RESPONSIBLE SUPPLY OF MINERALS FROM THE GREAT LAKES REGION

How can donors support host governments?

Final Report

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EXECUTIVE SUMMARY

Donor engagement in the countries of the Great Lakes is extensive and varies depending on the phase in the cycle of economic and social development following the periods of conflict, instability and weak governance that have affected the region. Whether humanitarian post-conflict intervention, state and society rebuilding, security sector reform or the promotion of growth through trade facilitation, these all contributed indirectly to embedding an enabling environment for the minerals sector. Equally a more robust donor intervention in the minerals sector and responsible supply chains has a strong if indirect impact on stabilisation and other aspects of development in the region.

What can donors do to support host governments in promoting a responsible supply of minerals from the Great Lakes region?

- **The principal stakeholders in promoting and achieving a responsible sourcing of minerals from the Great Lakes are the governments in the region and the private sector.** Behind that, the role of civil society, both international NGOs as guarantors of best practice and local minerals and community-focused organisations observing and monitoring, is vital. The role of the international community, whether it is the OECD, its member states acting as donors or as global stakeholders, the governments of emerging economies, should primarily be to support the two principal stakeholders at both local national and regional and international levels to achieve that goal of responsible sourcing of minerals from the Great Lakes region, and help them find space for civil society to play its appropriate role.

- **The starting point should be the priority the governments in the region give to the minerals sector** in their plans for national and regional economic development. This varied considerably depending both on the stage of development following the conflicts and weak governance in the region and on the opportunities for mineral exploitation itself. Donor support specifically for the mineral sector was largely limited to DRC though immediate opportunities for similar support existed in Rwanda.

- **The International Conference on the Great Lakes Region (ICGLR) has become** a key player in the minerals sector of the region and its role should be strengthened and supported in a more comprehensive way.

- **Member states of the OECD should act as major stakeholders in the global economy, not just as donors.** Their support to the mineral sector in the Great Lakes region at both a technical level and in terms of national economic and social development is important, but of greater importance is the need for them to work at the diplomatic and macroeconomic level to promote the global conditions for responsible mining and minerals exports along the whole supply chain. If for example there continued to be uncertainty for companies listed on the United States stock exchanges about their legal obligations and due diligence requirements then there would be compelling reasons for the OECD to encourage others, particularly governments and companies from the emerging economies to join the process of enabling responsible sourcing of minerals from the Great Lakes region.

- **There is an imperative to activate, or re-activate, the minerals sector in eastern DRC where local economies so reliant on it are suffering badly.** This is clearly dependent on there being a sufficient level of security but in so far as it was possible stakeholders should treat re-activation as a positive step in reducing conflict through enhanced economic activity. This should not stop the work on responsible sourcing but there should be a more incremental approach to allow trade to resume and avoid locking eastern DRC from global markets. The unintended negative consequences of both the United States legislation and the DRC efforts to clean up the mining and trade needed addressing. In that context the role of artisanal miners, through whom all the current mining in eastern DRC took place, was central. It would be a positive development if the issue of artisanal mining was treated primarily as one of employment and livelihoods dependence rather than a negative element in the informal economy, using the OECD Guidance and in particular the dedicated Appendix to the Supplement on Gold as a useful common reference for all actors involved.

BACKGROUND

As part of the on-going work hosted by the Organisation For Economic Co-operation and Development (OECD) to implement *the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* the OECD, the International Conference on the Great Lakes Region (ICGLR) and the World Bank jointly commissioned a study (i) to map donor programmes that relate to responsible sourcing of minerals and, on that basis, (ii) to facilitate a common understanding of the critical activities needed to enable implementation of the Guidance.

The study is designed to form the basis for recommendations to build a consensus among national governments and donors (and other stakeholders like the private sector and civil society) on priorities for each party to work on by themselves or collectively, to enable the implementation of the OECD Guidance with the most positive impact.

Following an initial literature review and analysis of donor activities in Democratic Republic of Congo (DRC) and Rwanda, preliminary findings were presented to the ICGLR/OECD joint regional workshop on conflict-free minerals in Bujumbura in November 2011. The consultant followed this up with a visit to DRC, Uganda, Rwanda and Burundi in February 2012, and a presentation of the report to the ICGLR-OECD-UN GoE joint meeting on Implementation of Due Diligence in Paris in May 2012 (see Annex: Methodology).

This report was prepared by Nick Bates (consultant) and managed by Juana Brachet de Catheu (OECD Development Assistance Committee Secretariat) and Lahra Liberti (OECD Investment Committee Secretariat) on behalf of the ICGLR, OECD and World Bank. The contributions from the interviewees in DRC, Uganda, Rwanda and Burundi (see list in the Annex), and from participants in the Bujumbura and Paris meetings, are gratefully acknowledged, as is the financial support provided by the World Bank. All errors or omissions remain the author's own.

INTRODUCTION

Each of the governments in the region has a national development plan to match its particular phase of economic and social development, following on from the intensive and long period of political instability and conflict. These are designed to lead towards middle-income status and a lessening of dependence on international aid.

Donors on the whole work in support of those government programmes and in support of strengthening the capacity of government, parliament and civil society to deliver better and more accountable government. Donors also intervene more directly, mostly through the UN and in particular through the UN presence in DRC, the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) and other multi-lateral agencies, to address humanitarian needs and the basic requirements of stabilisation.

Within this multi-layered and continuingly transformative process the mineral sector plays a hugely important role. In the times of conflict and absences of state control including that fragile period when an area emerges from conflict most of the mining is artisanal, providing often the only or major source of livelihoods. Most of its trade is at the least informal and often illegal and the benefit accrual is to elites, usually to armed groups who can then use those rents to reinforce their armed struggle. Conversely in times of stability the mineral sector can become a significant driver of economic growth, which in itself then becomes one of the key factors promoting peace, stability and good governance. It also enables a better environment to encourage private sector engagement and more formal and regulatory involvement.

