

# Analysis of different strategies initiated to avoid the natural resources curse by the government and different institutions in the DR Congo

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## **Abstract**

*The DRC has fallen victim to the so called 'resource curse,' a theory which argues that a higher amount of natural resources in developing nations creates a higher risk for civil war and slower development. Natural resources have been source of conflicts in the DRC up today. Hundreds of thousands of people have been shot. The eastern part of the Democratic Republic of the Congo is extremely rich in Coltan (Columbite-Tantalite), a rare metallic ore used for the production of electronic goods of mass consumption, such as mobile phones, laptops and videogame consoles, whose profits have fuelled the largest conflict in modern African history. Unfortunately, malnutrition, poverty, insufficient salary, corruption, impracticable roads, killings, lack of water and electricity are the current problems in the DRC.*

**Key words:** *Strategies, Natural resources, Curse*

## **1. Introduction**

The present paper talks about the strategies that are being used to avoid the resource curse in the DRC, a geological scandal with its abundance in resources. Unfortunately, the abundance in resources does not alleviate the poverty of Congolese, but contribute to their killings. This is a big paradox and needs a deep analysis to see how the resource curse in DRC can be avoided.

### **1.1. Main objective**

The present paper aims to analyze the different strategies taken by the DRC institutions to avoid the natural resource curse.

### **1.2. Specific objectives**

The specific objectives of this paper are:

- To analyze the DRC's natural resources
- To analyze how the DRC's macroeconomic context

- To analyze the roles of institutions to avoid the natural resource curse
- To analyze strategies taken by the DRC to avoid the natural resource curse
- To analyze strategies taken to fight poverty from the forestry sector.

### **1.3. Methodology**

The content of this paper has been obtained thanks to the use of the content analysis and interviews with the staff from the North Kivu Ministry of Mining.

### **2. Statement of the problem**

Collier P (2003), an expert on the economics of civil war, estimates that close to fifty armed conflicts active in 2001 had a strong link to natural resource exploitation, in which either licit or illicit exploitation helped to trigger, intensify, or sustain violence. In Pakistan and Bolivia, for example, violent protests have broken out over the distribution of water. In the Middle East, disputes over oil fields in Kuwait, among other issues, led to the first Gulf War. In another example, the rebel groups Revolutionary United Front (RUF) in Sierra Leone and National Union for the Total Independence of Angola (known by its Portuguese acronym UNITA) used revenues

derived from diamond mining to fund their rebellions against their respective governments. Research has also indicated that wars appear to be lasting longer: the expected duration of conflict is now more than double that of conflicts that started prior to 1980.

The DRC, being a Great Lakes Region country is not excluded from this context of conflict related to resource exploitation. Therefore it is important to think of natural resources in terms of how they are used and for what. Are they source of curse, and why? If yes, how to avoid that curse?

The DRC has faced different difficulties in this perspective. People have been killed; especially in the eastern DRC plenty of natural resources such as minerals (gold, coltan, diamond, and cassiterite) included oil and natural gas exploitation. Water is being demanded by other countries such as Tchad, and the Republic of South Africa that would like to get hydropower from the big Inga 3 dam. Timber in DRC is also one of natural resources, which is being exploited in an illicit way. The natural gas can be found in the Kivu Lake, and oil is being prospected in the Virunga National Park which is a protected area. The civil society, national, local and international NGOs are against the oil exploitation, because of its possible negative

impacts on the park, and the doubt that the oil to be exploited would contribute to the development of local communities, and the country in general. Problems occur because minerals, timber and oil are revenue-producing resources, and sometimes called resource curse because the DRC with abundant resources has a less economic growth than those without natural resources. It is a big paradox which might be explained by mismanagement, corruption, presence of war, government's bad will and bad governance in general.

According to Kileloh H *et al* (2015), natural resources are defined as "materials that occur in nature and are essential or useful to humans, such as water, air, land, forests, fish and wildlife, topsoil, and minerals.

Minerals and lands are the main resources that contribute to conflicts in the DRC, instead of bringing peace and contribute to the development of communities. The rest of resources are also source of conflicts, but not at the same level as minerals and lands.

Moreover, valuable minerals become conflict minerals when their control, exploitation, trade, taxation or protection contributes to, or benefits from, armed conflict (USAID, 2005).

