

# A detailed analysis of Orientale Province's gold sector

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# Editorial

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**Front Cover image:** Drague operating on the Gangu River near Salama, Bondo territory, Bas-Uele (Photo: IPIS/OCEAN, 2011)

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The Séminaire gold mining site near Baye, Bondo territory, Bas-Uele. (Photo: IPIS/OCEAN 2011)

## Executive Summary

Exploitation of the DRC's minerals is still unremittingly linked to insecurity, rebel financing, violation of human rights, illegal taxation and smuggling, which deprives the state of much-needed funds. Most initiatives to comprehend and fight this problem have largely neglected the gold trade, because a baseline for gold production and trade is lacking due to a general knowledge gap. Yet, gold is more important in terms of financing armed groups and tax evasion than the 3Ts. This study aims to address this knowledge gap and to inform and assist policymaking at the ICGLR concerning the gold sector. By zooming in on Orientale Province, the key province in terms of gold production, this study aims to contribute to a better insight into the gold sector of the DRC as a whole.

There are numerous explanations for the lack of detailed and accurate information on gold production and gold trade volumes in eastern DRC. There are institutional problems and the gold-specific characteristics that make it alluring to smuggling, such as its small volume-high value ratio and its stable price.

The informal and opaque nature of Orientale's mining sector does not mean that it is totally chaotic. The sector, its production mechanisms and trading patterns, are quite structured. At the source of Orientale Province's gold chain, more than 150,000 artisanal miners dig up the gold with rudimentary tools and supply the traders who commute between production sites and trading towns. Within the large trading towns near the border, trading houses purchase the gold originating from all over the province. Thereafter, it is predominantly exported in fraud to the DRC's neighbouring countries.

An important contributing factor that helps to understand the high level of fraude, is the difference in tax levels levied on gold exports. The Official *comptoirs* in Bunia and Kisangani complain that they cannot compete with the gold buyers in Kampala, where gold exports are subjected to an export tax of no more than 0.5%, while it amounts to 3.25% in the DRC.

Next to the actors actively involved in the gold trade (diggers, traders and exporters), there are also other stakeholders within the DRC who profit from the country's natural resources, but are not directly involved in trading. State officials and armed groups are also known to make considerable profits from the gold trade through illegal taxation in and around the mines, and along the routes to the trading centres.

Gold produced in Orientale Province's mine sites takes several trade routes within northeastern DRC, before it enters the neighbouring countries. The report examines five trading towns that are involved in Orientale's gold chain. It discusses relevant actors, such as *comptoirs* and *négociants*, and assesses the volume of gold passing through each town. Table 3, in the second Annex, gives an interesting overview/summary concerning the actual trade routes and volumes per trading town. In total, it appears that Orientale Province exports about 16.5 tonnes of gold per year, which contrasts sharply with the province's official 2010 gold export figure of 130 kg. The official exports are reproduced in Tables 1 and 2 of the second Annex.

Subsequently, the report takes a closer look at the production of gold in each of the four districts of the Province. Per territory, the most important mining sites, trading routes and local trading centres are listed. Furthermore, the report makes estimates of the numbers of artisanal miners and the levels of gold production per territory. This information is conveniently reproduced in the second Annex, in Table 5. Once again, this information shows startling differences with the official production figures, which are displayed in Table 4.

The study shows that Congolese government loses significant amounts of tax revenues, because of the high level of fraud within Orientale Province's gold chain. Through an in-depth analysis of the taxation system for artisanal mining and the estimates of the province's actual gold exports, the report concludes that the DRC loses at least \$25 million each year, from missed tax revenues from Orientale's gold sector.

The initiatives taken by the ICGLR to fight this problem of illegal exploitation of natural resources are warmly welcomed. The Regional Initiative against the illegal exploitation of Natural Resources (RINR) contains some valuable tools to address critical issues along the gold chain. Certification of the gold trade is an essential instrument to tackle several problems linked to the Congolese gold sector. However, the narrow focus on certification should be reassessed. Certification should be considered one of the six tools that are all equally important and interdependent. Formalisation, for example, constitutes a crucial element to effectively address the gold sector's opacity.