In many respects this becomes the key combination for the successful development of the minerals sector: the private sector will invest when the supply/demand conditions are favourable, when the governments create the enabling environment for investor confidence and the two parties work this win-win formula. The role of donors is therefore usually limited to two key activities: first building the capacity of governments to play their part; second, creating the space and helping to build the capacity of civil society to play its crucial roles of upholding standards and rights of miners and ensuring appropriate standards of health and safety and mitigating environmental risks and damage.

There is an over-arching role for the international community to play in bringing all the stakeholders together to work out, on a consensual basis, appropriate application of international standards according to the particulars of the region in terms of its emergence from conflict, the state of governance and the economic opportunities.

Key themes to emerge from this study (each further elaborated in the body of the report):

1. **The first was the critical importance of getting the mining and minerals trade going again in eastern DRC**, even though some areas remain conflictual and subject to illegal elite capture. There is no doubt that this is high risk and that there will be times of increased tension or renewed conflict when this would be inappropriate, but that should

not take away from the fundamental need. The bedrock of the economic activity of the provinces in eastern DRC is mining and minerals trading. This should be pursued principally as an activity generating employment and livelihoods. Stabilisation and wealth creation and eventually a reduction in illegal activity would follow. If the mining and mineral trade are seen primarily as a negative activity associated with the continuance of violence and armed conflict then the logic and moral imperative is to try and stop it. But this denies the people virtually the one economic activity that provides employment and some wealth creation. The more stability there is the less space there is for opportunistic exploitation by armed groups. Work on setting standards and applying appropriate due diligence is of critical importance of course but needs to be built up on an incremental basis on a trade that actually exists. This is clearly controversial. It would require of the DRC authorities and those engaged on setting locally adapted international standards for responsible sourcing of minerals a greater level of reactivation of mining as the first stage of being able to clean up the trade. Traders and civil society representatives, and more cautiously, local governments officials in eastern DRC who were interviewed felt this had to be the right approach.

2. **The second was that a regional approach to mineral trade and setting appropriate regulatory standards was the right one** and the most effective way of both tackling the difficult issues and encouraging it as a driver of growth and poverty reduction. The ICGLR is well placed to lead those transformative developments and is building both the vision and capacity to do so. Having said that, it also had to be recognised that the state of mining itself and the institutional structures for its regulation differed significantly from one country to another in the region. This incidentally made the role of the ICGLR in setting uniform standards and systems of certification difficult but important. Each country should be able to develop this sector at its chosen time and speed as part of its national economic development plan. That did not mean it should not engage constructively in regional co-operation including in setting standards as a pillar of its economic development, not least because the countries of the Great Lakes are land-locked and therefore dependent on trade corridors and collaboration. The German Federal Institute for Geosciences and Natural Resources (BGR) engaged in developing certification and traceability schemes, has been working at both a regional and national level and has found that it can fast track national efforts as it has in Rwanda and is starting to do in DRC while working in the medium term to harmonise practices at a regional level through ICGLR.

3. **The third was that donors were not particularly focused or joined up on their support of the minerals sector in the Great Lakes region.** In some respects this was not surprising as host governments had not put it high on their own national economic development plans. Just as national governments in the region were at different stages of development, so too were donors in their responses and interventions. In the earlier years of generalised conflict the donors focused on conflict resolution and humanitarian interventions. As the region in general and each country emerges from conflict the emphasis has been on the continuing needs for humanitarian support, conflict prevention and addressing the major and most urgent injustices and human rights abuses. Security sector reform featured very high at that stage. Following that the second stage of development got underway with support for rebuilding the state and society and

eventually rebuilding the economies. In all these inter-linked and over-lapping phases direct intervention in the minerals sector has been rare and the impacts incidental. But the significant donor engagement and support beyond the mining sector which aims to restore basic state functions like the Security Sector Reform programmes undoubtedly contribute to a better enabling environment for the minerals sector. In addition, in the next phase of development with the promotion of economic transformation and growth through trade promotion, infrastructure development, better revenue accrual and use, increasingly better regularisation and adherence to international standards the emerging (often re-emerging) role of the mineral sector as a driver of growth in national economic development plans means that donors are in a position to support the sector. The Kinshasa-based *Groupe thématique Mines* under the leadership of the Ministry of Planning brings the donors together with the DRC Ministry of Mines, as did the team designing the PROMINES programme. It remains the central mechanism for donor co-ordination and is best placed to do that by being based in Kinshasa. The International Task Force on Illegal Exploitation and Trade of Natural Resources in the Great Lakes Region performed a useful adjunct to this galvanising donor support in capitals and sensitising them to the needs in 2009-2010. It is welcome news that in May 2012 it has been re-established under the interim coordination of the European Union.

4. **A fourth theme arising out of the last was that for the OECD member states and multi-lateral organisations like the World Bank it was not so much their role as donors that was critical but rather their role as significant actors in the global economy** and hosts to the major mineral sector companies. It was that that gave them both the standing and the incentives to bring governments in the region and the private sector together as the key partners in developing a minerals supply chain that was workable, profitable and accountable.

5. **The fifth concerned the artisanal miners and the attitudes of different stakeholders to their role.** This is a global issue but has particular importance in eastern DRC where mining has been almost exclusively informal and artisanal and because it is an area that has been blighted by conflict, violence and weak governance in which natural resource exploitation has been a driver of conflict and a reason for its continuance. There is hostility among some governments and the private sector to the artisanals because they are seen to form an informal and often illegal angle from which there is no formal benefit and their activity is seen as non-productive. But artisanal mining needs to be seen as an integral and positive part of the mining sector in a context of the local economy, especially where the geology and mineralogy are not particularly suitable for mechanised mining. In those areas it can act as a key driver of employment and economic activity on which many other activities (small scale traders in consumables, haulage, porters, pit-prop makers etc) and many livelihoods depend. It is their product rather than their mining activity that could more sensibly be formalised. Such an approach could create a better space in which to find a co-operative co-habitation between artisanal miners and both government and concession holders. It was encouraging to see some innovative thinking and action in this complex area, including the new Appendix to the Gold Supplement to the OECD Due Diligence Guidance which offers a common agreed roadmap to enable market access through collaborative efforts of all actors involved and to create economically viable development opportunities for artisanal and small-scale miners.

