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Natural Resource Governance, Boom and Bust: The Case of Kolwezi in the DRC

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ABSTRACT

This paper considers the effects of the successive booms and busts in the mining industry and the commodity markets on the management of natural resources in Kolwezi. It focus on the commodities boom that ran from 2004–2008, and the bust that began in 2008, which appears, at the time of writing, early 2009, to be far from its conclusion. Field research conducted in November 2008 revealed that the booms and busts of commodity markets and the mining industry have presented not only severe challenges for natural resource governance in Kolwezi, but opportunities for reform. Yet, as has been well documented, the modern Congolese state exhibits weak capacity to manage any aspects of the country's mineral wealth. It remains dangerously ill-equipped to respond to either the opportunities or the challenges.

ABOUT THE AUTHOR

Gregory Mthembu-Salter is a researcher, author and journalist on Africa's political economy and has served on the United Nations Panel of Experts on the Democratic Republic of Congo. He has made a particular study of unrecorded cross-border trade in Africa, and has also researched a range of other subjects, including small arms proliferation on the continent, natural resource governance, non-tariff barriers, the impact of mediation on Africa's civil wars and sanctions implementation in Burundi.

A SHORT HISTORY OF KOLWEZI

A true mining city, Kolwezi was founded in 1938 by the *Union Minière du Haut Katanga* (UMHK) as the headquarters of its newly-created western division. It is situated in the western Katanga province of the Democratic Republic of Congo (DRC), and lies on the richest seam of the region's prodigiously endowed Copperbelt.

The city's population has been growing fast for some time: between 1958–1980 annual growth was officially reckoned to be 7%, and the city's populace grew fourfold during this period.¹ In 1956, Kolwezi was the 19th biggest town in the country. By 1970 it was ranked 11th, and by the time of the 1984 census, it was the DRC's fourth-largest city, having overtaken most of the provincial capitals including Bukavu, Kisangani, Matadi and Mbandaka.² Because the DRC has not conducted a census since 1984 (a small indicator of its administrative collapse), reliable demographic information of any sort is in short supply, and Kolwezi is no exception. The city's population in the 1984 census was given as 416 122, and has been estimated as having more than tripled to 1.3 million by mid-2005.³ The official population figure, however, is considerably lower: according to the annual report for 2006 of Kolwezi's mayor, the total population was just 595 000.⁴ Once the third-largest city in Katanga, Kolwezi is now second only to the provincial capital, Lubumbashi.⁵ Another, similar story has played out in Mbuji-Mayi, the capital of Kasai-Orientale province, which is the centre of the country's diamond mining industry. Mbuji-Mayi, which was the country's 11th largest city in 1956, had become its third-biggest by 1984.⁶

Most of Kolwezi's population growth appears to have originated from a continual influx of people, not only from rural Katanga but also from other towns and cities, including many in neighbouring provinces. All of these were drawn by the possibility of finding employment (and consequently income) in the mining industry. Towns like Kananga in Katanga, for example, experienced a fall in population in 1970–1984, while the number of people living in Likasi, which lies between Lubumbashi and Kolwezi, grew at only 2% a year during this period. Kolwezi, meanwhile, experienced annual population growth of 10%, the highest in the country, outstripping even the rate in the national capital, Kinshasa.⁷

Kolwezi has been described as an agglomeration of mini-urban areas that were shaped by the apartheid-style planning of the Belgian colonial authorities. The latter designated the city centre as the location of white-owned businesses, the immediate periphery as a white residential area, and created an outer ring of satellite townships and mine-worker compounds for the African inhabitants. These outlying areas were interspersed with massive mining sites.⁸ According to a study carried out in 1986, mining sites occupied three-quarters of the total developed or urbanised space in Kolwezi,⁹ proportions which appear to apply even today.

The central business district is small, containing 70-odd shops, most of which appear to be selling a range of inexpensive Chinese goods.¹⁰ This commercial nucleus is dwarfed by the large mining installations just beyond it. The former white residential area is much decayed, but most of the buildings are still standing and continue to constitute the city's best housing stock, which is reserved for the political and economic elite. Kolwezi's townships and surrounding slums are large, ramshackle and poorly-serviced, while the old mine-worker compounds have become a shadow of their former selves, owing to a near-total lack of maintenance for decades.¹¹ During the boom of 2002–2008, an increasing

number of people built rudimentary accommodation of a traditional kind out of mud, sticks and grass, in and near the city's lunar landscape of artisanal mining sites.¹²

The fact that the UMHK created the city, and planned the close proximity of residential and mining areas in Kolwezi, epitomises the close partnership between the company (a subsidiary of the *Société Générale de Belgique* — SGB), and the Belgian colonial state. On both the Belgian side of the border, and across it in British-controlled Northern Rhodesia (now Zambia), the colonial authorities worked with other such massive, monopolistic mining companies to open new markets for trade and make new resources available for extraction. In Northern Rhodesia it was the British South Africa Company (BSAC). To enable these companies to perform these tasks, the British and Belgian administrations granted them extensive powers, including the authority to found and manage urban centres like Kolwezi.¹³

Because there has been little development of commercial agriculture in Kolwezi,¹⁴ local farming produce has long been insufficient to meet local needs. The city is estimated to have imported 500 000 tonnes of agricultural products annually between 2004–2006.¹⁵ No significant industry other than mining has evolved. Mineral extraction is the main source of employment and income in a city that has been tied since its inception to the fortunes of Congolese copper and cobalt mining and the intertwined narrative of trends in international copper and cobalt supply, demand and price.

FROM BOOM TO BUST

During the most recent boom, which shuddered to an abrupt halt in 2008, private mining companies, in Katanga in general and Kolwezi in particular, began to provide employment and to take on or assist the Congolese state to carry out a limited range of functions concerned with controlling natural resources. This assistance partly masked the shortcomings in the government's management of the country's natural resources. At the same time, however, the arrival of these new companies caused huge social disruptions in Kolwezi and its environs, particularly when they began to expel the tens of thousands of Congolese who had been eking out a living mining artisanally on the properties these companies now owned.

The state supported the expulsions. The government declared it would uphold the property rights of the companies concerned,¹⁶ and often deployed policemen to assist the private security firms employed by the companies to uphold these rights against artisanal miners, in what has been termed 'a conflation of private and state policing in mining regions'.¹⁷ At the same time, however, members of the police took bribes from informal miners in Kolwezi and elsewhere to allow them illegal access to company sites.¹⁸

Both international law and popular opinion put pressure on the state and the mining companies to seek alternative sites for the displaced artisanal workers to mine.¹⁹ Both have made limited attempts to comply, but the process has been highly problematic. Indeed, during the latest boom, artisanal mining and its relationship with industrial mining and the government rapidly became the most pressing issue in Kolwezi, and in Katanga as a whole.²⁰

Another matter of importance to natural resource management in Kolwezi during the boom was the environmental and social effects of new mining operations. There was also

the evolving (and often fraught) relationship between the Congolese administration, the state mining company, *Générale des Carrières et des Mines* (Gecamines), and the newly-arrived mining enterprises. This relationship occupies a central position in what has been termed the 'pattern of extractive order' in the region.²¹

Coinciding with the last boom, the control and exploitation of natural resources, particularly in weak states like the DRC, became an increasing focus of global attention. Those who debated the issue ranged from organs of the United Nations (including expert panels), donors, international financial institutions, investors and civil society lobby groups²² to the media. This attention has gradually led to the evolution of an international agenda for the reform of natural resource governance in the DRC. The Congolese state formally signalled its own commitment to these reforms when the DRC was accepted as a candidate member of the Extractive Industries Transparency Initiative (EITI) in early 2008.