Local gold trader's tools: balance, 1 K coins (= kitchele, old coin weighing 1.24 g), sengi (a half K), matchsticks (tige, 1/10 K) – Bafwanekengele (PK 25), Mambasa territory (Photo: IPIS/OCEAN, 2010)

## 1. Introduction

Although the African Great Lakes Region holds an enormous natural resource wealth, when discussing it terms like 'resource curse' and 'conflict minerals' are still more common than terms such as 'development', 'employment' and 'poverty alleviation'. Especially the pressing situation in eastern DRC has attracted growing attention from the international community. Exploitation of the Congo's minerals is still unremittingly linked to insecurity, rebel financing, violation of human rights, illegal taxation, fraud and smuggling, which deprives the state of much-needed funds.

Initiatives to comprehend and fight this problem have been created at all levels: international, regional, national and local. The International Conference on the Great Lakes Region (ICGLR) also recognised the problem through the adoption of the Protocol against the Illegal Exploitation of Natural Resources. The protocol was translated into action with the creation of the Regional Initiative against the Illegal Exploitation of Natural Resources (RINR), which called for a regional certification mechanism as one of the initiative's six tools.

Through the RINR, ICGLR is mandated to address the illegal exploitation and trade of four minerals, the "3Ts" (tin, tantalum and tungsten) and gold. To date, however, a baseline for gold production and trade is lacking due to a general knowledge gap. The understanding of the gold sector is much smaller than that of the 3Ts. Rough estimates say, for example, that 35% of the trade in the 3Ts is not reported in eastern DRC, while this figure could be as high as 95% for gold.<sup>1</sup> The opaque nature of the gold sector has numerous explanations, into which we will delve deeper in chapter 2. Because it is more difficult to grasp and certify the gold sector, most efforts undertaken in eastern DRC to fight the link between mineral exploitation and trade on the one hand, and insecurity and fraud on the other, have focused

<sup>1</sup> International Alert, *The role of the exploitation of natural resources in fuelling and prolonging crises in the Eastern DRC*, January 2010, pp. 51-52.

on the 3Ts. Unfortunately, however, gold is more important in terms of financing armed groups and tax evasion than the 3Ts.<sup>2</sup>

In order to inform and assist policymaking at the ICGLR concerning the gold sector, the German International Cooperation's programme for the support of the ICGLR commissioned IPIS to produce a study on the Congolese gold sector. This study will provide detailed information and recommendations that will serve as input for the ICGLR in establishing a focused and cogent framework regarding the gold trade in the region. This is urgently needed as gold trade is seriously affecting the security situation in eastern DRC. In the past, however, regional policy initiatives have largely neglected the gold trade. The implementation of the OECD (Organisation for Economic Co-operation and Development) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas has focused mainly on the 3Ts in the DRC, although they are working on *Supplement on Gold* for the moment.

This report will focus on the DRC's Orientale Province, as it is the country's most important province in terms of gold production. The report will provide a detailed estimate of gold production and trade in the province. The findings of this exercise will be assembled and oriented towards the ICGLR's policy area, so that they specifically fit into the framework of the RINR and the Regional Certification Mechanism (RCM).

After the introduction, the second chapter will give a general overview of the structure of the gold sector within Orientale. It will describe the opaque nature of the sector, the way gold is produced, the structure of the trading chain and the actors involved.

The following chapter will focus on the main trading centres within Orientale's gold chain. Within each of those trading centres, it will examine the most important actors involved, give an overview of the origins of the gold and make an estimate of the volumes of gold traded.

The fourth chapter looks at the gold production sites. Per district, all territories that produce gold will be discussed: an estimate of the volume of the production, the destination of the gold, the trade routes, actors involved in the gold trade, etc. It will enable us to get an image of the most important gold producing areas, to which trading centres the gold goes, how it gets there, and through which border posts it leaves the country.

Chapter five will take a look at the current tax regime within the DRC and the potential revenues for the Congolese state, in case a larger portion of the gold trade would be formalised. In order to assess potential revenues for the Congolese state, revenues of artisanal gold mining, as well as industrial gold exploitation will be examined.

Chapter 6 will look at the implications of the findings of this study for ICGLR's RINR and the Regional Certification Mechanism. Recommendations are given for ICGLR's policy development.