I. DEMOCRATIC REPUBLIC OF CONGO

The structure and governance of minerals differs from province to province.

The mining sector in the province of **Katanga** is highly developed and industrialised where the minerals are principally copper and cobalt. Its success has been enabled by a relatively stable conflict-free environment, good access to markets, a reasonable supply of power, a geology and mineralogy appropriate to large-scale mechanised exploitation, a governmental determination at both national and provincial level to make the mineral sector a top priority in its economic development plan and an investment climate in which demand is strong enough to meet most of the challenges of the domestic and international regulation and business practice.

The **Kasai** provinces in which most of the diamond deposits are found have many of these conditions and could move reasonably easily back to a significant industrial production.

The **eastern provinces** of DRC, principally the two Kivus but also Ituri, the rest of Orientale and Maniema, face continuing problems with each of these enabling conditions. They, and the neighbouring region, have been affected by conflict and an absence of the rule of law and good governance, both of which have allowed an awful level of violence to be inflicted on long-suffering civilians over the past twenty years and more. Their access to market has been held back by poor infrastructure both in eastern DRC, the trade routes to the east coast of Africa and the impracticable alternative routes to the west or south of DRC. The Great Lakes eastern African neighbours through which the historical trade routes flow have exploited and exacerbated the absence of law and order in eastern Congo to pursue their own security and economic concerns and interests. Despite having an abundance of potential hydro power and other sources of energy the general state of insecurity and poor governance has left a large energy deficit. The mineralogy of eastern DRC provides extensive exploitable quantities of minerals, principally cassiterite, columbine/tantalite (coltan) and wolframite which are the ores from which tin, tantalum and tungsten (the “three Ts”) are extracted. But these tend to be scattered and in small seams and deposits not suitable for medium or large scale industrial exploitation. Even for gold in eastern DRC where its deposits are rich and industrial mining is geologically appropriate the other factors have made the mining companies cautious of committing to the long term and expensive investment needed.

Largely because of the absence of these enabling conditions in eastern DRC the national government has put less emphasis and effort into prioritising the mineral sector there as it has in Katanga as a key element in the national economic development plan. “There is enough governmental benefit and revenue accrual from easy Katanga not to bother yet about the difficult east”, was the way one expert put it. While there may be an element of reality in this it is not fair to say the national government has no commitment to or interest in the mining sector in eastern DRC, though provincial officials might like to see greater engagement or at least greater decentralisation to allow them to prioritise the sector at their own chosen accelerated pace.

One factor in the absence of these enabling conditions and their consequences is that almost all the mining in eastern DRC is artisanal and that both government and private sector tending to regard the artisanal miners as part of the problem but communities and families seeing them as the most important part of the solution. The OECD Guidance, in particular the Appendix to the Gold Supplement already provides common ground between these two positions. Its implementation could be be regarded as one of the most dynamic factors in terms of stabilisation, peaceful coexistence between large-scale mining and artisanal communities and in getting the mineral sector productive and creating wealth. Treating the artisanal sector as an employment and livelihoods issue first and foremost rather than their being seen primarily as an informal and negative element would be a good step towards finding a proper role for them. The ICGLR-led certification process linked to a more systematic implementation of due diligence could also provide solutions and foster a win-win situation.

Having gone through this litany of negative factors that are holding back the mineral sector in eastern DRC it is important to add, and strongly emphasise, that taken over a longer and broader perspective of twenty years or so, the current trajectory is largely positive and upward moving. What was twenty years ago a generalised and intensely violent conflict involving the whole of the DRC, its immediate eastern neighbours Uganda, Rwanda and Burundi and a number of other states within the wider region became a more localised (but no less violent especially when it came to local civilian populations) conflict involving eastern DRC and Rwanda. That in turn moved slowly from there being one or two small pockets of tranquility in areas of armed conflict in the Kivus and Ituri to what is largely the current situation of there being a number of small (and getting smaller) pockets of violence in an otherwise stabilising environment. Although security and economic interests continue to keep the eastern neighbours watching and sometimes engaging in the affairs of eastern DRC they themselves are relatively stable and conflict free, though as indicated below they continue to be labeled as areas affected by conflict by virtue of their position in the supply chain out of eastern DRC. The current (April-May 2012) events in North Kivu and the surrounding areas will undoubtedly have a negative impact on opportunities to re-activate the minerals sector in a more formalised stream and will make all stakeholders cautious about taking a more positive and forward-looking position on the mining and the trade.

Notwithstanding the above, the growing stabilisation and a greater sense of longer term security in eastern DRC opens up the opportunities to develop mining and the trade, power and transport infrastructure rehabilitation, greater state capacity to manage the sector efficiently and transparently and a better regulatory framework in which to derive benefit from a more formalised environment. Although there will be less and less "conflict minerals" as areas affected by conflict get less, the OECD Due Diligence Guidance will have a role to play to increase the ability of the state, enable exporters to become certified and industry at large to source minerals responsibly, and address the equally difficult issues of illegal trade and elite capture from a governance standpoint. The PROMINES programme targeted at greater state capacity and transparency and support for civil society to monitor and cry foul will also be of central importance. Mining increases again bringing employment and wealth distribution, trade flourishes, the state gains in fiscal accrual and so everyone benefits from the growing stabilisation.

Finding the right moment and entry points to this virtuous circle is never easy and there are of course risks of setbacks and reversions to conflict in kick-starting it too early. On the other hand getting trade going sooner rather than later and building the security and regulatory structures around that on a cautious and incremental basis could just be the way to break what has up till now been mostly a vicious circle. Those interviewed had, as one would expect, quite different and strong opinions about the right moment.

Two current mining developments exemplify this opportunity.