Conflicts minerals in DRC seem to be very complex because they are not only internal, but

they also have an international aspect despite their exploitation, trade and protection. This situation leads the DRC to an illegal extraction of minerals by armed groups, especially in its eastern part while people are suffering from poverty. Furthermore, conflicts over minerals do not necessarily stay within boundaries; neighboring countries sometimes compete for resource wealth and thus exacerbate conflict or prevent peace building. What should be done when neighboring countries compete for resource wealth? As it is the case of the DRC, this problem should get a range of solutions in order to avoid the resource curse.

According to Collier P (2003), diamonds are the conflict minerals that have received the most attention. They have been used by several rebel groups in Africa as a source of income, including groups in Angola and Sierra Leone. Regarding the DRC, coltan (Tantalite, used in cell phones, computers, and game consoles) extraction has been also the source of conflicts. Oil is being prospected in the Virunga National park, and if it is exploited in the future, this might also be a source of other kinds of conflicts.

### **3. The DRC natural resources**

The DRC has one of the richest and most diverse mineral endowments in the world,

boasting extensive deposits of copper, cobalt, and coltan, as well as diamonds, gold, silver, tin, iron ore, zinc and oil. The country is estimated to have surpassed Zambia in 2013 to become the largest African producer of copper (Congo Trumps Zambia Copper Miner, 2014).

These resources can contribute to development if they are well managed. Unfortunately, the DRC is ranked among the poorest countries in the world. Most of minerals are located in the eastern part especially in the North Kivu, South Kivu, Oriental province and in the Katanga province.

The DRC is producing 846,000 tons and accounting for over four percent of global copper production. However, falling copper prices amid declining global demand may impact copper production in the near term (Big dip forecast Copper production, 2014).

The falling copper prices cannot be the main reason of poverty in the DRC because the latter exports different kinds of minerals. The DRC government should see how to valorize all resources included the tourism sector that seems to be neglected in general. This is a way of alleviating poverty and avoid the resource curse.

With the opening of three new mines, gold production in DRC has increased markedly in recent years. Eastern DRC is a major producer of the so-called “3Ts”, coltan, tin and tungsten. With gold, the 3Ts constitute the major “conflict minerals” that are now subject to disclosure requirements under Dodd-Frank Section 1502. Passage of the Dodd-Frank disclosure rules initially led to a decrease in official production figures for the 3Ts and created a two-tier market, with minerals that avoided traceable programs selling for 30-60 percent less (Dodd-Frank and Conflict Minerals Reforms on Eastern Congo’s Conflict, 2014).

The 3Ts are sources of conflicts, but can be changed to become source of development and peace if they are well managed. The Dodd Frank law has been helpful for the DRC to avoid the 3T being exported without any traceability.

#### **4. The DRC macroeconomic context**

The DRC is among the poorest countries in the world and is consistently rated the lowest on the UN Human Development Index. Civil wars and state collapse have claimed over 5 million lives and cost billions of dollars in reconstruction efforts. The economy remains extremely fragile, although positive trends are evident on key macroeconomic indicators. The

IMF describes the economic growth prospects of the DRC as 'favorable' with economic growth of 7.5 percent forecast for 2015-2018. Katanga province is the richest in the mineral sector, with 93 industrial mining operations (IMF, 2014).

It is a big paradox that the DRC rich in natural resources can be among the poorest countries. The situation can be justified by recurrent wars, especially in the eastern part. But, the suffering of populations is more linked to the poor governance and weak institutions. The DRC prime Minister use to say that the macroeconomic framework of the DRC is being improved. Unfortunately, this improvement is not being felt by people because their life conditions have not yet been improved.

The extractive sector is at the core of the economy. Reports from the Extractive Industries Transparency Initiative (EITI) show that a record \$1.4 billion in government revenue was generated from the oil, gas and mining sector in 2011, representing roughly 20 percent of the total budget. Total exports from the DRC were valued at \$12.9 billion in 2014 (all sectors), with copper accounting for 57 percent of this total and cobalt 17 percent (IMF, 2014).

The DRC is a country rich in minerals. The latter could be the core of the economy by increasing the national budget. Unfortunately, most of minerals exported from the DRC do not benefit populations and even the state because of corruptions. An effort is being made in this sector to make sure that minerals are being exported in an official way. Poverty in DRC should not have a place because of the abundance in resources. Oil has been exploited in Moanda, but it is difficult to see how it impacted the life conditions of people. What could also happen if the oil in the Virunga national park is exploited? This question deserves a deep analysis. There is a hope that the DRC will increase its revenue from the mining sector in coming years if there is good governance and good institutions. This situation would also help communities to access basic public services.