Chapter 7 is a concluding chapter that assembles the most striking findings and recommendations. It will also briefly extrapolate rough estimates for the DRC as a whole, on the basis of the findings of the research on Orientale Province and official figures for the other gold producing figures.

Finally, the annexes of the report give a wide array of tables, figures, maps and a visual schema. You will find references to most of them within the report. They will also capture a lot of the information explained extensively within the report in a more convenient, surveyable way.

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<sup>2</sup> This is recognised by various IPIS reports (for example, Spittaels S. and Hilgert F., *Accompanying note on the interactive map of militarised mining areas in the Kivus*, IPIS, August 2009) and reports of the UN Group of Experts on the DRC.



Road Nia-Nia – Isiro (Photo: IPIS/OCEAN, 2010)

## 2. General overview of the gold production and trading regimes in Orientale Province

Covering 22 percent of the DRC's total surface, *Province Orientale* constitutes a vast province, 1.4 times the size of Germany and almost as big as France. Its capital is Kisangani and there are four districts within the province (Bas-Uele, Haut-Uele, Tshopo and Ituri), each containing five to seven *territoires*. (See maps Annex 8.4.). Agriculture is the main livelihood for 84 percent of the population.

Artisanal mineral exploitation, however, is also an essential livelihood strategy, as well as an important source for the flow of liquidities into a lot of communities. It has become a compelling source of revenues for impoverished people ever since Mobutu liberalised the mining sector in 1982. The exploitation and trade of gold is undeniably an essential economic activity in Orientale Province. The opaque nature of the sector however creates a knowledge gap and makes it hard to develop efficient policies to formalise the sector. By zooming in on Orientale, the key province in terms of gold production, this study aims to contribute to a better insight into the gold sector of the DRC as a whole.

### 2.1. Lack of detailed and accurate information

There are numerous explanations for the lack of detailed and accurate information on gold production and gold trade volumes in eastern DRC. First of all there are some institutional problems that are not just linked to the gold sector, but to the mineral sector as a whole. Some examples are the multiplicity of government organisations involved in regulation and the lack of coordination between them, deficiencies in handling statistical data, and administrative fraud (under-declaration of quantities and falsification of documents by customs officials). Additionally there is a lot of uncertainty about mining potential due to mining companies' cult of secrecy.<sup>3</sup>

Another non-gold-specific difficulty is the fact that there is no comprehensive overview of the mineral production sites in the province. According to the Mining Code, artisanal mining is only allowed in areas

<sup>3</sup> International Alert (January 2010), op. cit., p. 21.

explicitly designated for artisanal mining.<sup>4</sup> So far, very few areas have been marked as *Zone d'Exploitation Artisanale* (ZEA). It is thus nearly impossible for artisanal miners in eastern DRC to be in line with the Mining Code, while almost all mining occurs in an artisanal way. Artisanal miners are rarely officially registered at the Mining Division. Additionally, gold mines arise and are deserted when depleted. Miners move between the mines depending on the rumours they hear on the levels of production of other pits. Their number may also vary along the seasons, as many miners quit the mines during the rainy seasons.<sup>5</sup>

Finally, there are the specific characteristics of gold. An important feature is the small volume-high value ratio. Therefore, gold is transported fraudulently much easier than, for example, cassiterite. One can carry it in his pocket, the sole of his shoe, the rim of his cap, inside his motorbike, .... Second, there is the stable price of gold. In times of crisis, when other mineral prices are decreasing, and at times when inflation rates are skyrocketing, gold may still be rising steadily. It makes gold a preferable means of payment<sup>6</sup>, which can also restrain it from entering the official gold trade network. Third, the bad security situation on the road keeps gold traders from trading this high-value mineral openly.