- In north Katanga, which is generally regarded as conflict free and which can access markets through the southern corridor the mining of the three Ts is getting going again. Companies, with help from international organisations and experts in understanding the requirements of international standards, have been able to get their products exported.

- In South Kivu and in Ituri/Orientale a few gold mining companies have taken, albeit tentative, steps to move beyond exploration towards exploitation. This is of course a reflection of market prices but it is more significantly an indicator of those companies having made their risk assessment and calculated that developing medium scale industrial mining is both manageable and worthwhile in areas where previously it was rated as much too risky. Executives from Banro and Anglo Gold Kilomoto, to name just two, were very aware of the security and reputational risks to their operations but equally clear now was the right moment to operationalise.

The ICGLR's vision of a Great Lakes centric region of peace, stability and economic co-operation is helpful in forging an identity for eastern DRC which both recognises the authority of the central state in Kinshasa and that its traditional trading patterns are eastward. The ICGLR's efforts to set common regional standards for the mineral sector is a strong political message, as well as a practical tool to develop best practice, in that it is premised, under the Lusaka Declaration, on a mutual benefit of mineral development and cross boundary trade. This is the most important area of donor technical assistance and engagement. Partnership Africa Canada helped design the manual for the Regional Certification Mechanism and are now engaged in supporting its implementation. The German BGR has been supporting the practical implementation of the certification mechanism on a regional ICGLR basis, as well as on a bilateral basis to DRC and the other states of the region.

A revived economy driven mainly by a resumption of mining and trade would be the strongest factor in stabilisation which in turn would be a significant factor in conflict reduction. The pursuit of a responsible supply chain and a minerals sector that is regulated, transparent and conforming to international standards is the goal. Getting there through an incremental process of improving the conditions and standards, as recommended by the OECD Guidance, is more likely to work than the making the goal the starting point.

In contrast to everywhere else in the Great Lakes region the donors are significantly engaged in the minerals sector in DRC, as part of larger donor portfolio of USD 3.4 billion (2010) (see Figure 1). The World Bank and the British Government's Department for International Development (DFID) with a number of other contributors have committed approximately USD 90 million to a partnership with the DRC Ministry of Mines called PROMINES. It is well designed to come in support of the priorities set by the DRC government and particularly to build the capacity of the ministry and its associated bodies to manage the minerals sector in an efficient and transparent way. The US, led by USAID, have separately committed around USD 20 million, some of which will come from a private sector alliance with the US Government. One of the key aims of the US initiative is to demonstrate that it is possible to trade legitimate, conflict-free minerals from the DRC and the Great Lakes region. It is therefore supporting pilot schemes in North Katanga and Maniema to demonstrate a “closed pipe” in a supply chain right from mine to market is achievable.

The intention is to align these two programmes, PROMINES and the Public-Private Alliance for Responsible Minerals Trade (PPA), so that they are complementary and do not duplicate.

There has been continuing frustration that PROMINES, although designed and agreed over two years ago, has been held back by a number of extraneous issues. There is an assurance from the World Bank and the government of the DRC that these have been resolved and PROMINES can actually go live in rolling out programmes that have impact on the ground. This really needs to happen with some urgency, both because the needs remain compelling as they were two years ago and for the sake of the credibility of the programme and its partners. The USAID programme, designed and launched within the last year, has got its first projects going since January this year.

In addition to its core projects of building governmental capacity both the US programmes and those of PROMINES have important components within them to address specific issues such as the use of children in mining, sexual and gender based violence in the sector, environmental and health damage from the use, for example, of mercury in washing gold as well as ring-fenced support to civil society to play its responsible role in challenging the authorities and giving voice to community concerns. An example is the potential US project of just over half a million dollars to develop a child-free certification for artisanal mines. These are important objectives in their own rights and can have early targeted impacts on issues of human rights in their broad sense. It is additionally a good way of drawing in wider donor engagement. But a note of caution: there is a risk of selectivity: why, for example, focus particularly on the mineral sector when addressing issues of child labour and protection? The answer lies in pursuing a holistic approach in which the major programmes are targeted at systemic development of the structures and environment for a re-vitalised and responsible minerals sector supported by a range of issue-specific interventions that either have their logic in the broader minerals sector or in a wider approach to the specific issue.

<u>Figure 1. Aid to DRC at a glance</u>

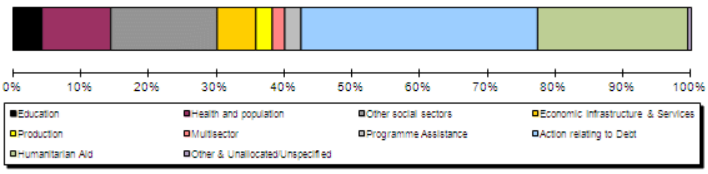
Congo, Dem. Rep.

Receipts	2008	2009	2010
Net ODA (USD million)	1 766	2 357	3 413
Bilateral share (gross ODA)	51%	43%	41%
Net ODA / GNI	17.1%	22.6%	27.8%
Net Private flows (USD million)	- 2	- 29	- 760

For reference	2008	2009	2010
Population (million)	62.5	64.2	66.0
GNI per capita (Atlas USD)	160	170	180

Top Ten Donors of gross ODA (2009-10 average)		(USD m)
1	IDA	1 188
2	IMF (Concessional Trust Funds)	429
3	Belgium	413
4	EU Institutions	299
5	United States	258
6	AfDF	253
7	United Kingdom	238
8	Netherlands	232
9	Spain	174
10	Germany	78

Bilateral ODA by Sector (2009-10)



Sources: OECD, World Bank.

II. UGANDA

Uganda presents a very different picture in terms of mining and the minerals sector and how those fit into plans for national economic development. At present and in the short-to -medium term the sector is not expected to play a significant part in national economic development, though it is not without potential.