Strong disagreements persist between the various contributors to the debate about what the constituent elements of the natural resource governance reform agenda should be. The arguments include what improved governance in this sphere would entail, and what can be identified as the greatest obstacle to reform. However, there is an overall consensus nonetheless that the Congolese state, the mining companies operating in the country, and indeed all those involved need to do more to safeguard both the environment and the welfare of ordinary Congolese people.

The immediate challenge presented by the commodity price collapse, which began in 2008, is that it has become more difficult for both the government and the mining companies to take action. In contrast, donors and lobby groups in civil society have not been equally affected by the economic crisis, and continue to press for far-reaching changes. This divergence could generate increased animosity between the two broad camps unless there is a collective effort to re-think how natural resource governance can be reformed in the context of economic hardship.

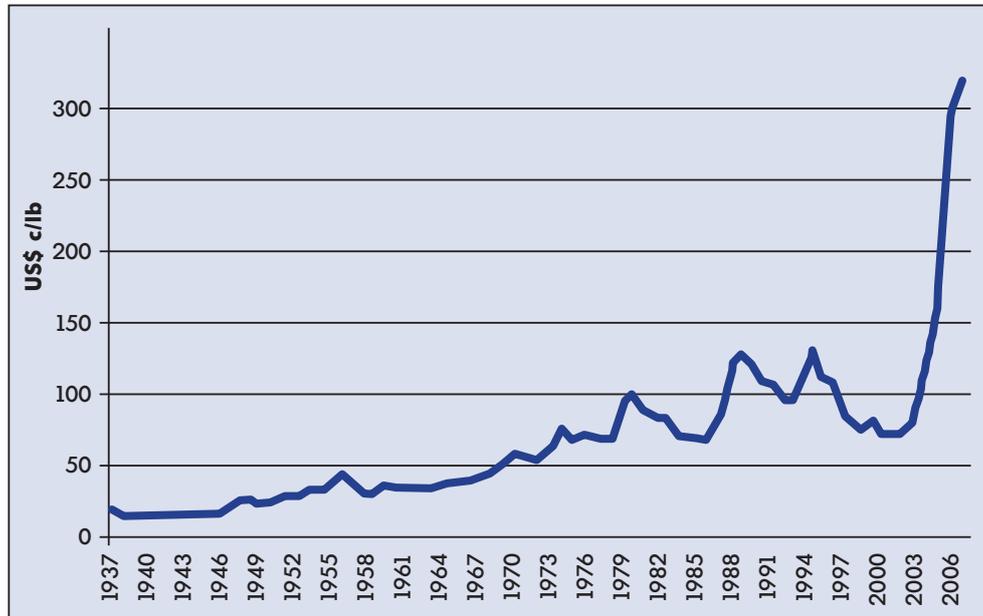
Another major obstacle is the immediate and devastating impact that the dramatic fall in prices has had on artisanal mining. As copper and cobalt prices tumbled during the latter part of 2008, demand for the copper and cobalt ore mined by hand dwindled dramatically, slashing miners' incomes to below subsistence level. Hunger became widespread and the risk of social unrest became ever greater.

It remains unclear what direction natural resource governance will take in Kolwezi in particular, and the DRC in general during the current economic downturn. A key finding of my research, however, is that the prospects for the adoption and implementation of the necessary reforms are not good. At the very least, the governance reforms proposed in the context of conditions that prevailed during the boom will have to be reviewed.

International copper prices rose steeply in the 1890s in response to increasing global demand, particularly in the rapidly-industrialising United States (US). Figure 1 tells the story from 1937, the date of Kolwezi's founding. As the graph above indicates, the upward trend in copper prices continued largely unabated until 1956–1957, after which it fell year-on-year by 28%. Thereafter, the copper price began a gradual recovery, returning to its 1956 level 12 years later (1968), and peaking in 1974 at \$0.77/lb before falling back the following year and staying low until 1979. There followed a further succession of booms and busts. The copper price spiked in 1980, then fell again, remaining depressed for seven years; rising high for five, declining for one; soaring again from 1994–1997, and sinking between 1998–2003. The spectacular commodities boom, which ran from 2004–2008,

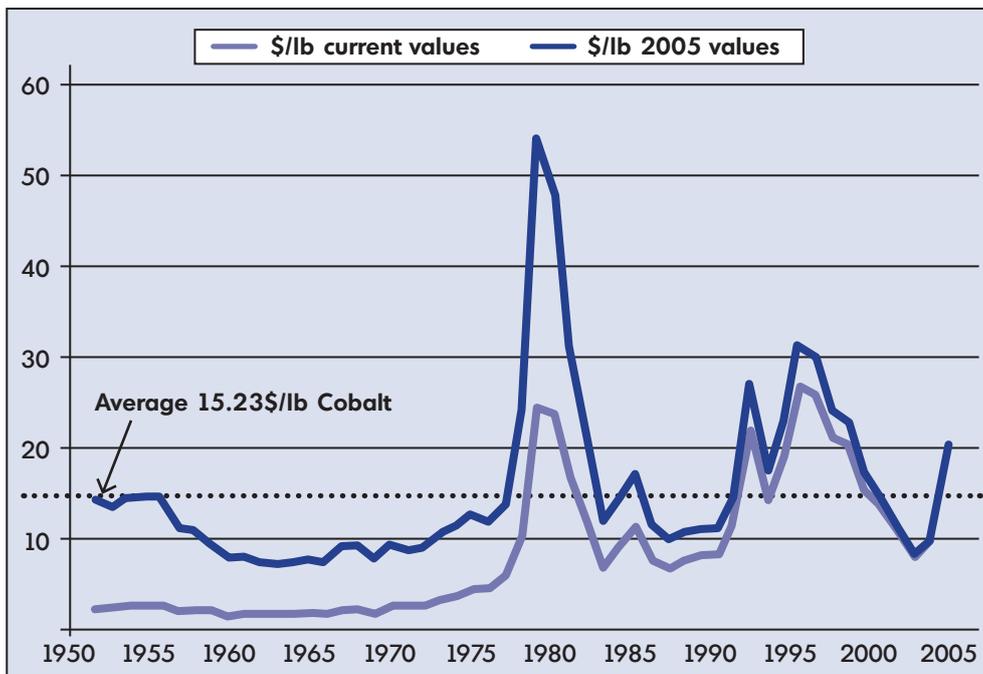
took the copper price in 2007 to \$3.22/lb, over four times its level just four years earlier. Copper sold at the historical high of over \$4.00/lb in mid-2008, before collapsing to little over \$1.00/lb by the end of that year.

Figure 1: Average Annual Copper Price (US c/lb),²³ 1937–2007



Sources: <minerals.usgs.gov/minerals/pubs/commodity/copper/240798.pdf>; Economist Intelligence Unit.

Figure 2: Average Annual Cobalt Price, 1952–2004



Source: <http://ratcliffphotos.free.fr/kamoto/cobalt-prices.xls>.

The DRC has the world's largest cobalt reserves. According to Larry Devlin, at that time the chief of station in the country for the US Central Intelligence Agency (CIA), the strong involvement of the US government in its post-independence politics was prompted by fear that the Soviet Union might gain control of the cobalt mines via the current prime minister, Patrice Lumumba.²⁴ Unlike copper, cobalt is not traded openly on an exchange. Its price fluctuations often have more to do with the building up or scaling down of national stockpiles and which companies have cornered the market than with global supply and demand. Figure 2 illustrates the stability of cobalt prices from the 1950s to the 1970s, and then a series of swings, with price spikes in 1980, 1985, 1992, 1995 and 2004. These movements partially replicate those of copper. The most recent peak in the cobalt occurred in May 2008, when the price soared to a record \$50/lb. It had fallen to under \$20/lb by the end of the year.

