



SUMMARY

Significant quantities of minerals are stored in Maniema as a result of the mining suspension and the current lack of buyers for material that is not traceable, and not extracted with an on-the-ground assessment. The remote nature of the Province, and the limited transport infrastructure meant it was very difficult, if not impossible, for operators to move, upgrade and export the minerals between lifting of the suspension and the 1st April 2011 export deadline of the Conflict Free Smelter audit program (CFS). Some mining has continued despite lack of buyers since no alternative livelihood options appeared viable.

The majority of stock is cassiterite, reported to be 1,000 to 1,500 t's, most likely produced in the non-conflict areas of central Maniema. The presence of such a large quantity of material would present an unmanageable driver for fraudulent introduction into the iTSCI system if tagging was to begin, and the stock is therefore a barrier for project start-up which must be removed.

It is proposed that this stock is collected and tagged as 'stock', to a maximum tonnage limit, within a certain timescale of iTSCI project initiation in Maniema. This material would then be sold through the iTSCI member supply chain, and smelted under the CFS programme, provided there is an appropriate waiver in requirements.

This will provide two significant benefits;

- i) allowing the iTSCI project to then begin for newly mined material in Maniema, and
- ii) provision by industry of a significant fund from the revenues of final metal sale for community and environmental projects in the Province. The exact level of revenue likely to be available is not certain but would be most likely in the range **US\$0.5 to 1 million**.

This paper is provided in order to promote discussion and agreement on this matter by relevant stakeholders.

THE ISSUE OF MANIEMA MINERAL STOCKS

1. Why a significant quantity of mineral stocks remain in Maniema

Although a relatively peaceful Province of the DRC, Maniema was included, together with North and South Kivu, in the mining suspension imposed by the DRC Government from September 2010 to March 2011. As a result, minerals were frozen at various points in the supply chain between mine and exporter for that period. Lifting of the suspension in mid-march unfortunately provided only ~2 weeks to evacuate material before the 1st April deadline of the CFS programme requirements for only accepting shipments with full traceability and on the ground assessment; something with which no material from Maniema can comply.

This short period of time at the end of March was extremely busy for the 3T minerals trade in the great lakes region, and in particular for comptoirs in Goma and Bukavu, as well as processors in Kigali who all needed to upgrade and evacuate mineral at the same time. Competition for required services, such as transport was severe and not all mineral could be moved in time to meet the dateline. This problem was exacerbated for the mineral stocks of Maniema due to the additional transport time required for the normal export route from the remote Province; flights to Goma or Bukavu followed by normal export procedures.

2. Stocks as a barrier to start-up of iTSCI in Maniema

Miners, negociants and comptoirs holding the remaining stock are unable to sell due to the CFS requirements, and cannot free up cash held in that mineral. If the situation is left unresolved it becomes increasingly likely that the mineral will be unofficially exported, with the loss of normal tax revenue. The presence of such significant quantities of stock is a barrier to the start-up of the iTSCI project in Maniema as the drivers for mineral owners to dispose of their material in innovative ways through the tagging system will be enormous, and in fact unmanageable, for the local iTSCI project staff. We consider that it is not possible to start iTSCI in Maniema without concurrent resolution of the stockpile issue.

This problem cannot be resolved without a special waiver under the CFS programme for acceptance of this already mined material. Under the current circumstances, there are no outlets for the stock minerals; Malaysia Smelting Corporation (MSC) is the only tin smelter willing to participate in finding a solution to this roadblock, but actions are limited by the restrictions of the CFS. No non-CFS smelter options are available.

Since the mineral has already been extracted, and cannot be destroyed, any benefit to armed groups, if any, will have already occurred. The majority of mineral from Maniema is not considered to be related to conflict as is described in more detail in Annex 1(2). If the evacuation of stock can be agreed, industry is willing to provide separate funding for start-up of iTSCi in a proportion of sites in Maniema.