The government and private sector have as their primary strategic focus three core themes: the energy deficit and how to meet that through the development of hydro power and oil, the opportunities for growth through regional (intra-East African Community) trade (including energy export) and the political and economic advancement of the new state of South Sudan. As well as addressing short term needs these economic activities are also geared to bringing Uganda to middle-income status and independence from overseas aid. Running in parallel to this is a strong military commitment to regional stability and counter-terrorism by playing a major role in the African Union led operations against the Islamic extremists in Somalia.

This prioritisation has a number of implications for Uganda's approach both to the minerals sector and to its attitude towards its Great Lakes neighbours. Much to the disappointment of the small private sector and the ministry officials engaged in mining for whom the sector offers exciting potential, the government has not appeared to take a much interest in developing the industry, though there is now a new draft Mining Code being considered in Parliament. This offers an opportunity to start putting in place the regulatory framework which, since the adoption of the ICGLR regional certification mechanism and the requirements set under Dodd-Frank 1502, is expected to become necessary. In the absence of such regulation and certification that Ugandan minerals are sourced responsibly, its production and export continue to be handled on an informal basis:

Some of the relatively small volumes of tin and tantalum mined in Uganda are being smuggled to Rwanda through porous borders where they are then taken to mine sites where tagging has been set up to certify the materials' origin (see below for similar practice for some of the “three Ts (tin, tantalum and tungsten) coming out of eastern DRC).

Gold, with its low volume/high value, continues to be traded into Uganda from eastern DRC (mainly Ituri but also Orientale and Haut-Uele) from where there are well trodden informal trading routes to Dubai and beyond.

For the Ugandan leadership and those developing its broad economic strategies with its focus on the East African region and South Sudan the attitude to eastern DRC is that it remains unstable and lacking in state control and they are holding back from direct bilateral engagement There is an acknowledgement that when the time is ready eastern DRC offers huge potential, including in the minerals sector as well as oil and timber, for inward and outward trade and economic development but that time is not yet there.[1]

In these circumstances and especially with the lack of governmental prioritising there is no significant donor engagement in the Ugandan minerals sector. Nor is there any much pressure from donors on a regional basis in the Great Lakes region beyond a generalised encouragement of Uganda to adopt the regulatory framework and standards for the mineral sector advocated by the International Conference on the Great Lakes Region (*i.e.* the OECD Guidance). BGR as part of the German government's donor commitment to help embed standards through certification at both a regional and bilateral level have taken the decision, having completed its pilot project successfully in Rwanda, to develop it next in DRC and Burundi, leaving Uganda until last. This approach is also well exemplified by the attitude of Trademark East Africa (TMEA), a major regional donor-funded private sector programme (UK, Netherlands, Belgium), focused on trade facilitation. It is currently fast-tracking the development of One Stop Border Posts in its northern corridor by establishing them at the Kenyan-Ugandan border, the Ugandan-Rwandan border and even the Ugandan-South Sudan one. Plans for a similar One Stop Border Post on the Ugandan-DRC border (at Mpondwe) and on the DRC-Rwanda border at Goma/Gisenyi remain on hold.

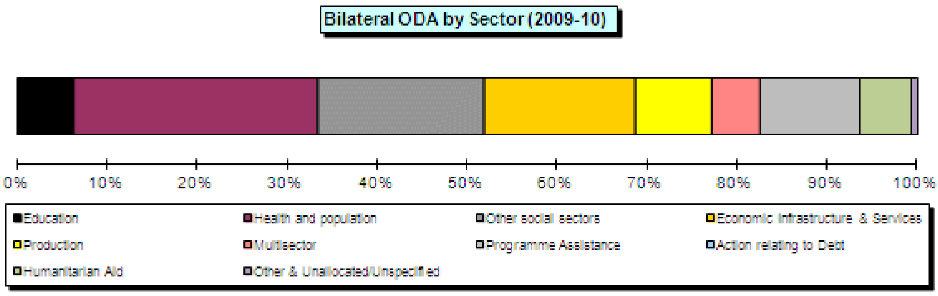
Figure 2. Aid to Uganda at a glance

Uganda

Receipts	2008	2009	2010
Net ODA (USD million)	1 641	1 785	1 730
Bilateral share (gross ODA)	62%	57%	60%
Net ODA / GNI	11.6%	11.5%	10.3%
Net Private flows (USD million)	112	98	66

For reference	2008	2009	2010
Population (million)	31.3	32.4	33.4
GNI per capita (Atlas USD)	420	470	500

	Top Ten Donors of gross ODA (2009-10 average)	(USD m)
1	United States	373
2	IDA	362
3	United Kingdom	150
4	EU Institutions	128
5	AfDF	106
6	Denmark	87
7	Norway	69
8	Japan	63
9	Ireland	61
10	Global Fund	52



Sources: OECD, World Bank.

[1] Interviews, February 2012.

III. RWANDA

In contrast to Uganda, Rwanda has put minerals as its second highest export target after tourism in its next economic development cycle. This has dramatically changed the dynamic of the indigenous mining and mineral export sector, and has the potential to transform the toxic regional politics associated with minerals. By giving it this high priority in the national economic development plan it opens the opportunity for the government to seek donor support for the sector in a way in which neither government nor donors had seriously considered up to now.

Until quite recently the Rwandan government and the international community regarded the Rwandan minerals sector as somewhat nascent, largely informal and not a significant factor for growth. Furthermore the Rwandan authorities and the Rwanda-based international and local traders saw it as a convenient way of hiding well-established practices for getting minerals from eastern DRC out to international markets[2]. Three inter-connected developments have started to change this:

The first is a growing appreciation that Rwanda's mineral deposits are larger and more exploitable than previously thought and in the case of coltan of a sufficient quality to command a premium price.

The second is that the government and some small to mid-range companies have started to quantify the volume of mining undertaken by artisanal miners and found it to be statistically and economically significant.

The third is that international scrutiny and stronger demand for international standards and a more transparent regulatory environment to make sure the exported materials are both clean and conflict-free are having a salutary impact on the government and its determination to use the minerals sector as a flagship of its economic development.