Cobalt is the second most important mineral mined by the UMHK/Gecamines and the private companies. Annual cobalt production has risen steadily over the years, although it has experienced minor hiccoughs, and peaked at a little over 17 000 tonnes in 1974. Since then, output has been much less stable: cobalt mining suffered a major collapse in the mid-1970s (attributable, as in the case of copper, to civil conflict in Kolwezi). It subsequently recovered, but declined to near zero by the turn of the millennium. Again in line with copper, while Gecamines's cobalt production has remained very low ever since, total domestic output started to rise in 2002 owing to the amounts of the mineral mined by the private companies. Total cobalt production was estimated by the Economist Intelligence Unit as having risen from 8 200 tonnes in 2005 to 36 000 tonnes in 2008.²⁵ The last few months of the year, however, saw a sharp fall in output, and the figures for 2009 are likely to be much lower.

The UMHK was nationalised and renamed Gecamines by the president, Joseph Desiré Mobutu (later Mobutu Sese Seko), in 1967. The general trend in copper production from the earliest days of the UMHK until 1990 showed a steady increase, with periodic minor dips. Annual copper output at the UMHK in 1937, when Kolwezi was founded, was just under 100 000 tonnes. Production kept rising during World War II, and by 1950, the annual yield of copper had reached around 140 000 tonnes. At independence in 1960, this had doubled to 280 000 tonnes. Mining output continued to rise throughout the decade after the UMHK became Gecamines, but dropped during the late 1970s and early 1980s, reaching a low of around 360 000 tonnes in 1980, mainly owing to the civil unrest and the subsequent heavy-handed military crackdown in Kolwezi.

Copper output recovered in the mid-1980s, and peaked in 1988 at nearly 480 000 tonnes. After that, the pressing problems of the wider economy in what was then Zaire, and a huge escalation in the fiscal demands being made on the company by the political elite, finally caught up with the company. Gecamines's output dropped radically. Its recorded copper production plummeted below 30 000 tonnes in 1994, and has seldom risen above this level, although it has occasionally dropped further. However, since 2002 total copper mining output has begun to rise because private companies, many of which are in joint ventures with Gecamines, have started mining copper. No reliable statistics for total Congolese copper production since private mines started work in the country are available, but the World Bank estimated total copper production in the DRC for 2006 at 150 000 tonnes.²⁶ The amount of copper mined in 2007 was probably higher still, and the Economist Intelligence Unit forecast that the total would reach 200 000 tonnes in 2008.²⁷

A SURVEY OF NATURAL RESOURCE GOVERNANCE, BOOMS AND BUSTS IN KOLWEZI, 1937–2002

It has not been possible to obtain disaggregated figures for copper and cobalt production from Kolwezi's mines. However, the overall production statistics for Gecamines clearly indicate a steady increase in the production of both metals until the 1970s. Copper and cobalt output rose during the colonial era because, while the state derived a substantial part of its total tax revenues from the UMHK, it was always careful not to tax the company to such an extent that it had insufficient funds for exploration and capital expenditure. UMHK invested heavily in both, and the returns on these outlays, combined with rising international demand and the quality of the deposits being mined, ensured that mining output continued to climb.

The UMHK also spent a considerable amount on what could be called social investment during the colonial era, to ensure that it had access to an adequate labour force. The wages UMHK paid Africans who worked in the mines were low, the tasks it set them were often dangerous, and the Congolese were in the main reluctant to volunteer for jobs in the mines. To avoid labour shortages, the UMHK initially paid stipends to local chiefs (often former soldiers who were chosen as candidates by the company and the colonial administrators) in exchange for supplies of forced labour, and for maintaining law and order in the communities they controlled.²⁸ Where their authority proved insufficient, there was always the fall-back option of deploying the state's armed forces, the dreaded *Force Publique*.

The colonial state imposed new taxes on the Congolese, forcing them to work for UMHK and other companies to pay them. The colonial state later introduced a labour tax, thus forcibly creating an incentive among Congolese to work for UMHK and other companies to pay it. When these measures proved unsatisfactory, the company explored alternative measures, some coercive and some positive, to secure a labour force and maintain control over it without raising the wages much. The UMHK established compounds for the miners, which were ruled by compound heads (who were responsible for discipline) and 'teacher-preachers' (who supervised education and morality).²⁹ The lives of the mineworkers were controlled by the compound heads, and consequently the former rarely came into direct contact with agents of the colonial administration.³⁰ On the positive side, the UMHK, like the BSAC, built schools, hospitals, clinics, sporting and recreational facilities for its workforce and their dependants, although at all times there was a carefully differentiation between the facilities used by its European and its African employees. However, there does not appear to be evidence that the UMHK gave any financial assistance to the communities its mining activities had displaced.

The UMHK was established long before the advent of environmental impact assessments, and its approach to the natural surroundings in which it operated often appears to have been cavalier. The tailings from the Kolwezi concentrator, for example, flowed into a dam situated in the course of a river, polluting it for over 40 years. The First Quantum Minerals (FQM) company, which is listed on the Toronto stock exchange, now owns 65% of the Kolwezi tailings, and has pledged to build a proper tailings dam in a place removed from the watercourse, and to clean up the river.³¹

After the UMHK became Gecamines in 1967, the company's management structures and strategy remained largely unchanged. Mobutu was content to use the taxes it paid

without interfering in the way it was run.³² Crucially, another SGB company, the *Société Générale des Minerais*, retained control of processing and marketing contracts.³³ Both copper and cobalt production continued to rise until the mid-1970s, though anecdotal evidence suggests that already its funding of capital investments and new exploration had begun to slow.³⁴ The company maintained a significant level of social expenditure, although in Kolwezi at least this appears to have been largely directed towards maintaining existing infrastructure and services rather than creating new ones.³⁵

In March 1977 Kolwezi was at the centre of the first Shaba War, or Shaba I (referring to the new name Mobutu had given Katanga province). It began with the invasion from Angola of around 2 000 fighters, most of them members of Tshombe's Front for the National Liberation of Congo (FLNC), which was also called the Katangan gendarmes, who had fled into exile in Angola after the defeat of Katanga's attempt at secession in 1963. The invasion was supported by the Angolan government, which wanted to punish Mobutu for his support of Angola's rebel *União Nacional para a Independência Total de Angola* (UNITA). Mobutu's *Forces Armées Zairois* (FAZ) were unable to halt the rebels' march on Kolwezi, and in desperation the president appealed for international assistance. The rebellion was finally crushed by 1 500 Moroccan troops who had been airlifted into Kolwezi by the French air force,³⁶ although the FLNC retreated to Angola with most of their numbers intact. The FAZ subsequently launched brutal reprisals against civilians in Shaba province, particularly in Kolwezi, and tens of thousands of people fled into Angola as refugees.

The FLNC returned in May 1978, this time capturing Kolwezi and holding it for seven days, until 600 paratroopers belonging to the French Foreign Legion reclaimed the city. This second round of fighting — known as Shaba II — resulted in hundreds of deaths and the destruction of much of Kolwezi. When the FLNC retreated they took with them a great deal of plunder, including hundreds of vehicles. Once again, the FAZ exacted heavy reprisals and also looted heavily. During the fighting an estimated 2 250 European residents were airlifted out of Kolwezi by Belgian paratroopers; most of them never returned.³⁷

The two wars halted mining production at Kolwezi for a time, and Gecamines's overall production of copper and cobalt was seriously depleted. As Figure 1 shows, this fall in production came at a time when international prices for copper were low, which further depressed the company's earnings. Paradoxically, the sharp drop in cobalt production resulting from Shaba I and Shaba II affected the international cobalt price, and appears to have been one of the main reasons that pushing its value up from around \$4/lb in 1975 to \$24/lb in 1978. What the statistics cannot show, however, is the devastating impact the two wars had on Kolwezi itself. The city was left with badly damaged or destroyed infrastructure, a near-total exodus of skilled expatriates and a tense, aggressive and recriminatory relationship between the authorities and the city's residents.