## 2.2. Structure of the gold sector

The informal and opaque nature of Orientale's mining sector does not mean that it is totally chaotic. The sector, its production mechanisms and trading patterns, are quite structured and will be discussed hereafter. The sector is however quite dynamic and does not involve static and solid connections. Dan Fahey prefers to use the term *fleuve d'or*, or "river of gold", instead of commodity chain, because the production and trade of gold is always moving. During the rainy season, mining may slow down or come to a standstill. When a mining site is exhausted, or rumours are circulating of another productive area, *creuseurs* (artisanal miners) move to new sites and the old ones are abandoned.<sup>7</sup>

### 2.2.1. Gold production

At the source of Orientale Province's gold chain are more than 150,000 artisanal gold miners<sup>8</sup> who extract the ores with rudimentary tools and a lot of manpower. They rarely hold the official '*Carte d'exploitant artisanal*', which costs \$10 at the Mining Division.<sup>9</sup> According to the province's Mining Division no more than 507 *creuseurs* were officially registered in 2010. This is an impossibly low figure, since an estimated minimum of 150,000 artisanal diggers are working the province's mines. It is estimated that currently at least 80% of Orientale's *creuseurs* are looking for gold and some 10% for diamonds.<sup>10</sup>

Besides lacking the artisanal miner's card, *creuseurs* are generally active in areas where artisanal mining is prohibited, that is on industrial concessions and outside the ZEAs. Until today, however, there are very few areas that have been designated as official artisanal mining zones.<sup>11</sup> Furthermore, the Mining Division acknowledged that ZEAs are currently often installed in remote and less mineral-rich areas.<sup>12</sup> Therefore state services currently tolerate most informal artisanal mining.

Although a lot of exploitation at mining sites is informal, it is important to emphasise that it is well structured. The structure can vary considerably from site to site. Artisanal mining sites are managed by a

<sup>4</sup> International Alert (January 2010), op. cit., pp. 5, 16, 25.

<sup>5</sup> Pact, *PROMINES Study. Artisanal mining in the Democratic Republic of Congo*, June 2010, p. 20.

<sup>6</sup> Geenen S. and Kamundala Byemba G., "Qui cherche, trouve". Opportunités, défis et espoirs dans le secteur de l'or à Kamituga, in: *L'Afrique des Grands Lacs*, Annuaire 2008-2009, pp. 183-213.

<sup>7</sup> Fahey D., *Le fleuve d'or: The production and trade of gold from Mongbwalu, DRC*, in: *L'Afrique des Grands Lacs*, Annuaire 2007-2008, pp. 357-384.

<sup>8</sup> Estimate based on analyses in the current report.

<sup>9</sup> Arrêté Interministériel n° 0249/CAB.MIN/MINES/01/2010 et n° 042/CAB/MIN/FINANCES/2010 du 05 mai 2010 portant fixation des taux des droits, taxes et redevances à percevoir à l'initiative du Ministère des Mines.

<sup>10</sup> Province Orientale. Division Provinciale des Mines, *Rapport Annuel 2010*.

<sup>11</sup> In July 2010, Orientale Province counted 1 active artisanal mining zone, 7 approved requests and 35 requests under consideration (IPIS, Mining Concessions in the DR Congo, [www.ipisresearch.be/mine-concessions-drc.php](http://www.ipisresearch.be/mine-concessions-drc.php)). For the current situation, see the *Cadastre Minier's* DR Congo Tenements Map at <http://www.flexicadastre.com/drcmapportal/>.

<sup>12</sup> Province Orientale. Division Provinciale des Mines, *Rapport Annuel 2010*.

so-called PDG (*Président-Directeur Général*) or AFM (*Administrateur de Foyer Minier*).<sup>13</sup> The extraction itself is often organised through teams of about a dozen of diggers who cooperate in one pit. Furthermore, there are porters, rock crushers and gold washers.<sup>14</sup>

Three main types of mines exist, namely underground mines, open-pit mines and alluvial mines. Underground mining usually takes place in old industrial mines. Tunnels can be up to 500 metres long and reach a depth of 30 metres.<sup>15</sup> Mine collapses and asphyxiation are a pertinent risk that *creuseurs* have to face. Open-pit mining often occurs at tailing sites. An average mining site has approximately 10 pits, with 15 people working in each pit.<sup>16</sup> Finally, alluvial mining takes place in rivers and riparian areas. The *modus operandi* of alluvial miners consists in sifting through mud and looking for pieces of gold. Reportedly, its productiveness is waning, due to decades of gold extraction. One of the trends in alluvial mining in the Ituri district is the use of so-called *dragues* (dredges), small machines mounted on boats or rafts. The workers on the dredge receive assistance from divers or *plongeurs* who wear wetsuits and work under water while breathing through a tube. *Plongeurs* are expected to suck the river bottom into a hose in order to supply those working on the *drague*. About ten people work on the boat to look for gold particles in the mud.<sup>17</sup>

