enhance trade among countries (Arezki, 2025).

Social and Community Considerations

Community Relations, Land Use Issues and Cultural Sensitivities

The DRC displays human rights and community problems in mining. Apple claimed that it is hard to know where its suppliers get materials (Arezki, 2025). Firms need to adhere to international norms concerning human rights and transparency; this may help the local people and create stability. The 2018 mining code has outlined a clear framework for managing risk and forming good partnerships (Arezki, 2025). It raises royalties, makes firms responsible for community assistance, and solidifies environmental laws. Pilot projects implemented, such as at Mutoshi and the Panzi Foundation's Green Mining Community Model, have demonstrated the ability of responsible mining to reduce conflict and benefit communities. Such regional projects as the Lobito Corridor could improve the state of roads and transportation, reduce costs, and link the DRC with African markets (Arezki, 2025).

Corporate Social Responsibility Expectations

In the DRC, businesses have to contribute to local development and environmental protection. Under the Law and Mining Code, businesses have to make "community development contributions legally binding" as noted by Arezki (2025). Businesses are supposed to respect international guidelines relating to human rights and the environment. Corporate social responsibility might include the construction of schools, hospitals, and roads and providing local employment, and safe mining. Businesses that are found to be in violation of the rules of CSR risk losing their social license and experience problems with government and community. Pilot

projects such as the Panzi Foundation Green Mining Community Model demonstrate how responsible business can ensure stability as well as shared benefits (Arezki, 2025).

Potential for Social License to Operate

The probability of a social license to operate in the DRC lies strongly in the relationship between companies and local communities. According to Arezki, "experience shows that when mining fails to deliver value to local communities, companies lose their social license to operate, along with the legitimacy of the regimes they once depended on." This therefore means that companies require community approval and community trust for operational success. A social license comprises responsible sourcing, community engagement, and investment in local infrastructure, health, and education. Meeting community needs and supporting inclusive development, companies can de-escalate conflict, enhance their brand reputation, and lock down long-term operational stability (Arezki, 2025).

Strategic Recommendation

Strategic Recommendation

Cobalt mining investment in the DRC has strong potential. The Democratic Republic of Congo produces about 35% of the world's cobalt and a considerable quantity of copper—all vital minerals for new batteries and technology (Cannon, 2024). Foreign investments are increasing. Laws, trade agreements, and regional relationships like AfCFTA and EAC favor investors. This paper recommends investing in the mining of cobalt and copper in the southern part of the Copperbelt. This region is more stable. Emphasize projects with local communities and responsible mining. As quoted, "Experience shows that when mining fails to deliver value to local communities, companies lose their social license to operate—along with the legitimacy of the regimes they once depended on" (Arezki, 2025).

Reasons

- There is a high demand for cobalt and copper globally.
- Laws protect foreign investors and allow international arbitration.
- Infrastructure projects, such as the rehabilitation of the Lobito Corridor and the improvement of routes between Matadi and Kinshasa, facilitate exports.
- Trade agreements have made it easier to sell products to both Africa and other countries.

Minimizing Risk

- Avoid the rebel-controlled areas, such as M23, in order not to face shutdowns or illegal taxes.
- Use financial planning to guard against currency and inflation problems.
- Community and social responsibility norms: following the rules and investing in local projects to build trust.
- Follow international environmental, social, and governance standards in order to get financing and protect your reputation.

Other Options

- Partner with local or foreign firms to share risks and knowledge.
- Focus on safer areas with improved infrastructure and governance.
- Invest in processing or battery production to get more value from minerals.

Conclusion

Mining in the DRC has the potential for very high returns. Success requires careful planning, however. Companies are required to work within local communities, adhere to laws and regulations, and implement effective risk management strategies.

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