Violence erupted once more in Kolwezi and the rest of Shaba province in 1992, when ethnic Lunda started attacking Lubas who had come from a neighbouring province, Kasai. The trigger was the appointment in 1992 of Etienne Tshisekedi, himself a Kasaian Luba, as prime minister of Shaba. This was followed by a series of speeches by pro-Mobutu politicians denigrating Kasaians, apparently on the orders of the president. Lunda militia targeting Lubas sprang up all over Shaba province, killing around 6 000 people and forcing a further 400 000 to flee to Kasai.³⁸ Once again, Kolwezi sustained heavy collateral damage, particularly in its townships.³⁹

From 1992 onwards, Gecamines's mineral output declined precipitously. The company was therefore unable to benefit from a surge in the international copper price, which lasted until 1998 (see Figure 1). The company moved swiftly towards bankruptcy. It was unable to pay a growing number of creditors, who responded by withdrawing their services, which further weakened Gecamines's ability to function. While there were few redundancies, salaries at Gecamines went unpaid for longer and longer periods, and the social services provided by the company began to dry up. It was at this point that artisanal diggers of copper and cobalt ore appeared in Katanga, as unpaid Gecamines workers, the unemployed, and soon thousands of other people, including unpaid civil servants, police personnel and soldiers, arrived on disused Gecamines mine sites to work them for themselves.⁴⁰ Women played an important role in artisanal mining from the outset, particularly in washing, grading and sorting material, but also (though to a lesser extent) in the actual mining of ores. They also represented roughly a quarter of the total number of *négociants*, the people who buy minerals from artisanal diggers, and then sell them on to *comptoirs* (the buying houses).⁴¹ As in many artisanal mining areas across the world, children also participate, though research suggests that (unusually) in Kolwezi's case, most of them have continued to attend school, and dig only in the afternoons and over week-ends.⁴²

In one sense, the shift towards artisanal mining during the 1990s was positive for the state, since it reduced both unemployment and the risk of social unrest. On the other hand, the development was highly problematic, since, unlike Gecamines, artisanal miners did not pay tax. This deprived the state of substantial revenues, and ensured that there would be no new investment in Katanga's mines.

Working conditions for artisanal miners were from the outset entirely unmonitored, and appear to have been significantly worse in most instances than in the industrial mines. No social services were provided to the informal miners by the state, and the multiple destructive effects on the environment of artisanal mining were left unmonitored and unchecked.⁴³ Instead, various public officials and the military arrogated to themselves the right to control access to the Gecamines concessions, and illegally collected taxes in cash or kind from the artisanal diggers working these sites.⁴⁴

The early to mid-1990s saw the steady disintegration of the Zairean state, which culminated in the ignominious flight of the FAZ across the country, mostly without offering any resistance to the armed rebels from eastern Zaire who rose up against the regime in 1996. The rebellion was orchestrated by the Rwandan and Ugandan armed forces but nominally led by a veteran Congolese guerrilla named Laurent Desiré Kabila. Its forces swept through Shaba province unopposed in April 1997, and went on to take the capital, Kinshasa, a month later. Kabila swiftly installed himself as president. Some residents of Kolwezi recall an initial improvement in the behaviour of civil servants and the military, who apparently demanded bribes from them less often and less insistently than before the change of regime. The respite was brief, however. Corrupt practices soon resumed, once it became clear that the new government was no better at paying salaries on time than the old one. The demands for bribes started afresh.⁴⁵

Kabila had scant regard for property rights, and had promised to allocate major mining assets to certain companies on the strength of the material assistance they had rendered him on his way to power. He did this despite the contracts for these assets already signed with other companies. This resulted in a series of conflicting claims. For example,

there was a long-running dispute during the late 1990s and early 2000s between Anglo American Corporation (AAC), at that time listed on the Johannesburg Stock Exchange, and American Mineral Fields (AMF; later renamed Adastra), which was listed in Toronto, over which of them held the right to develop the Kolwezi tailings dam. The two companies later decided to join forces, but AAC withdrew in 2002.⁴⁶ Adastra sold the Kolwezi tailings to FQM in 2006.⁴⁷

More positively, Kabila created a new state agency called *Service d'Assistance et d'Encadrement du Small Scale Mining* (SAESSCAM) in 1999. Its purpose was to assist and train the massive and growing number of people engaged in small-scale artisanal mining. The new agency was also intended to help artisanal miners market their output, reduce fraud, register miners and collect annual fees from them.⁴⁸ However, SAESSCAM was poorly funded and indifferently managed from the outset, and established a presence in Kolwezi only in 2006.

Another organisation, the *Exploitants miniers artisanaux du Katanga* (EMAK), also founded in 1999, was able to achieve greater penetration in Katanga than SAESSCAM. Part trade union and part co-operative, EMAK is officially independent of the government, although in practice it has often acted as a government body.⁴⁹ Its declared role is to protect and supervise artisanal miners and negociants. To this end it collects fees for both, though diggers have said they rarely derive any benefit from the organisation, and some have accused it of extortion.⁵⁰

Kolwezi was not directly affected by the DRC's 'African War', which raged from 1998–2002. Because it was located in the third of the country controlled by the Kinshasa government, it was never under serious threat of a take-over by the rebel armies. There was, however, an important indirect effect. None of the international companies to whom Kabila had been promising Katangan mining assets in return for support for his armed forces considered it safe to invest. As a result, industrial mining continued to stagnate as the international copper price fell from \$1.07/lb in 1997 to just \$0.79/lb the next year, a drop of 26%, and remained depressed for another five years. At the same time, as can be seen in Figure 2, the price of cobalt was coming down from its 1995 high, reaching a low of \$8/lb in 2002. The fall in the prices of both minerals had a drastic effect on the earnings of artisanal diggers, who by then could be numbered in their tens, if not hundreds, of thousands.⁵¹

NATURAL RESOURCE GOVERNANCE IN THE BOOM OF 2002–2008

The year 2002 marked a turning-point for the Congolese mining sector in general, and Kolwezi in particular, even though the prices of cobalt and copper were only to recover later. In July 2002, a new Mining Code was signed into law by the new president, Laurent Kabila's son Joseph Kabila. The Code created a legal framework that would encourage foreign investment in the mining sector. This regulatory framework and the establishment a year later of a new transitional government that included representatives of the three largest of the hostile factions, stimulated much interest in Katanga's prospects. Investors were further motivated by a sudden climb in the international price of cobalt in 2003 (see Figure 2), followed by a similar rise in that of copper in 2004 (see Figure 1). The prices of

both metals proceeded to mount to unprecedented highs, peaking in mid-2008 and then falling precipitously.

A number of international mining companies invested in various parts of Katanga province, and some undertook new joint ventures with Gecamines to develop Kolwezi's mineral reserves. One of the largest companies to do so was Katanga Mining (listed in Toronto), which established a foothold in Kolwezi soon after the signing of the Mining Code. Since its merger in early 2008 with Nikanor (listed in London), Katanga Mining has held a 75% stake in two joint ventures, the Kamoto Copper Company (KCC) and the DRC Copper and Cobalt Project (DCP). Between them, the main assets of these joint ventures are Kolwezi's Kamoto underground mine, Kamoto-Virgule Oliveira (KOV) open pit mine, Kamoto concentrator and the Lulu metallurgical plant.

Two other international mining enterprises that have public listings in Toronto and have started operations in Kolwezi are Anvil and FQM. The former started work on the tailings at the Mutoshi mine, 10km from the town, in 2005. Anvil also operates Dikulushi in eastern Katanga, and Kinsevere near Lubumbashi. FQM acquired the Kolwezi Tailings from Adastra in 2006. The following year, Chemaf, a subsidiary of Shalina Resources, which is based in Dubai and also has interests near Lubumbashi, began developing the Makala mine, about 26km from Kolwezi.⁵² The DRC-based Groupe Bazano has been mining at Mutanda near Kolwezi since 2004, currently on behalf of the Swiss commodity trader Glencore,⁵³ which also owns a major stake in Katanga Mining. (Neither Shalina nor Groupe Bazano is a listed company.)