A PROPOSED WAY FORWARD

3. Proposal for evacuation of mineral stock

Government agencies counted and estimated the levels of existing mineral at different times during the period of the suspension and that information provides us with an approximation of the quantities remaining, although some may have left the Province, and equally, some additional amounts will have been mined. A maximum acceptable tonnage of such stock will be set for each mineral type as discussed in Annex 2, and following receipt of additional information from a planned short visit to the Province.

We propose to collect and tag all stocks within a period of time to be recommended by Pact who will make a preliminary assessment of the stock situation at the start of Maniema activities. Stock tagging will be done at main collection points in Kindu and/or Kalima. Material will then be exported to smelters prepared to treat the mineral and who are sufficiently influential to be able to make suitable trade arrangements for the provision of a community fund. A proportion of the metal value would be allocated to a new Maniema fund for social, environmental or similar local community projects.

4. Proposal for creation of a Maniema community fund

Since metal value fluctuates, exact stock tonnages are not certain, and other factors may come into play such as uncertain ownership of minerals locally, an exact cash figure likely to be generated for the fund cannot be provided. However, current discussions with potential stakeholders indicate a workable figure of about 15% of the normal ground purchase price could be taken from revenues for use in the community fund.

Stock tagging costs will also be taken from the revenue of sales but these are expected to be relatively low as all tagging will be performed in one or two of the most accessible locations. An estimated **US\$0.5 to US\$1 million** could therefore be made available to community projects.

Full details of the operation of the fund can be established during the 3-4 month period after agreement of this proposal since it will take time to obtain financial return from the minerals. In the normal way, returns do not become available immediately, but once the mineral has reached the smelter, has been processed and sold. The smelter will manage sale of the material to maximise return also in the normal manner. The iTSCi stakeholder Advisory Panel (currently being established) would have input into the set-up of the operational arrangements of the fund.

The fund will be ring fenced and not be used for future iTSCi activities but entirely for community projects selected locally in the Maniema Province. The iTSCi implementation partners Pact have experience of grant pool management, capacity assessment tools and such like in Africa which can be adapted to the local Maniema context and would be the likely fund managers, although acting entirely separately from normal project activities.

Grants would be approved via a competitive mechanism of application by local organisations and chosen for approval by a Review Committee with representatives from Pact, government, civil society, an industry representative and other relevant groups. Any proposal benefiting the community, or the environment, such as wildlife conservation could be accepted.

5. Other benefits from stock evacuation

Aside from allowing the iTSCi project to move forward in Maniema, and the creation of a significant fund available to the Maniema community, other benefits will result. All normal local and national taxes for mineral

trade will be paid to the Government authorities and cash flow for trade in the Province will be restored. This will assist in increased business for other service and goods providers and a general return to a more stable local financial and social situation.

6. Supporting and participating organisations

The trade arrangements for the stock, which would comprise mainly of cassiterite, would be managed by MSC together with its partners as long as the CFS programme allows for inclusion of such material into their smelting operation.

For wolframite and 'coltan', MSC would work with other participating companies in the iTSCi project to dispose of the material with similar funding contribution for community projects although amounts will not be significant in comparison to the cassiterite exports.

The DRC Government together with the Governor, and Minister of Mines of Maniema Province are aware of, and support this proposal for stockpile disposal as a way to progress towards tagging of new production.

RELATED ISSUES

Some stock also remains in the Kivu's, and indeed in Rwanda, and a solution is also required for those areas where quantities of stock are unlikely be sufficient to create a similar provincial/country level fund. In addition, minerals are now being seized in both the DRC and Rwanda and there is no solution for the disposal of those materials. Comments on a possible way forward on those two points are also welcome.

URGENT REQUEST FOR COMMENT

The issue of stock is a key roadblock to progress in Maniema which requires urgent discussion and agreement. The situation is preventing progress on due diligence and traceability and it is caused, in the main, by the particularly isolated position of the Province. Ideally, this issue should be resolved before the DRC election at the end of November in order to provide a clear plan and way forward after that event.