With assistance from the German government through BGR to the Rwanda Geology and Mines Authority (OGMR), Rwanda implemented the Certified Trading Chains (CTC) pilot project with five Rwandan mineral producers. OGMR further trialed the tin industry due diligence programme and traceability scheme (iTSCi) designed to operationalise the OECD Guidance, to make sure that minerals for export were sourced responsibly. That scheme is working reasonably well, to the extent that at present Rwandan exports of the Three Ts are the only ones international buyers and smelters feel confident of buying from the Great Lakes region. Both CTC (certification of compliance) and iTSCi (traceability and due diligence) systems complement each other, showing some degree of coordination with risk assessments carried out jointly from late 2010 to mid-2011.

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[2] Interviews, February 2012.

An unintended consequence of this and the imminently expected publishing by the SEC of its rules under the Dodd Frank Act section 1502 has been an increase of smuggling of the three Ts to Rwanda from eastern DRC and even, though in smaller quantities, from Uganda where, in both cases, the certification process is not yet in place. The UN Group of Experts has already reported on this and almost all experts in Uganda, Rwanda and eastern DRC in this field say this is happening. Even officials in Rwanda unofficially acknowledge it though they claim volumes are much smaller than the UN Group of Experts reported (see below). The current smuggling practice, in contrast to the previous methods of getting Congolese three Ts to Rwanda-based smelters and buyers, is to dump the smuggled minerals at Rwandan mine sites where it can be "re-extracted" as Rwandan ores, especially if it can be tagged on site rather than at monitored centres. The Rwandan authorities are aware of this and see it as an issue of reputation for themselves. They assert that it does not currently amount to more than 10% of its export. They claim they would prefer to lose that 10% than their growing reputation for clean export and might look at reinforcing the capacity of its various agencies to better control their borders. ITSCI brought these instances to the attention of the Rwandan authorities. Recently, five Rwandan mining companies were suspended for illegally tagging minerals; four were suspended locally by Rwandan authorities whilst the fifth was suspended from iTSCi membership until investigations by the competent authorities are completed.

Rwanda is looking to its membership of the East African Community to take advantage of openings to improve its transport infrastructure to facilitate trade, the bulk of which apart from tea and coffee will be minerals.

Figure 3. Aid to Rwanda at a glance

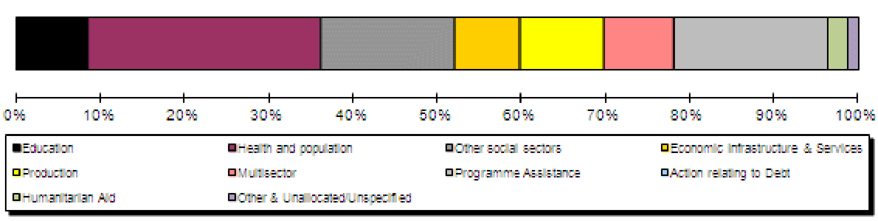
Rwanda

Receipts	2008	2009	2010
Net ODA (USD million)	934	934	1 034
Bilateral share (gross ODA)	48%	56%	53%
Net ODA / GNI	20.0%	17.9%	18.5%
Net Private flows (USD million)	10	81	- 35

For reference	2008	2009	2010
Population (million)	10.0	10.3	10.6
GNI per capita (Atlas USD)	430	480	520

	Top Ten Donors of gross ODA (2009-10 average)	(USD m)
1	United States	143
2	IDA	130
3	Global Fund	112
4	EU Institutions	104
5	United Kingdom	98
6	Belgium	76
7	AfDF	56
8	Netherlands	47
9	Germany	46
10	Canada	36

Bilateral ODA by Sector (2009-10)



Sources: OECD, World Bank.

IV. BURUNDI

Burundi's mineral sector, and the approach government has towards it, has been somewhat similar to that of Uganda and what used to be the case in Rwanda. Domestic mining is nascent, small in volume and largely outside the formal sector. There is a laissez-faire attitude to minerals, particularly gold, being traded informally through Burundi. This is partly driven by capacity constraints but is also influenced by elite capture.

The development that is changing policies and attitudes is the prospect of the huge nickel deposits in the south east of the country around Musongeti being developed on an industrial basis. Because of this the mineral sector has become a major priority for the government's economic development plan with ambitious targets to operationalise within the next four years. In the opinion of some experts this is unrealistic given the difficulties of transport and energy, and the issues of contractual transparency. With this nickel mining in mind GIZ is supporting the Government of Burundi's effort to join the Extractives Industry's Transparency Initiative (EITI). This is potentially important as there is already much speculation around the transparency of the contracts for the nickel exploitation. EITI appears to command a higher priority at the moment as an international standard than the OECD's Due Diligence. According to one expert in Burundi this is largely because the key issue is one of accountability and transparency, at this stage at least rather than one of conflict. Clearly the OECD (and Dodd Frank article 1504) cover issues of transparency but EITI is seen as the first hurdle to jump.

For reasons similar to those in Uganda, the donor community is not yet engaged in the minerals sector in Burundi, apart from the support provided by Germany (BGR) and Belgium for the implementation of the ICGLR RINR. As and when there is a return to internal stability and a transition to post-conflict economic development and growth there is the prospect of donor, and more particularly private sector, support to both the minerals sector and the infrastructure development associated with the nickel exploitation. This can already be envisaged in the engagement of Trademark East Africa.