Dwarfing all these projects is Tenke Fungurume, a massive deposit with estimated reserves of over 19 million tonnes of copper and 1.5 million tonnes of cobalt, which lies east of Kolwezi on the road to Likasi. The Lundin Group, which has its headquarters in Canada, entered into a joint venture with Gecamines in the dying days of Mobutu's rule in 1996, but war and then Laurent Kabila frustrated its plans. In 1999 Lundin withdrew. The copper producer Phelps Dodge, which is based in the US, acquired a significant stake in Tenke in 2003, but the precise allocation of shareholdings in the project between the DRC government and Gecamines was settled only in 2005. The shareholding issue was reopened in a review of mining contracts launched by the government in 2007, and, at the time of writing remained unresolved. Phelps Dodge, along with its interest in Tenke, was taken over by another American company, Freeport McMoRan Copper & Gold, in 2006. Freeport subsequently committed itself to a massive capital expenditure programme, and reports that it spent \$1.9 billion in 2008, and it intends to lay out a further \$1.75 billion during 2009.⁵⁴

The new investment in Kolwezi after 2002 had a number of implications for the management of natural resources. First, as Jana Hönke has shown in her chapter 'Transnational Mining Business in Areas of Limited Statehood — Patterns of Extractive Orders in the Central African Copperbelt', the new alliances were forged between private mining capital and the Congolese political elite.⁵⁵ Many of the companies that began operating in Kolwezi after 2002 enjoy close relationships with powerful politicians, some of whom have even become directors on their boards. Katumba Mwanke, the governor of Katanga during Laurent Kabila's reign and a very influential politician since, was for a time a member of Anvil Mining's board.⁵⁶ At the time of writing the governor of the central bank, Jean-Claude Masangu, was one of Katanga Mining's board of directors. In another apparent conflict of interest, the current governor of Katanga, Moïse Katumbi,

also runs the Mining Company of Katanga (MCK), which provides services to a number of other companies. These relatively high-profile examples represent but a tiny sample of an intricate but largely hidden web of connections and shared interest that has developed between the mining companies and Congolese politicians at every level, whether national, regional or local.

A second effect of the new surge of mining investment on Kolwezi, the province and the national fiscus was the amount of money it provided for the state's coffers. Many of the joint venture contracts exempted companies from paying much tax in the development phase in order to encourage and maximise investment, but even so, the companies have paid over millions of dollars to state agencies. There are, however, no reliable official statistics that enable one to calculate the combined revenues earned by the country's many tax-collecting agencies. The Katanga provincial ministry of mines has admitted it has no idea how much tax the state collects from the mining industry in the province.⁵⁷ The basic reason for the lack of clarity is the way in which provincial and national finances are structured. The theory is that the provincial authorities collect revenues and remit them to the national authorities in Kinshasa, who then return a small proportion of these taxes according to formulae based on the size of the province concerned. In practice, however, there has long been a tendency for revenues sent to Kinshasa to stay there, and not revert to the province that collected them. The issue is a major source of resentment between the provincial authorities vis-à-vis the centre⁵⁸ and the Kolwezi authorities vis-à-vis the province.⁵⁹ A small proportion of taxes are levied at the municipal level, where the funds remain in the hands of the town council rather than being sent to Lubumbashi or Kinshasa.⁶⁰

The provinces have campaigned unsuccessfully for many years for a change in the formulae that regulate the transfer of funds from the national to provincial authorities. At the same time, the provincial authorities have developed myriad ways to avoid sending the full amount of taxes they have collected to Kinshasa, most of which involve mis-declarations of some sort. A common form of fraudulent declaration is the result of collusion between companies or individuals and the tax officials, who conspire to declare lower amounts of taxable income and trade, and then share the difference between the declared and the actual amount. This is commonly known in the DRC as the 1/3, 1/3, 1/3 rule (that is, a third for the state, a third for the corrupt official and a third for the company or individual evading tax). For these reasons, the official statistics for all tax revenues in the DRC (not only those relating to the mining industry), are highly suspect. Another cause of complexity and confusion in taxation of the mining sector is that there are two tax collection bodies, the *Direction Générale des Impôts* (DGI) and the *Office des Douanes et Accises* (OFIDA), and at least eight other state agencies that tax mining companies, all of whom have irregular accounting practices.

Most of the mining companies are not particularly forthcoming about how much tax they pay. The notable exception is FQM, which, in a bid to comply with the reporting requirements of EITI, disclosed in 2008 exactly how much it had paid in tax from 2005–2007 — \$50 million in total, to at least 10 state agencies over this period.⁶¹

A third consequence of the new mining investment in Kolwezi has been the provision by the incoming companies of infrastructure that the state might ordinarily have been expected to provide. The improvements have included expensive road repairs both in the city and on the links between Kolwezi, Likasi and Lubumbashi, better power

supplies, the clearing of the city's blocked drains, and the rehabilitation (to a degree) of its football stadium.⁶² The local administration and many of the city's inhabitants appear to consider that these companies have spent too little on infrastructure,⁶³ but, as already noted, their interventions have tended to draw attention away from the state's chronic inability to fulfil its obligations. The Kolwezi public works and infrastructure department, for example, has had no capital budget since 1990. This means it cannot undertake any public infrastructure projects in the city, and cannot even provide transport for its own officials.⁶⁴ The department is therefore entirely reliant on the largesse of Kolwezi's mining companies.

The effect on Kolwezi's population of the arrival of the new companies has been extensively explored in the literature, so I will touch on it only briefly.⁶⁵ The most important social contribution the companies have made, and are particularly prone to stress, is employment creation. Although none of the provincial state agencies contacted during research for this study had any clear idea how many people were employed by the mining enterprises, some of the companies were able to provide information. In late 2008, FQM was employing over 1 000 people at the Kolwezi tailings project, mostly in security and construction.⁶⁶ Anvil had around 600 employees at Mutoshi, again mostly working in security,⁶⁷ and Katanga Mining had 3 000 workers in Kolwezi.⁶⁸ Salaries varied, but were said to be two to three times higher than those paid by Gecamines.⁶⁹

The state agencies responsible for monitoring labour conditions in mining companies were by their own admission incapable of doing so, because they lacked personnel and transport. They were also accused of being susceptible to bribes.⁷⁰ An irregular employment practice that was particularly common in the smaller mining companies was said to be the employment of long-term workers on short-term contracts. By this the companies could evade many of the more onerous employment regulations imposed by the Congolese state.⁷¹ However, although the representatives of mining companies I interviewed conceded that this kind of practice did happen, all denied that their own companies followed it. Several of the people speaking for major international enterprises said their companies were constantly being checked, accused of all manner of infractions, and charged ad hoc fines by labour inspectors.⁷²

Another serious consequence for social development which companies are generally less keen to dwell on is the effect their operations have had on artisanal miners. Many, if not most, of the mining sites acquired by the new arrivals were already occupied by large numbers of informal diggers. The companies have expended considerable time and effort in trying to move them, usually by employing a mix of negotiation and force. In April 2006, demonstrating the 'conflation of private and state policing in mining regions' quoted earlier, Anvil deployed a private security company and members of the police force to remove several thousand artisanal diggers from its Mutoshi mine. However, the evicted miners returned to dig at night, apparently with the complicity of the police. The private security company attempted to remove them again, and during the operation one digger was killed. The miners subsequently marched to the mayor's office. When they were refused an audience, they proceeded to a guest house in Kolwezi owned by Anvil, and burned it down. Two of the mine's employees were killed in the fire. The majority of the diggers involved are said to have since moved to Kawama, a mining site that has been specifically reserved for artisanal miners (see below).⁷³