Through these mining techniques two types of gold are produced, namely 'or sec' (dry gold) or alluvial gold on the one hand, and gold amalgam on the other. The small particles that are found on riverbeds are typically alluvial gold. In general it has a high purity, somewhere between 90 and 95 percent. Gold amalgam is produced through underground mining and open-pit mining. The rocks that are extracted from the mines are crushed into fine dust, which is then processed into gold with the use of a wooden slide and/or mercury. The purity of gold amalgam is generally only between 82 and 90 percent.<sup>18</sup>

### 2.2.2. Gold trade

Following the miners who extract the gold ores, the next actors in the Congolese gold chain are the gold traders. Traders buying minerals from artisanal exploitation are called *négociants*. While some of them work with their own money, others receive their funds from trading houses or *comptoirs*, established in major trading centres such as Kisangani, Bunia and Butembo. It also happens that a trader works with his own money one day, while at other times he uses funds from a trading house, depending on his own solvability.

*Négociants* have the choice between going to the mines personally - in order to interact directly with artisanal miners - or hiring the services of so-called *commissionaires*. The job of a *commissionaire* consists in visiting various mining sites with a view to buying gold for *négociants*.<sup>19</sup> In order to indicate that the gold trade is also quite structured, it is interesting to note that *creuseurs* often prefer to sell their production to one of the traders they know well. It is a matter of trust, not to be cheated, and maybe one day they can rely on funds of this trader when hard times strike.<sup>20</sup>

While some *négociants* accept to register and pay taxes, others prefer to operate in a more hidden fashion. These clandestine *négociants* conceal the true nature of their business activities: they run ordinary shops with manufactured goods, while, in reality, they are also buying and/or bartering gold from suppliers. The main advantage of organising their buying activities in this manner is that they avoid the payment

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<sup>13</sup> PDG is a term used in Ituri to indicate the owner of a mining site. In the western part of Province Orientale, the term AFM is more common. In Mambasa territory and around Mongbwalu, the term '*encadreur*' is also often used, a term deriving from SAESSCAM vocabulary. These terms are not official positions and are not included in the legislation, they pre-date the 2002 Mining Code. Within the SOKIMO concessions, the term *sous-traitant* (subcontractor) is used. The section on Ituri's gold production (4.1.) will explain this function more in detail. For more information on the position of an AFM, see: IPIS/ International Alert, *The complexity of resource governance in a context of state fragility: an analysis of the mining sector in the Kivu hinterlands*, November 2010a, p. 46.

<sup>14</sup> International Alert (January 2010), op. cit., pp. 31-32.

<sup>15</sup> Geenen S. and Kamundala Byemba G. (2008-2009), op. cit., p. 198.

<sup>16</sup> Open-pit mining can also involve the construction of tunnels.

<sup>17</sup> Fahey D. (2007-2008), op. cit., pp. 357-384.

<sup>18</sup> Ibid, p. 362.

<sup>19</sup> Pact (June 2010), op. cit., p. 50.

<sup>20</sup> Interview IPIS with a gold trader, Butembo, October 2011.

of taxes imposed on official *négociants*. A '*Carte de négociant*' currently costs \$500 for gold traders of *catégorie A* and \$150 for those of *catégorie B*.<sup>21</sup> *Catégorie A* traders are those who are established within the large trading towns, while *Catégorie B* traders operate in local trading centres and mining sites.<sup>22</sup> In 2010, no more than 130 gold traders officially registered at the Mining Division. Four category A cards were sold, and 126 category B cards.<sup>23</sup> Some traders ironically explained that they belong to 'category C', to indicate that they are not registered at all.

Fieldwork however indicates that roles within the gold sector are in practice often difficult to separate. Functions regularly overlap and AFM/PDGs frequently act as important intermediaries in gold trades. Field research showed that a lot of AFMs in the Mambasa and Bondo territories, for example, act as obligatory passage points in the flow of gold between artisanal miners and gold traders. In this case, the AFM obliges artisanal miners to sell their gold to his '*établissement*' (company) at uncompetitive prices.