### **5. Role of institutions to avoid the resource curse**

The concern is to know how institutions can help to alleviate the resource curse. It is very complex, but the later have the task of seeing how to avoid the resource curse. The economic growth in a country is possible if there are institutions with high performance and the promotion of good governance.

However, it has been demonstrated that there is a growing body of evidence suggesting that natural resource abundance may be harmful to the economic development of low and middle income countries (Sachs J D *et al*, 2001).

The DRC is part of countries with low income despite wealth and natural resources it has. Its institutions are appealed to adopt strategies that can contribute to the development of the country, and avoid the resource curse.

Low quality institutions are less likely to draw entrepreneurs into productive activity than are good institutions. In other words, having good institutions will cure the resource curse (Lane PR *et al*, 1996).

DRC's institutions in general are still weak even if there is a progress in their establishment and organizations. This paper will also explain the different strategies that have been adopted by the DRC government to avoid the resource curse through its official institutions. It is important to reflect why countries like Botswana, which is rich in Diamonds, is not resource cursed while Sierra Leone, also abundant in diamonds, does seem to be cursed. Similar comparisons can also be made between, for example Norway and Nigeria, the two oil endowed countries. Thanks to the proper utilization of the oil discovery, Norway has

transformed itself from one of the poorest countries in Europe during the early 1900s into the country of highest quality of life today (UNDP, 2009).

Norway is a good example that should be followed by the DRC, which is among the poorest countries for the moment despite its abundance in natural resources. The proper utilization of the oil resource in Norway can be linked to good governance, democracy and the establishment of good institutions.

On the other hand, Nigeria is notorious for its management of resource proceeds as well as general corrupt tendencies, hence little economic growth (Sala-i-Martin X, 1997).

The DRC should not follow the Nigeria example where the oil exploitation has brought trouble to people instead of contributing to the development of local communities, and the country in general. The DRC has already experienced the resource curse, especially linked to the minerals exploitation. As the DRC has also oil in the Virunga National Park, its institutions are invited to examine deeply this situation that might also bring conflicts in the coming years as it has been the case of minerals. Therefore, DRC institutions should consider that its natural resources are good for growth, development and not for curse. Unfortunately,

it is the opposite of not abating the resource curse that use to happen.

A decree signed in 2011 requires the government to publish all mining, oil and forestry contracts. However, the government only began disclosing agreements in June 2012, and several controversial contracts remain secret, including the contract of the country's state-owned miner, Générale des Carrières et des Mines (Gecamines). To date, 135 mining contracts have been published (Carter Center, 2015).

The transparency in the extractive sector cannot be possible without the publication of contracts. It is the same for the oil and forestry sectors. If contracts remain secret, it can mean that there is mismanagement and the accountability is difficult to be done. The DRC institutions are supposed to promote the transparency and accountability when it comes to the management of natural resources. This can help the DRC to avoid the structural violence and the resource curse.

## **6. The DRC strategies to avoid resource curse**

### **6.1. Strategies in general**

The potential for the mining sector to catalyze economic growth in the Democratic Republic of Congo (DRC) is great but significant obstacles to progress remain. The country is rich in natural resources, but poor governance, a lack of infrastructure and recurring security challenges have meant the country has not profited. Yet, the pursuit of sustainable positive change is gathering momentum, and the DRC government and its neighbors are taking meaningful steps to progress beyond the impasse (Natural Resource Governance Institute, 2015).

As the mining sector of the DRC can greatly contribute to its economic growth, it is important for the government to do a deeper analysis on how this sector can contribute to the development of communities, and not create a situation of structural violence. The general governance of the DRC poses also too much problems because of impunity and insecurity in mining areas. That is why the government should have a good will to fight against insecurity in all its forms, and avoid impunity. On the other hand, this can also be possible if neighbor countries can collaborate with the DRC government to exploit its resources in a licit way. Peace cannot be done by a country. It is done with others so that it can be sustainable.

Further, the Natural Resource Governance Institute explains that the Government reforms are underway to increase mining and oil production, revenues from which could make significant contributions to the national budget and contribute to much needed human development initiatives. However, these revenues could also instigate political and socioeconomic risks associated with the resource curse.

The ideas of the Natural Resource Governance Institute Reforms are good to be put in place. They should not be kept as texts in offices, but implement them as decided by policy makers. The DRC has good texts in terms of laws and reforms. Unfortunately, their implementation seems to be difficult because of the lack of good will and self interest.