Upstream industry partners are ready to fund the start-up of iTSCi in Maniema Province but activity on the ground cannot begin until the stock issue is resolved. Comment of NGO's, Governments, the UN, OECD and the CFS programme on the proposal are sought in order to develop an agreed solution as soon as possible.

Please contact Kay Nimmo at ITRI (the iTSCi Programme Secretariat) with suggestions or comments;

Email: kay.nimmo@itri.ci.uk

Phone: +44 1727 871312

ANNEX 1: INFORMATION ON MANIEMA PROVINCE

1. About Maniema

After being joined to the Kivus for 22 years, Maniema Province was detached and re-established in 1988. The Province was sub-divided into seven territories: Lubutu and Punia in the north, Kailo and Pangi in the centre, and Kabambare, Kasongo and Kibombo in the south. Maniema covers 132,500 km², 5.6% of the DRC's surface area and OCHA estimated its population at about 2.25 million in 2008. Please refer to the map provided below.

Maniema is rich in rivers and three-quarters of the Province is covered by forest. The Congo River runs from the south to north. Transport infrastructure is poor, even by local standards, as roads are in a bad state, unpaved and generally impassable. Trains may occasionally run south to Katanga, once a month or so. As a result, minerals are generally transported by air to Goma or Bukavu¹.

More information can be found in the latest report from the Eastern Congo Initiative 'Landscape Analysis of Community Based Organisations', May 2011¹. For example, 0.8% of the population in Kindu, the capital, has access to electricity. In general;

"Maniema garners less attention, less study, and less international assistance than the Kivu provinces to its east, but its socioeconomic conditions are no less severe. Maniema has been ravaged by a succession of wars and has become isolated due to degraded or destroyed infrastructure. In 2007, the government of DRC announced Maniema had the highest HIV prevalence in the entire country. The vast majority of the population is impoverished and surviving by engaging in agriculture, timber extraction, or artisanal mining. The situation for women is particularly difficult, because women in Maniema have traditionally been excluded from power in both the household and the community. Yet despite these problems, there are many community-based organizations in Maniema working to improve living conditions and protect the environment."

2. A general security picture

Many of the more central areas of Maniema (Kailo and Pangi territories) are not specifically affected by conflict, nor is the central Provincial capital of Kindu from where much mineral is transported out. Armed group activity is sometimes reported nearer the Provincial borders in Kabambare and Lubutu, and there is sometimes concern over parts of Punia territory. There is a limited amount, or no minerals in other territories such as Kasongo.

As reported in a fairly recent IPIS report² from around the time of the 2010 mining suspension; *"Compared to the neighbouring Kivu Provinces, the security situation is generally calm in Maniema and large parts of its mining areas are free from military presence. Much of the Province's deposits could, therefore, be termed 'clean minerals'."*

This general summary is believed to be considered to be fairly current and is supported by recent information provided to industry by the UN Group of Experts. In addition, in a recent letter to the SEC from the UN group of Experts³ it is also noted that 'production... has shifted to an extent to (largely) non-conflict areas, such as... Maniema.'

It is also confirmed in the Eastern Congo Initiative report quoted above that; **"As of April 2011, most parts of Maniema are secure and at peace"**, a report that also provides information that generally agrees with the overall picture provided by the earlier IPIS report.

¹ Available here http://dl.dropbox.com/u/46597878/ECI_FULLREPORT_FINAL%2010.26.11.pdf

² Steven Spittaels (November 2010). *The complexity of resource governance in a context of state fragility: An analysis of the mining sector in the Kivu hinterlands*. IPIS and International Alert. Other information in this summary is also taken from this source.

³ Please see <http://www.sec.gov/comments/s7-40-10/s74010-346.pdf>



R D Congo - Province du Maniema - Carte administrative

Septembre 2009



ANNEX 2: MINERAL PRODUCTION AND STOCK TONNAGES

1. Mineral production in Maniema

Reliable figures on mineral production and trade in Maniema are particularly difficult to find, and large variations on figures are seen between different sources of data. This may be partly due to the particular infrastructural challenges of the Province, resulting in less co-ordination between Government and industry agents, and partly due to the way minerals have typically been moved out of the Province to other areas of the DRC for export, so becoming absorbed in other Province export data (Goma and Bukavu). As in many places, there may also be some interest in undervaluing the minerals for various purposes¹.