As stated above, *négociants* sell their commodities to *comptoirs* or trading houses established in one of the major trading centres near the border, such as Bunia and Butembo, or in the provincial capital Kisangani. According to the Mining Code, *négociants* are obliged to sell to one of the official *comptoirs*, who are registered with the Ministry of Mines and the only ones allowed to export minerals from the country. The annual registration tax and deposit for gold *comptoirs* nowadays amount to \$5000 and \$2500 respectively.<sup>24</sup> On top of that, official *comptoirs* have to pay an export tax of 3.25% on the value of their exports.<sup>25</sup> These taxes make the official exports of registered *comptoirs* less competitive than clandestine exports carried out by illegal exporters. This is because the taxes have to be incorporated in the price trading houses offer to *négociants*, which is thus lower than the price gold traders receive in the informal circuit. Official *comptoirs* in Bunia and Kisangani complain that they cannot compete with the gold buyers in Kampala, where gold exports are subjected to an export tax of no more than 0.5%.<sup>26</sup> Because of the specific characteristics of gold, which make it so easy to smuggle, the major part of Congolese gold is exported clandestinely. It is extremely difficult to get a grip on this, as there are around 340 informal border crossings between the district of Ituri and Uganda.<sup>27</sup>

Major gold buyers running trading houses usually wait until they have acquired a quantity of gold that is sufficiently large to be worth a trip to Kampala, at least about 5 kg. In the Ugandan capital, they either sell their gold to Ugandan buyers or barter it for consumer goods,<sup>28</sup> which are then brought back to the DRC's border towns. A lot of gold traders are at the same time traders in merchandise. This does not only hold true for big traders in the border towns, but also for gold traders active in places upstream, closer to the gold production sites.

Currently, a lot of the unofficial gold exports take route to Uganda. In the early 1990s, however, Burundi used to be the most important transit point for Congolese gold to the world market. An international embargo against the Buyoya regime and a more profitable tax regime for gold exports in Uganda caused Burundi to lose its status.<sup>29</sup>

### 2.2.3 Profits along the gold chain

The Congolese state profits very little from the mineral trade. The tiny percentage of gold that is exported officially, compared to total export volumes, entails an enormous loss for the Congolese Treasury. The countries that neighbour the DRC and export the major part of its gold production are the main beneficiaries of the Congolese gold trade. This does not mean, however, that the Congolese

<sup>21</sup> Arrêté Interministériel n° 0249/CAB.MIN/MINES/01/2010 et n° 042/CAB/MIN/FINANCES/2010, op. cit.

<sup>22</sup> Interview IPIS with Mining Division, Kisangani, October 2011.

<sup>23</sup> To demonstrate the importance of the gold sector, it is interesting to note that only 22 diamond traders registered in 2010. (Source: Province Orientale. Division Provinciale des Mines, *Rapport Annuel 2010*.)

<sup>24</sup> Arrêté Interministériel n° 0249/CAB.MIN/MINES/01/2010 et n° 042/CAB/MIN/FINANCES/2010, op. cit.

<sup>25</sup> This statement is not entirely correct, 1% of the 3.25% is levied on the value of the purchase. Later on, in section 5.1., we will discuss the export tax more in detail.

<sup>26</sup> Interviews IPIS with several *comptoirs*, Bunia and Kisangani, October 2011.

<sup>27</sup> Tegera A. and Johnson D., *Rules for sale. Formal and informal cross-border trade in Eastern DRC*, Pole Institute, May 2007, p. 98.

<sup>28</sup> Fahey D. (2007-2008), op. cit., p. 369.

<sup>29</sup> International Alert (January 2010), op. cit., p. 7.

population does not gain anything from it. Although the exploitation of gold has not really contributed to the development of the DRC to date, a lot of people depend on it for their livelihoods.

We will examine the loss of revenue and potential tax income for the Congolese state in chapter 5. Hereafter, we will briefly describe how the income of the Congolese gold sector is currently distributed over the people who participate in the sector.