The Natural Resource Governance Institute also highlights that the DRC lacks a comprehensive national strategy for the extractive sector, despite numerous reform efforts. The government is revising the 2002 Mining Code in an effort to strengthen the legal framework and increase tax revenues from the expanding mining sector. The revised hydrocarbons code was passed by parliament in 2015, with the hope that the country will benefit more from its

expanding oil sector. Other recent or ongoing efforts are directed at improving fiscal, tax, environmental, and social reform. With so many reforms underway simultaneously there is a risk of policy incoherence or inconsistency. Development of a comprehensive strategy to guide reform would thus be beneficial.

The parliament can revise codes and laws related to the mining sector. The problem is more felt when these codes or laws have to be applied on the ground. Corruption, impunity and the lack of transparency constraint these processes to be successful. The DRC government should make an effort to promote transparency and fight against corruption in all its forms.

The government has a positive record in encouraging public participation in sector governance. A consultative and participatory framework has been established for actors involved in the management and exploitation of natural resources of the country. Annual conferences have been organized since 2013 to promote transparency and the delivery of benefits from the mining and other sectors. At each conference, an action plan is elaborated and recommendations are made to various stakeholders (Congo Mines, 2015). The civil



society can be involved in the revision of the mining and hydrocarbons sectors. It is a way of getting opinions from each one. But, civil society should benefit these resources to improve their life conditions. Unfortunately, it seems that it is a small portion of Congolese that benefit resources, usually closer to the people on power. It is an illustration of the structural violence which is also a source of resource curse and conflict.

## **6.2. Strategies provided by the North Kivu provincial Ministry of Mining and hydrocarbons**

Interviews with the staff from the North Kivu provincial ministry of mining have revealed a series of strategies that have been implemented to combat the resource curse. Interviews have revealed efforts made by institutions and the government to avoid the resource curse even if they are not yet successful. The following elements have been provided:

The follow up of the minerals exploited is being done by the OECD (Organization for Economic Co-operation and Development), and the associations of artisanal miners. A workshop on the minerals traceability is being prepared, and others have been done. This last time, there is a systematic identification of where minerals are

from. There are also auditors who do the follow up of the minerals exportation, and the mining sites have to be validated by the national Ministry of mining and hydrocarbons. During the workshops, artisanal miners are taught on what to do after their activities of mining.

The warlords use to exploit minerals illegally to pay arms. One Kalashnikov costs 45 dollars in Goma Town, which is the equivalent of 8 kilograms of cassiterite. One gram of gold costs also 40 to 60 dollars which can also help the warlords to pay arms. Countries with resources in abundance have been victims of recurrent wars.

As strategies to avoid conflicts related to resources exploitation, the USA with its law Dodd-Frank had forbidden to all American industries to pay and import minerals from mining sites detained by armed groups. The OECD and the 1952 UN resolution say that the final consumers of minerals should not get them from areas with conflicts. Countries that import minerals should make sure that taxes are not paid to armed groups during the process of exportation so that they might not use that money to pay arms. Despite all these strategies, armed groups are still exploiting illegally minerals. For example, the gold and diamond

are difficult to be controlled because people carry them in their pockets, oil cans, beans sacks and can be hidden in vegetables carried by Lorries and buses. So it is difficult to control the movement of minerals for the moment because of lack of adequate equipments, and insufficient agents on the ground to follow the situation.

A group of foreigners has installed foundries in Uganda to target the gold from the DRC, especially from the Kibali Ituri. Regarding all these problems, the ICGLR (International Conference on the Great Lakes Region) has put in place a certificate that all exporters should have to make sure where minerals are coming from. But, the ICRGL is not also able to talk to Uganda authorities in order to suspend activities of foundries installed to loot the gold from DRC.

There is also the ITRI (Industrial Technology Research Institute), an international organization that deals with the traceability of minerals and represents foundries, and poses etiquettes or labels on minerals from mining sites up to the final consumers. All these processes concern the 3T (Tin, Tantalum, Tungsten) which are mined in the eastern part of the DRC. The minister of mining has agents

who administrate mines, but soldiers and other state agents are not eligible for these tasks.

In addition, there is the SAESSCAM created by the publication of the Decree No. 047-C / 2003 of the 28 March 2003 for the establishment and status of public service called Public Assistance and Supervision Service of the Small Scale Mining Production and Small Scale Mining in "SAESSCAM" acronym. The SAESSCAM agents are on the ground to put the labels on the minerals that are being sold. Other organizations intervene such as the CEEC (Center of Evaluation, Expertise and Certification), a public state service in charge of the certification of minerals, and provide documents for exportation of minerals. The CEEC is helping now to increase the official taxes on minerals' exportation.