Figure 4. Aid to Burundi at a glance

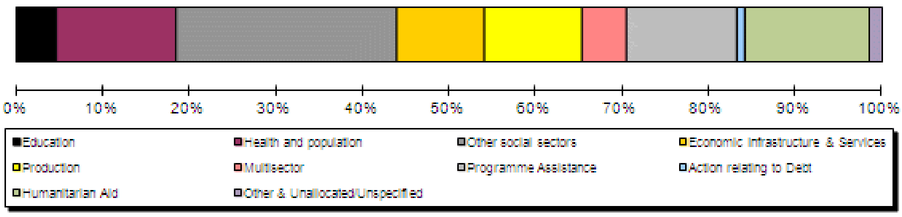
Burundi

Receipts	2008	2009	2010
Net ODA (USD million)	522	561	632
Bilateral share (gross ODA)	48%	25%	44%
Net ODA / GNI	44.8%	42.2%	39.8%
Net Private flows (USD million)	- 38	- 27	64

For reference	2008	2009	2010
Population (million)	7.9	8.2	8.4
GNI per capita (Atlas USD)	140	150	170

	Top Ten Donors of gross ODA (2009-10 average)	(USD m)
1	IDA	404
2	EU Institutions	131
3	AfDF	113
4	France	66
5	Belgium	56
6	Japan	48
7	United States	46
8	IMF (Concessional Trust Funds)	44
9	Germany	29
10	Global Fund	25

Bilateral ODA by Sector (2009-10)



Sources: OECD, World Bank.

RECOMMENDATIONS

On the basis of the analysis above, this report offers a number of recommendations for follow-up action at both a strategic and visionary level and at a practical level on what could be done in the short to medium term to facilitate the development of the minerals sector as a productive driver of growth, development, job creation through responsible trade and investment.

To all stakeholders:

1. We suggest that the key partners in getting the minerals sector going and getting it better regulated and more transparent are the governments in the region and the private sector. There is a critical role for the OECD to play an active and dynamic role in bringing them together and creating the space for international NGOs and local civil society to "quality-assure" their work. We recommend that OECD member states step in more energetically. Their role should be more as partners in the global economy than strictly as donors.

2. OECD member states facilitating regular dialogue between the private sector and the NGOs in their own countries, as well as strong support for the OECD and ICGLR playing that role on an international and regional basis respectively would be helpful. Reaching out with the help of the OECD to emerging economies is likely to play an increasingly important part in the successful implementation of the OECD Guidance as well as encouraging a kick-start to mining and mineral trading from eastern DRC.

3. We would recommend that donors, as well as other stakeholders, gain a better understanding of the inter-connection between broad national and regional developments such as conflict re-emergence/diminution, stabilisation and economic growth and the developments in the mineral sector. They are intimately linked at all phases of development sometimes in negative ways and sometimes in positive ways. This is not to suggest for example a Security Sector Reform programme should be driven by conflict minerals issues but rather the designers of programmes better understand their complementarities and are sensitive to their mutual impacts. If managed in that way they will become mutually re-enforcing without being specifically linked.

4. There needs to be a fundamental mind-shift to accept and treat artisanal miners as an integral and positive part of a local economy and its community. Formalisation should focus on their product rather than their activity. That means that the point at which the minerals are formalised in the supply chain is when they come into the hands of the traders, rather than when it is mined. Responsibility would fall to the traders to obtain proper certification. Artisanal mining should in the first instance be treated as an employment and livelihoods issue, including a more open and transparent role for artisanal miners and a more productive relationship for them both with the authorities and with the mining companies. The artisanal miners should not be treated as dispensable pawns in a government drive towards more controlled and more productive small scale mining even when such a transition is the appropriate course of action. This bottom-up approach based

on livelihoods and employment puts the artisanal miners in the position of being part of the solution rather than part of the problem. Establishing local civil society platforms, either at a national level or a sub-regional one through the ICGLR (as Partnership Africa Canada has done) is a key way in which such a deeper understanding of the realities on the ground can be better understood and acted upon.

To donors in the DRC:

1. Donors in the DRC need to consolidate and commit greater effort to both PROMINES and the USAID-led PPA; they are the most significant donor programmes on the ground in the minerals sector and are firmly woven in to the strategic priorities set by the DRC government. They need to engage directly and in a joined-up way in specific projects but also in giving them the political support to operationalise the vision in them. The World Bank and PROMINES' other stakeholders would welcome this both as project and technical support but also as a significant point of pressure on themselves at a reputational level to get on with it. This is not to under-estimate the need to remain sensitive to the needs of mutual complementarity with the wider government priorities and the other major donor commitments.

2. Donors in the DRC, and more particularly their diplomatic counterparts representing industrialised countries who are host to major international mineral sector companies, should play an engaged role in advocating, along with international NGOs, a push to get the mining and minerals trade going again in eastern DRC as a strategic move to enhance stabilisation through employment. That in no way is meant to imply that reducing conflict and the impacts of conflict on the mineral sector through a better application of international standards is of lesser importance. Rather it is designed to be a positive approach to an economic activity which is likely to be a significant factor in stabilisation and conflict reduction. It is also designed to some extent to mitigate short term trade disruptions resulting from the combination of multiple factors, including regulatory, market pressure and host governments' decisions. This recommendation would require a significant move by OECD member states from their current line of "accompanying" the OECD process to a more active engagement in both promoting international standards already incorporated into the regional certification mechanism of the Great Lakes region and in supporting growth in the region. In their own resource-constrained austerity environments this could be justified both in terms of the promotion of regional growth but also in terms of their own prosperity and growth agendas.

3. Efforts underway by companies affected by new regulatory requirements could be complemented by the active engagement in the due diligence and certification process of companies from emerging economies. This might require some diplomatic engagement by the OECD itself and/or OECD member states so that the aims and outcomes are transparent.

To donors to Rwanda:

1. If, as publicly stated, the government of Rwanda has put the minerals sector so high on its national economic development plan, with export earnings from it second to Tourism, then this opens the way for donors to engage in support of the government in this sector. We

would therefore recommend to both the Government of Rwanda and the donors there to initiate a dialogue around this. Donors in Uganda and Burundi should be attuned to their respective governments' plans to have the mineral sector become a key driver of growth in their national plans and be ready to support this at the appropriate moment.

2. The German government, through GIZ (the German Development Cooperation) and particularly BGR, is the major donor working at ground level at both a national and regional (ICGLR) level. It has provided technical assistance to ICGLR and to the government of Rwanda in developing mechanisms to enable certification schemes to work effectively. We would recommend to other donors who might be looking at engaging at the technical level in the minerals sector in the Great Lakes region to begin with a dialogue with BGR (and GIZ) on where most usefully and appropriately they might intervene to consolidate the practical on-the-ground work BGR has set in place. In a similar way Partnership Africa Canada, supported by the government of Canada, has been giving well-targeted support to the ICGLR: we would recommend continuing and further support to strengthen this work.