To determine their purchase price, *négociants* and *comptoirs* check world gold prices every day. Although prices on the world market are expressed in ounces and grams, actors within the Congolese gold chain use '*kitchele*' and '*tola*' as standard weights.

- 1 *tola* is 11.4 grams
- 1 *kitchele* is 1.2 grams; 1 *tola* equals 9.5 *kitchele*
- 1 *sengi* is 0.6 grams; 1 *kitchele* equals 2 *sengi*
- 1 *tige* is 0.1 grams; 1 *kitchele* equals 12 *tiges*<sup>30</sup>

Nine *kitchele* and one *sengi* are thus equal to one *tola*.<sup>31</sup> In the field, however, it happens that one *kitchele* is equated with one gram.<sup>32</sup>

In order to make profit, traders naturally have to pay a lower price than the price offered to them by trading houses. To differentiate the price they use two techniques. First, there is a small difference in the price itself. Hypothetically, when a *négociant* receives \$500 per *tola* in Butembo, he will for example offer \$490 per *tola* at the mining site. Second, there is a slight difference in the unit of measure at the mining site and in the border towns. *Négociants* equate 10 *kitchele* with 1 *tola* at the mining site, but only have to give 9.5 *kitchele* for one *tola* in Butembo. As a result, they gain 1 *sengi* per *tola* of gold that they trade.<sup>33</sup>

An example, gathered during field research in November 2011, of the gold prices per gram along the trading chain, gives the following distribution. Artisanal miners that were interviewed in Bas-Uele's Baye area received an average of 42,700 Congolese francs per gram of gold (which is about \$45). In Bondo town prices fluctuated, but were on average slightly above 43,000 Congolese francs. In Kisangani, traders received between \$52 and \$55 for their gold.<sup>34</sup> The prices on the world market fluctuated between \$54 and \$58 in November 2011. Prices offered at other mining sites and trading centres in the DRC vary from the prices mentioned above, depending on the quality of the area's gold and the distance to the big trading towns.

Pole Institute carried out a similar exercise in 2007 in the district of Ituri. They noticed a difference of \$2 per *tola* between Iga-Barrière, a gold market near the area's gold mining sites, and Bunia, the district's capital and major trading centre. A *tola* of 91% pure gold cost \$200 in Iga-Barrière, while it cost \$202 in Bunia at that time.<sup>35</sup>

If we look at the prices artisanal miners receive from gold traders at mining sites, these represent about 90% of the world price. Of course this does not mean that *creuseurs* are those who earn most from the gold trade. The number of actors involved decreases going down the mineral chain. The volume of gold that is handled per actor, consequently, increases along the chain. So although actors downstream earn less per gram of gold than people at the source, in total their earnings are much higher.

Artisanal miners generally earn a few dollars per day. This is an average, as there are days or weeks that they do not produce anything and days that they produce much more.<sup>36</sup> From such an income they can

<sup>30</sup> *Sengi* and *kitchele* are old Zairian coins. A *tige* is a match.

<sup>31</sup> Interviews IPIS with gold traders, trading houses and mining officials, Bunia, Butembo and Kisangani, October 2011; Fahey D. (2007-2008), op. cit., p. 369.

<sup>32</sup> Research commissioned by IPIS, conducted in November 2011 by Caritas Développement Bunia.

<sup>33</sup> Interview IPIS with a gold trader, Butembo, October 2011.

<sup>34</sup> Research commissioned by IPIS, conducted in November 2011 by OCEAN Kisangani.

<sup>35</sup> Tegera A. and Johnson D. (May 2007), op. cit., p. 100.

<sup>36</sup> Estimates tend to vary considerably between different sources. "1 to 3 dollars a day" (Fahey D. (2007-2008), op. cit., p. 366; International Alert (January 2010), op. cit., p. 47); "\$18 per month" (CAFOD, *Golden opportunity or false hope? AngloGold Ashanti's proposed gold mine in the Democratic Republic of Congo*, January 2010, p. 16.); "Less than \$14 per day" (Pact (June 2010), op. cit., p. 98); "An average of \$245 per month in Mambasa" (Aybeka Kopikama J.D., *Exploitation artisanale de l'or et développement en territoires de Mambasa et Wamba (Province Orientale, RD Congo)*, 2010, Mémoire Online, <http://www.memoireonline>).

hardly save up anything, since life at mining sites tends to be very expensive. The isolation of many of the mines sends up prices and has a serious impact on the cost of living. Furthermore, several researchers have already reported on the problematic spending habits within artisanal mining communities. Earnings are often completely spent on alcohol, cigarettes, cannabis and women.<sup>37</sup> As expenses are often higher than revenues, it represents one of the reasons why a lot of the artisanal miners are heavily indebted.