Approximate annual production levels of the 3T minerals in Maniema as a whole (pre-suspension, pre-embargo) are considered to be in the order of;

- 2,600 t's cassiterite,
- 140 t's of wolframite, and
- 10 t's coltan.

The majority of cassiterite and wolframite production is from the areas of Kailo, Pangi and Kindu i.e. those not affected by conflict.

2. Potential quantities of stock in Maniema

A variety of figures have been suggested, from a range of sources, for the levels of stocks currently held in Maniema. The table below is considered to provide a reasonable indication of the quantities that may be expected and in need of evacuation.

	Cassiterite t's	Wolframite t's	Coltan t's
Minimum	850	-	-
Maximum	1,500	-	-
Likely	1,006	8	1.45

It is not really possible to verify these figures, but the variation of a few hundred tonnes between maximum and minimum quantities is just a few percent of the approximately 21,000 t's of cassiterite which would have been produced in the DRC in 2009 and, under normal circumstances, in 2010.

Stocks are held mainly in the supply chain by the artisanal miners, the negociants, and at various depots, while only a small amount is held at comptoirs. Most of the figures that do exist relate to mineral quantities held at local depots and the amount of mineral still retained by the miners themselves at remote locations is almost entirely unknown. This factor in itself means that significantly larger and unknown quantities may actually already be stocked throughout the Province.

During the collection and tagging of stock it would seem to be unproductive to check possible documentation that may be associated with the minerals since there is no way to link any specific document with any specific bag of mineral.

3. Minerals held in different areas of Maniema

The information contained in the letter below from the Minister of Mines of Maniema to a local trading company, SOMIMA, is thought to represent a reasonable indication of mineral stocks that may be found in different territories of the Province.

The information quoted in this letter tends to most often agree with other sources, although, as noted in point 2 above, a range of figures have been quoted. It mainly relates to older material held in more accessible depots.

REPUBLIQUE DEMOCRATIQUE DU CONGO
PROVINCE DU MANIEMA
MINISTRE DE L'ECONOMIE, MINES,
ENERGIE

Kindu, le 08 AVR 2011



Le Ministre

N°001/DUP/CABMINPRO/EME/MA/2011

TRANSMIS copie pour information à :

- Son Excellence Monsieur le
Gouverneur de Province du Maniema ;

Objet : Information

A Madame le Président Délégué Général
de la Société Minière du Maniema
SOMIMA

Madame,

Nous avons l'honneur de vous informer
que toute la production minière de la Province du Maniema en République Démocratique du
Congo provient des sites exploités par des artisans en règle avec l'Etat Congolais.

Voici le tableau qui reprend les localités
d'extraction et les quantités de minerais qui s'y trouvent :

N°	Localités	SNO2 en Kg	Accompagnateurs en Kg			AU en gr
			W03	CT	Autres	
01	KINDU	99.640	3.950	-	-	-
02	KAILO	30.379	4.050	-	76.633	-
03	PUNIA	122.492	-	1.450	-	25
04	KASESE	309.000	-	-	-	-
05	LUBUTU	65.909	-	-	-	-
06	KAMA	2.110	-	-	-	-
07	KAMPENE	3.050	-	-	-	92
08	KIPAKA	2.350	-	-	-	-
09	KALIMA	372.008	-	-	-	-
TOTAL		1.006.938	8.000	1.450	76.633	117

Nous pouvons donc, vous rassurer que
toutes les quantités des minerais (cassitérites et wolframites) stockées pendant la période de
suspension des activités minières par le Chef de l'Etat Joseph KABILA KABANGE, sont
conformes à notre législation minière.

nos sentiments patriotiques.

Vous priez agréer, Madame, l'expression de



Me AMISI LUPIA Patrick