To donors supporting governments in dealing with artisanal and small-scale mining (ASM): avenues for optimizing donors' involvement and coordination to accompany in general include, on a national basis, supporting coordination mechanisms like the ones experimented in DRC (*e.g. Groupes thématiques*); and on a global basis, supporting the revitalization of Communities, Artisanal and Small-Scale Mining (CASM), especially as a lesson learning initiative. Specifically, to complement responsible sourcing of minerals and gradually address the multifaceted challenges of ASM, concrete solutions, including country-specidic projects based on the ASM Appendix to the Supplement on Gold of the OECD Due Diligence Guidance,should be explored towards:

1. Legalisation/formalisation of ASM. As an example in DRC, ASM is only legal in special zones: those needs be selected and demarcated as economically and socially viable.

2. Finding solutions for a workable cohabitation of ASM and large-scale mining. Again interesting pilots are ongoing in DRC.

3. Promoting sustainable livelihoods in ASM communities. ASM should be treated differently whether it is a secular activity well accepted in communities or an opportunistic business fuelling tensions or conflicts. Bottom-up, holistic approaches need to be develop to promote sustainable, sometimes alternative, livelihoods.

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ICGLR Annual report 2010-2011

USAID Note on Responsible Mineral Trade program

PROMINES documents

BGR: Support for Mineral Certification, February 2012

UN Group of Experts report November 2011

Reuters 28/2/2012 and regular readings

New Times, Rwanda 28/2/2012 and regular reading

Pole Institute reports

Mineweb regular reading

Sankurunews regular reading

ANNEX. METHODOLOGY

The consultant drew on his own experience of working on the Great Lakes region over the last fifteen years firstly in the British Diplomatic Service and then from 2001 to 2011 in the Department for International Development (DFID) to underpin his analysis of the political, conflict and development context. He conducted a series of interviews with stakeholders and experts from governments in the region, international organisations, donors, the private sector and local and international civil society and NGOs. Most of these interviews were within the specific terms of this study but many also were set in the more generalised context of the issues of conflict minerals and the opportunities to use the mineral sector to drive economic growth.

The consultant was aiming to get a detailed but broad enough picture in order to begin a process of identifying key priority areas for action particularly for donors and how that could lead to a common understanding of their support for governments' actions to maximise the conflict-reduction and development impacts arising out of the increasingly responsible sourcing of minerals.

In terms of donor engagement the consultant focused on activities that directly related to the minerals sector and directly contributed to enabling the successful implementation of the OECD Due Diligence Guidance. There is of course a very wide and quite intensive donor engagement on both a bi-lateral and regional basis across a broad spectrum of activities from post-conflict humanitarian to advanced socio-economic regional integration and large-scale infrastructure developments. All of these in their respective phases contribute indirectly to the minerals sector, largely in improving the enabling environment. And of course addressing the issues of the minerals sector equally contributes to the transformative processes from conflict resolution to stabilisation to economic growth. The consultant looked at the general trends of these donor engagements without cataloguing specific activities.

In terms of the activities of the governments in the region the consultant sought to understand where and how the minerals sector fitted into the national economic development plans and therefore what priority was given to it. This varied considerably.

This variability in large part explained how difficult it was for sub-regional organisations like the ICGLR to pursue a unified and common set of activities on a regional basis.

The consultant aimed to gain access to a wide spectrum of officials and experts at senior level. Inevitably on short pre-arranged visits not all those the consultant wished to see were available or they were drawn to other commitments at short notice. A good example was the consultant's visit to Goma which clashed with a (much welcomed) high level visit from BGR headquarters!

The consultant feels, notwithstanding the above and missing a number of interlocutors from his "wish-list" that he was able to get a sound cross-section of information to inform his conclusions. Organisations and agencies interviewed include:

In DRC

- Paul Mabolia, PROMINES co-ordinator and Cabinet of Ministry of Mines
- Pierre Umbe and Lydia Kalele, SAESSCAM
- Delphin Tshiema and Gotthard Walser, World Bank
- William Mishiki, Chef Coutumier, Walikale
- John Myers, MONUSCO Stabilisation Unit
- Yves Bawa, PACT
- Jean Pierre Breyne, Belgian consultant
- Kay Nimmo, ITRI
- Aloys Tegera, Pole Institute Goma
- Emmanuel Nduwimana, Division des Mines Goma
- Uwe Naeher, BGR
- Richard Robinson, USAID
- M. Goetz, GIZ
- Neil Wigan, British Ambassador
- Rodney Dyer, DFID Extractives advisor DRC

In Uganda

- Rob Rudy, TradeMark East Africa
- Jennifer Hinton, Mining executive and advisor to Ugandan Ministry
- Jane Rintoul, DFID
- Elizabeth MacKinnell, British High Commission

In Rwanda

- Caroline Kayonga, PS Ministry of Natural Resources
- Dr Emmanuel Nkurunziza, DG Rwanda Natural Resources Authority
- Allison George, Advisor in Ministry of Natural Resources
- Rachel Perks, PhD student specialising in artisanal mining
- Antonio Pedro, Director UN Economic Commission for Africa East African Office
- Philip Schutte, BGR
- David Ben Susan, Miner
- Rod Marshall, Miner
- Lewis Madge, Human Rights Watch
- Elizabeth Carriere and Nicholas Waddell, DFID

In Burundi

- Gerard Nimpagaitse, Expert at ICGLR
- Eddy Mbona, Project Officer, ICGLR
- Dave Beer, DFID
- Adeline Defer, GIZ/ICGLR

Elsewhere

- Joanne Lebert, Partnership Africa Canada
- Clare Short, Chair, Extractive Industries Transparency Initiative (EITI)
- Global Witness, various