The Anvil incident prompted other companies to reconsider their strategies for removing artisanal miners. Several companies engaged the assistance of a non-governmental organisation (NGO) called Pact (Congo) to manage their relations with the diggers. The methods used included participation in conflict resolution workshops and processes, and, critically, helping the artisanal miners secure alternative employment elsewhere.⁷⁴ Some companies, such as FQM and Bazano, claim to have used negotiation alone (although the terms included promises of assistance with relocation) to persuade the informal miners to leave their properties.⁷⁵

None of the companies that evicted artisanal miners, however, appear to have complied fully with the 'Basic Principles and Guidelines' issued by the UN's Office of the High Commissioner for Human Rights (OHCHR) concerning 'development-based evictions and displacement'. These guidelines, though not legally binding, are based on international human rights law, and require that evicted people are provided with safe access to food, drinking water, basic shelter, clothing, essential medical services, sources of livelihood and education.⁷⁶

As the evictions gathered speed in Kolwezi, and the prospect of social unrest seemed ever more likely to become reality, the provincial government looked for mining sites that could be reserved exclusively for artisanal miners. The main site identified by the authorities was Kawama, which is about 30km from the city, and on the road to Likasi. Their policy was to secure undertakings from selected private companies to buy the diggers' output; to assist them by clearing away overburden (to make digging easier); and to provide some basic services. Thousands of artisanal miners subsequently descended on Kawama, where a mix of public and private funding had been used to construct a rudimentary tented camp. (It is alleged that much of the money intended for Kawama has been embezzled by the authorities.)⁷⁷ By late 2008, Kawama boasted a clinic (though it was largely empty of medicine), a small market, and several bars and brothels; but it had neither schools nor running water.⁷⁸ The facilities provided at Kawama are therefore in contravention of OHCHR's guidelines, which require that relocation sites must offer basic services, which include schools and drinking water.⁷⁹ A representative of the Kolwezi mayor's office at Kawama readily conceded its lack of facilities, but blamed the private companies buying artisanal output for the shortcomings.⁸⁰ One of these companies, Somika, has admitted its responsibility to provide water at Kawama, but argued that if it were to install the generator needed to make the water pump work, it would be stolen.⁸¹

Another major problem at Kawama has been corruption. In addition to the mayor of Kolwezi's representative, a number of state officials are operational in Kawama. They include members of the Mines Police, the *Division des Mines*, SAESSCAM, the *Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participation* (DGRAD), and the *Agence Nationale des Renseignements* (ANR; the national intelligence service). There are also representatives of EMAK, and its more recent rival, the *Co-opérative minière Madini Kwa Kilimo* (CMKK). All of these people collect taxes and levies from artisanal miners,⁸² few (if any) of which appear to have a basis in Congolese law.⁸³ Artisanal miners at Kawama were able to make a living despite these taxes while copper and cobalt prices were high, but the situation changed drastically when metal prices dropped in the latter part of 2008.

Local communities living near the mining deposits owned by the private mining companies have also been seriously disadvantaged. This complex issue has yet to receive

the attention it deserves, despite the official requirement that companies prepare and submit comprehensive environmental and social impact studies for their projects before they are put in hand. Much of the information about how communities have been treated by the companies remains anecdotal and unverified. JH Chansa, a Kolwezi businessman and president of the city's chamber of commerce, believes that companies have done too little to compensate communities affected by their projects,⁸⁴ and his view has been echoed by members of civil society and the local administration.⁸⁵ In 2008, the Amsterdam-based lobby group Fatal Transactions published serious allegations that the Tenke Fungurume project showed disregard for the interests of the communities displaced by its activities, and criticised the European Investment Bank for supporting it.⁸⁶ However, those companies in Kolwezi that were prepared to be interviewed for this study (and there were several that were not), strenuously defended their track records.⁸⁷

Pact (Congo), which is part-funded by the United States Agency for International Development (USAID), has worked with three of the largest companies in Katanga, Anvil Mining, FQM, and Tenke Fungurume Mining, to help them develop their social programmes. A member of Pact described a number of useful initiatives the companies have launched on-site, and commented that some of these had been so successful that there is a danger of their becoming 'honey pots', that is, attractive to people from elsewhere in the province because of the relatively high level of services provided.⁸⁸

Among Pact's initiatives have been 49 community infrastructure projects (schools, health centres and markets) that have already been completed; support for over 2 500 farmers, 57 agricultural associations, 17 seed-multiplication businesses, and two community grain silos; backing for 65 small and micro enterprises and two large businesses (a gravel co-operative and a sewing factory); and training for over 2 000 women covering literacy, savings and small business development. Other important Pact initiatives have been to address community relations with private mining companies by holding a series of workshops on the issue; and assisting in the formation of community security fora.⁸⁹ According to Pact, all its projects require a minimum 15% community contribution to increase the local sense of ownership.

Encouraging as these efforts have been, private mining companies have not, in the main, been prepared to inherit the full range of social commitments undertaken by Gecamines. For example, the latter operates a hospital in Kolwezi which was originally built for UMHK's white employees. Gecamines continues to pay the salaries of hospital staff, but its meagre budget for medicines has to be supplemented by assistance from international aid agencies. The private mining enterprises in Kolwezi send their employees to the hospital for treatment and pay their bills, but do not contribute to the upkeep of the hospital, much to the ire of its management staff.⁹⁰

The mining companies in Kolwezi have also generated a range of environmental hazards. Once again, opinions are sharply divided on the extent to which companies have taken responsibility for the effects their mining activities have had on the natural environment. Members of civil society and of the local administration tend to be critical of their efforts, and the companies themselves, unsurprisingly, take a much more positive line. What is clear, however, is that the official system intended to regulate and monitor environmental matters does not work. Although companies are required to submit environmental and social impact plans and assessments to the authorities, there appears to be little in the way of scrutiny or following-up. According to the DRC's Ministry of the

Environment, the Mining Code gives authority in this matter to the Ministry of Mines.⁹¹ However, the Kolwezi division of the Ministry of Mines has said it too is excluded from the process, since mining companies' plans are submitted to the national ministry in Kinshasa, which never supplies the division with copies. In addition, the national Ministry of Mines inspectorate has never, according to the Kolwezi division, visited the city's mining sites to verify whether the plans submitted are being put into practice.⁹² Because the official system for regulating the environmental and social effects of mining in Kolwezi is dysfunctional, the pressure put on companies to comply with their own plans appears to come from international and national civil society organisations, and — for the listed companies — their own investors, who show concern if the reputations of the companies they have invested in are threatened.

The DRC's first elections in over 40 years occurred at the end of 2006, in the middle of the commodities boom, which resulted in victory for the incumbent president, Joseph Kabila. A number of changes were made by the new administration that were to affect the management of natural resources in the country as a whole, and Kolwezi in particular. The first of these was the launch in early 2007 of a review of all mining contracts. This review was originally intended to take only a few months, but at the time of the writing had not yet been completed. The uncertainties arising from the review unsettled investors and depressed the share prices of mining companies, who in turn found it much more difficult to raise capital through share issues. The fall in share prices came at a time when the Katangan mining companies were struggling to cope with greatly increased capital costs, a direct result of the escalating price of oil and other materials and the rising wage bill for skilled labour (due to inadequate supply and increasing demand). One major mining company, for example, estimated that its costs had doubled, if not trebled, in 2007–2008.⁹³ Although these running expenses were to some extent offset by the higher price of copper and cobalt during this period, this benefit was felt only by companies in production, and not those still in the preparatory stage.