The local miners are the direct beneficiaries of these taxes. The decentralized territorial entities and local administrative entities are the indirect beneficiaries because there are taxes which are directly paid at the provincial level. The development funds of the province and territories come from taxes on minerals. For example, at Masisi, 2 bridges have been built to facilitate the evacuation of minerals and evacuate the agricultural products. The road

going to Walikale is being opened thanks to taxes on minerals. In addition, health institutions, secondary schools are being built, and a building of mines is being built Goma town thanks to the 1% withdrawn from the minerals' taxes.

As mentioned above, the traceability for gold and diamond is difficult because the two minerals are also carried in pockets, bean bags, oil cans, vegetables and bags with potatoes. Many of small buses have been discovered with coltan hidden in vegetables which makes difficult the traceability. It has been revealed that 1 ton of coltan costs 30 000 dollars. So people prefer to corrupt even with 5000 dollars to export it without any traceability. Sometimes are soldiers who facilitate kind of corruptions. In brief, it will be difficult to end wars in the world as long as arms are being made. The Dodd-Frank law published by the USA has contributed a lot by breaking the contact between exporters of minerals and armed groups. The European Union would like to do the same, but not yet for the DRC.

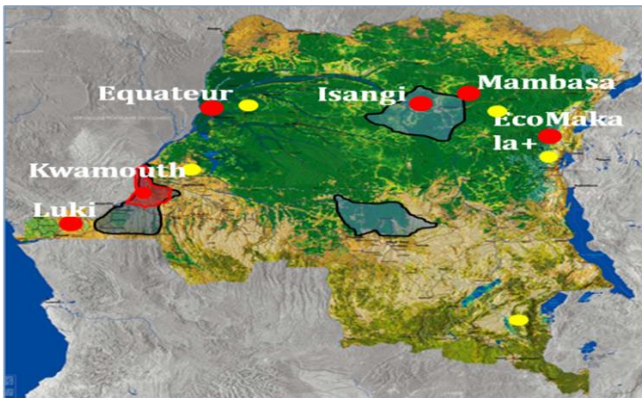
## **7. Strategies taken to fight poverty in the forestry sector**

The fight against poverty in the forestry sector is done through six different REDD+ pilot

projects in which local communities are involved through different activities. The REDD+ pilot are the following: the NOVACEL REDD+ pilot project has a carbon stock of 60 000 tons which continues to grow with 8 tons of CO<sub>2</sub> /ha/year; 210 tons/ha/year on the left side of the Congo River, and on the right side 195 tons/ha/year is generated by the Isangi Geographically Integrated REDD+ pilot project. The WCS Mambasa Forestry REDD+ pilot project has 230 tons/ha/year, while 16 000 tons of CO<sub>2</sub>/year are stocked under the Luki REDD+ pilot project. In addition, there are also the Eco-Makala and Equatorial REDD+ pilot projects have not yet estimated their carbon stocks (National REDD Coordination, 2015). Communities will benefit the carbon credit when it will be paid. However, the following activities are organized by the six REDD+ pilot projects to protect the forest:

- The husbandry activities (goats, chickens,...)
- Cocoa plantations
- Cassava agriculture
- Rice agriculture
- Beans agriculture
- Reforestation activities
- Creation of nurseries
- Beekeeping

- Fish farming



Source: DRC National REDD Coordination (2015)



- Pilot project CBFF
- Other pilot projects
- Concentration Zone of FIP investments
- Program Zone of Mai Ndombe Emission Redaction

The illegal logging is also a reality in the DRC. The government should also make an effort so that forest resources, especially timber can benefit local communities and contribute to the local development.

## 8. Conclusion

The resource curse in DRC is a reality because it is among the poorest countries despite its natural resources. DRC institutions are making an effort to improve the situation, but a lot is still to be done. DRC authorities are directly responsible of what is going on, and should collaborate with international organizations to fight against the looting of resources, especially minerals and timber that contribute to the pauperization of Congolese. The improvement of the governance in the DRC should also be a priority. Unfortunately, the DRC is characterized by the impunity that promotes corruption in all sectors. The Congolese government should take seriously the issue of resource curse, and take strong measures to avoid it. It is a complex process because the looting of resources in the DRC has also an international aspect.

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