Another effect of the new dispensation that was mainly felt by Katanga Mining was the signing in early 2008 of an agreement between the government, Gecamines and Chinese investors. Its terms were that China's Ex-Im Bank would lend \$9 billion to a new joint venture between Gecamines and these investors called Sicominex. The security for the loan was two mining deposits in Kolwezi ceded by Katanga Mining, Mashamba West and Dikuluwe. Responding to claims that it had been forced to hand over the two deposits to Sicominex, Katanga Mining explained it had intended to develop them only in 2020, and that the government had promised to compensate the company by allocating it other deposits of equal value.⁹⁴

After the 2006 elections, the incoming Katangan provincial administration, which was led by Katumbi, set about trying to improve its capacity to govern the province's natural resources and especially its mineral assets. One of the administration's main objectives was to increase the value added to its mineral output before export. Katumbi banned the export of mineral ores from the province in 2007,⁹⁵ and of mineral concentrates in mid-2008.⁹⁶ Prior to the 2007 ban, a rising number of small and medium-scale exporters had established themselves in Kolwezi and elsewhere, buying stock from Congolese *négociants* (who had themselves bought the ores from artisanal miners) and shipping the material out of the country. Many of the new exporters were Indian and Chinese, who conducted low-profile operations that were often of dubious legality.⁹⁷ Many tried to evade the ban after it

was imposed, and some are alleged to continue to do so. Nonetheless, the ban appears to have reduced the quantity of ore exports significantly. Many of the ore exporters adapted to the new regulatory environment by altering their operations somewhat, semi-processing their ores into concentrates and then exporting them. This strategy was dealt a blow by Katumbi's ban on concentrate exports in 2008, but this caveat proved much harder to enforce, since Katanga lacks sufficient processing capacity to convert all the mining output in the province into finished product. As a result the authorities have had to permit companies to export at least a portion of their production as concentrates.⁹⁸

The provincial administration has made other moves since 2006 to build its ability to manage natural resources. Katumbi appointed a range of committees and commissions to examine critical issues and make recommendations. He also sponsored a conference in May 2008 that invited state agencies, mining companies and civil society organisations to discuss how they could all work together to meet the social and economic needs of the province. The provincial mines minister subsequently created a special commission to follow up on the suggestions agreed on at the conference, but has yet to publish a report on its progress. Ominously, the link on the Katanga government website to the original conference recommendations⁹⁹ does not work. Another committee formed by the provincial administration in 2008 was mandated to determine how much state agencies receive in tax from mining, but it too had failed to come up with findings by early 2009.

Another potentially valuable reform for natural resource governance in Katanga has been in preparation since 2007. It involves the provincial government, the United Kingdom's Department for International Development (DFID), USAID and several mining companies. The idea is to complement social and environmental work done by the companies and NGOs such as Pact (Congo) around the mine sites by setting up a province-wide initiative. The purpose is to counter the 'honey pot' syndrome that makes mining sites attractive to migrant miners by promoting development throughout the province. However, it has proved extremely difficult to co-ordinate the efforts of such diverse stakeholders sufficiently to launch the initiative officially. Another obstacle has been the onset of the economic downturn, which has caused some of these companies suspend production and, inevitably, lose interest in the scheme. Should it ever materialise, it is expected to fall into alignment with the national government's strategy for artisanal and small-scale mining, which it produced in consultation with donors in 2007.¹⁰⁰

Across the DRC, a troubling trend since 2006 has emerged of the increasing use of violence and intimidation to silence opponents or those who are perceived as critical of the government. According to research by Human Rights Watch (HRW), a lobby group based in America, the president himself has been setting the tone, giving orders to 'crush' or 'neutralise' the 'enemies of democracy'. HRW has reported that Kabila's subordinates work primarily through select, covert state security forces to carry out these orders. These agencies include the paramilitary Republican Guards, a 'secret commission', the special Simba battalion of the police and the ANR.¹⁰¹ The Republican Guard is perhaps better equipped, trained and paid than any other military unit in the country, yet it acts independently of the command structures of the national armed forces. Instead it reports directly to the president. The ANR is also answerable only to the head of state, and increasingly arrogates powers and responsibilities that were formerly the exclusive preserve of civilian ministries. For example, as previously noted, the ANR illegally taxes artisanal miners in sites like Kawama. It also, in a high-handed manner, vetoed all visits

to artisanal mining sites in Katanga in 2008, regardless of whether permission had been granted by the Ministry of Mines. The ANR has also, in a high-handed manner, vetoed all visits to artisanal mining sites in Katanga in 2008, regardless of whether permission had been granted by the Ministry of Mines. It has also at times punished those failing to consult it by confiscating travel documents,¹⁰² and has demanded of some outsiders that they take ANR agents with them to the Katangan mine and pay their expenses. The ANR has justified this move as having been made necessary by the deteriorating security situation in eastern DRC, 1 500km away.¹⁰³

International copper prices hit a high point of over \$4/lb in mid-2008, after which a price rout of astonishing severity occurred. By the end of the year copper had hit a low of \$1.2/lb, a level not seen since 2003. The cobalt price dropped from nearly \$50/lb to around \$17/lb over the same period.

The slump in the international price of both metals had an immediate impact on Kolwezi. The first group to be affected was artisanal miners, who encountered significantly reduced demand for their output from *négociants*. According to one of them, Serge Mukalayi, by late October he and others like him were buying almost nothing from the diggers, as the profit margins were now too low, and demand from buyers had all but dried up.¹⁰⁴ When Mukalayi visited artisanal digging sites near the city at the end of October, his vehicle was surrounded by hungry-looking miners, who pleaded with him to buy from them. He declined to do so.¹⁰⁵ The miners continued to dig a few months after the price began dropping, but by October most had abandoned their efforts, leaving sites that had once been swarming with diggers nearly empty. By early November, as Franz Wild reported, more than half of the city's 21 *comptoirs* had closed down.¹⁰⁶ An estimated total of 300 000 informal miners in Katanga province had lost their income by early 2009.¹⁰⁷

The picture was particularly bleak in Kawama. By October 2008, whereas four companies had previously bought artisanal output from the site, only one was still doing so. Nobody in the area was purchasing copper, but Somika was continuing to buy cobalt ore for its factory in Lubumbashi. The diggers protested that the price they were being offered by Somika for their production was absurdly low, but they felt compelled to take it, for want of an alternative. At that time (and the position will have worsened since then), a 100kg sack of cobalt ore earned diggers CF1,200 (worth \$2.2 at the time). This can be compared with CF14,500 per sack in January 2008, and the then-current price of maize in Kolwezi, which was CF1,300 for a 2.5kg sack. The abrupt change in the ability of the diggers to earn a livelihood greatly exacerbated social tensions in Kawama. Many of the people I interviewed expressed concern that hunger and desperation might lead to violence.

Both the informal miners and state agents at Kawama accused Somika of cheating the diggers by using intentionally faulty equipment to measure the cobalt content of their production. Somika dismissed this suggestion, saying that it was 'always the diggers' mentality'. The artisanal miners also accused the state agents of cheating them by reporting that scans on some of their mined product revealed 'zero percent' copper or cobalt, and that the contents were, therefore, valueless. The diggers responded by claiming that the state agents retained these sacks (which, they claimed, were filled with genuine copper and cobalt ore) to sell themselves and pocket the proceeds, an allegation that was repeated by a representative of CMKK. In turn, CMKK and EMAK, were accused by state agents and informal miners of swindling the diggers in a variety of ways.¹⁰⁸

The meltdown in international equity markets during the second half of 2008 caused the share prices of all the listed international mining companies to plummet. Katanga Mining's shares, which had begun 2008 at Can\$18.80 on the Toronto Stock Exchange (TSX), were worth just Can\$0.33 by late December. Also on the TSX, Anvil Mining's shares peaked at Can\$16.7 at the end of 2007 but were valued at Can\$0.82 12 months later, while FQM's shares fell from Can\$101.63 to just Can\$17.60 during the same period. The companies were unable to raise large amounts from the stock markets, and, because international banking credit was being subjected to an almost unprecedented squeeze, loans were either unavailable or granted at punitive rates. To make matters worse, their earnings from copper and cobalt sales had collapsed owing to the crash in metal prices.

Companies with substantial cash reserves, such as Freeport McMoRan, have been able to continue their capital spending programmes, but many have responded by either closing down or cutting production. By November 2008, 40 of the 70 smaller mining companies in Katanga were reported to have stopped work.¹⁰⁹ Anvil suspended its Kolwezi operations in August 2008,¹¹⁰ and Katanga Mining and FQM cut production.¹¹¹ There is speculation that artisanal miners may move back onto the abandoned mining sites, though at present there is little incentive for them to do so. Until the copper price rises, their return is unlikely.

Another knock-on effect of the sudden downturn in the fortunes of the international mining companies in Kolwezi is that they are abandoning or scaling back existing initiatives to supply infrastructure and social services, and declining to take on new ones. In late February, Pact (Congo) reported that because of a drastic cut in the funds it receives from mining companies in Katanga, which have caused its annual budget to fall from \$14 million to \$2 million, it would be forced to close down its operations at the end of March 2009.

The tax revenues that mining companies generate for the state have also fallen dramatically, which is a heavy blow to the administration. As a result, the national government's fiscal deficit ballooned alarmingly during late 2008 and early 2009. It was forced to draw down its foreign reserves, which by February 2009 had plunged to just \$36 million, the equivalent of only a few days' imports.¹¹² The World Bank has delivered emergency budget support, and there is talk that money from the International Monetary Fund (IMF) and the European Union will follow in the hope that these interventions would tide the government over until a more permanent solution could be found.¹¹³

Amid all the gloom, it has been difficult, though perhaps not impossible, to discern much that is positive for natural resource governance in the economic crisis. One good outcome might be that with mining production scaling down, output has become better aligned with the region's extremely limited infrastructure, particularly as regards transport and power. The rapid increases in mining production originally forecast would have subjected Katanga's weak road, rail and electricity to massive strain. It may be that lower levels of output will create the opportunity for infrastructure development to catch up. Yet this can only be done through new capital expenditure, which neither the mining companies nor the Congolese government will be in a strong position to deliver.

Another potential gain might flow from the fact that some of the international mining companies are asking their national governments to provide the capital that is currently unavailable to them from either the stock markets or the banks. If they grant these requests, the governments concerned are likely to demand higher levels of accountability

and transparency in the way the companies do their business. This may, in turn, help to improve corporate governance in the mining industry.

Finally, the downturn may persuade some informal miners that there may be a better future for them in agriculture than in mining. So entrenched is the mining culture in the area around Kolwezi that agriculture has been badly neglected, which is a situation the government, the mining enterprises and a number of NGOs have committed themselves to changing.¹¹⁴ Historical precedent is not particularly encouraging on this score, however, because it suggests that once people abandon farming they rarely if ever return to it.

CONCLUSION

In mid-December 2008 the IMF reduced its forecast for economic growth in the DRC in 2009 from 10.3% to just 4.4%, giving weakened international demand for its commodity exports as its reason. It also reduced its projection for foreign direct investment from \$2.5 billion to \$800 million.¹¹⁵ To expect 4.4% growth in Gross Domestic Product is not to be faced with a recession, yet for the estimated 300 000 Katangans who have lost their jobs in mining since mid-2008, it certainly feels like one. This is the first economic slowdown to occur since the DRC's political transition, and it means that a government that is due to hold general elections in 2011 faces an economy in retreat, falling revenues, rising unemployment and soaring poverty. The administration had hoped that \$6 billion of the envisaged \$9 billion loan from China's Ex-Im Bank might be used to build infrastructure and social services, which would influence voters in their favour during the run-up to the poll. Yet with the copper price so low, and IMF resolute resistance to the loan's terms, it seems uncertain whether it will go ahead.¹¹⁶

These developments have left the Congolese government dependent on existing foreign investors. In recognition of the need to give them an inducement to stay, the deputy minister of mines, Victor Kasongo, announced new measures to benefit the international mining companies. He said import and export taxes for mining companies would be reduced; the cost of operating licences would be lowered from \$50 million to \$5 million; and the protracted review of mining contracts would be brought to a speedy conclusion.¹¹⁷ It remains to be seen, however, whether these measures will be sufficient to make much difference. International investor confidence in most global projects is poor, weaker still for those in emerging markets, and even frailer for mining projects in the DRC. As one senior mining company executive put it, 'The government can do what it likes with this contracts review. It can open the stable door, close it, whatever. The fact is, the horse has bolted. In fact, it is far over the hill.'¹¹⁸

It appears likely that while companies with good cash reserves and sufficient capacity to take a long-term view will remain in the DRC and keep investing, albeit at a reduced rate, others will close for good. Mining companies in Katanga will continue to be exhorted by the Congolese state to augment its efforts to manage the country's natural resources properly, while those NGOs and donor agencies that have so far been unaffected by the downturn will continue to demand improved standards of governance from both companies and the state. Yet the reality is that neither the companies nor the state will be in any position to do so. The more likely scenario is that governance standards will deteriorate.

The challenge will be to recast the reform agenda for controlling the DRC's natural

resources so that it takes the economic slump into full account and focuses on hitherto neglected issues, such as how to avoid redundancies, and how best to respond to rising unemployment and the sharp fall in the earnings of artisanal miners in cities like Kolwezi. Donors and other international stakeholders who are involved in the planning of these reforms will also need to note the government's increased tendency towards authoritarianism and repression, which is likely to be exacerbated by the poor state of the country's finances.

What cannot be guessed is how long the downturn will last, and whether it is just a major but temporary dip in the so-called commodities 'super-cycle' (which some economists have argued the world has entered into), or the beginning of a prolonged global recession. If it is a dip, before long the demand for commodities by China, India and other emerging economies will return, in which case the DRC could recover swiftly. Informal miners would resume digging, profit margins would once more make it possible for *négociants* and *comptoirs* to buy, and those companies that have managed to retain their sites in Katanga would also profit from the upturn in market conditions. In these conditions the appetite and capacity of the remaining companies and the Congolese state to enact further reforms to natural resource governance could pick up too. Conversely, if the current trend is the beginning of a prolonged recession, the prospects are bleak.

The response of the Congolese state to previous recessions has been to intensify and expand its predatory and corrupt practices, and at the same time to cut back whatever limited services it had provided. Perhaps this democratically-elected government will behave differently, though there is little in the comportment of the current administration to support that hope. In the past, the Congolese were accustomed to such behaviour, but the political environment has changed since the introduction of democracy. The electorate can be expected to use its new-found voting power to punish the government should it attempt to revert to type.

The challenge for donors, meanwhile, will be to retain their engagement in the DRC, and particularly in their attempts to improve the management of its natural resources and by helping to adapt the reform agenda to meet the changed economic environment. Donors would also do well to adopt a critical stance towards the Congolese government and refuse to become complicit in any further slide towards authoritarianism and democratic reversal.

Recommendations

- Mining companies still active in the DRC, the Congolese provincial and national authorities, donors and civil society organisations should convene to discuss the implications of the economic downturn for natural resource governance, and plot the way forward.
- In the interim, donors should where possible (if only on a temporary basis) take up the slack created by the ongoing retreat of private mining companies from social development initiatives, to prevent their collapse.
- In addition to their ongoing efforts to ease the predicament of mining companies by reducing tax rates, the Congolese authorities should ease the burden on artisanal miners by preventing state bodies that include the Mines Police, the *Division des Mines*, SAESSCAM, DGRAD, and ANR from demanding they pay excessive and often illegal taxes.

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