Along the chain, the benefits of the gold trade start to rise. The AFM, as a rule, takes a fixed percentage of the production of all diggers at a given mine. The *négociants* or traders, who represent the intermediate level between the mines and the border towns, are able to make an average of \$100 per month. The major traders, those who have the means to export gold, can make up to thousands, if not millions of dollars.<sup>38</sup>

Next to the actors actively involved in the gold trade (diggers, traders and exporters), there are also other stakeholders within the DRC who profit from the country's natural resources, but are not directly involved in trading. State officials and armed groups are also known to make considerable profits from the gold trade through illegal taxation in and around the mines, and along the routes to the trading centres.

#### 2.2.4. Gold financing armed groups

Gold can be considered as the most important 'conflict mineral' in eastern DRC. The 2009 final report of the UN Group of Experts on the DRC considered the gold trade to be "one of the most significant avenues of direct financing" for FDLR and other armed groups in eastern DRC. The Group estimated that armed groups may earn several millions of dollars from the trade each year.<sup>39</sup> Allegedly, illegal taxation of artisanal gold mining accounted for an estimated 75% of the FDLR's revenues, before 2009.<sup>40</sup>

Within Orientale Province the security situation has improved considerably since a few years, and the strength of armed groups has become generally limited, especially compared to the Kivus. Nonetheless, Orientale's gold trade and production is still a source of revenue for armed groups present on its territory.

The *Forces de Résistance Patriotique de l'Ituri* (FRPI) is an Ituri-based militia. Although some of its militiamen generate income from mining activities, the movement does not control any large mining sites. Its fighters are however known to have worked, for example, in civilian dress at the gold mining area of Bavi.<sup>41</sup> Furthermore, gold miners and *négociants* working in the Bavi area, complained about regular attacks and pillages by the militiamen.<sup>42</sup>

Mayi-Mayi Kumu of Major Luc Yabili are present at mine sites in Tshopo's Bafwasende territory. They are known to tax artisanal miners and to protect interests of certain businessmen in the southern part of the territory.<sup>43</sup>

Other armed actors often cited as being involved in the illegal trade and production of gold in Orientale are the state security agencies such as the National Police (*Police nationale congolaise*, PNC) and the Congolese Armed Forces (*Forces armées de la République démocratique du Congo*, FARDC). The presence of the national army is fairly strong in Orientale, even exaggerated in some areas, which creates some

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[com/11/11/4932/m\\_Exploitation-artisanale-de-lor-et-developpement-en-territoires-de-Mambasa-et-Wamba-province-ori21.html](http://com/11/11/4932/m_Exploitation-artisanale-de-lor-et-developpement-en-territoires-de-Mambasa-et-Wamba-province-ori21.html))

<sup>37</sup> More detailed information on problematic spending habits of men in artisanal mining communities can be found in Cuvelier J., *Men, mines and masculinities: the lives and practices of artisanal miners in Lwambo (Katanga province, DR Congo)*, KU Leuven, 2011, Chapter 3.

<sup>38</sup> International Alert (January 2010), op. cit., p. 48.

<sup>39</sup> Final report of the Group of Experts on the Democratic Republic of the Congo, 23 November 2009, *UN Doc. S/2009/603*, S 124-125.

<sup>40</sup> USGS, 2009 Minerals Yearbook Congo Kinshasa, May 2011, p. 11.3.

<sup>41</sup> Spittaels S. and Hilgert F., *Mapping conflict motives: Province Orientale (DRC)*, IPIS, March 2010, p. 22.

<sup>42</sup> Research commissioned by IPIS, conducted in November 2011 by Caritas Développement Bunia.

<sup>43</sup> Spittaels S. and Hilgert F. (March 2010), op. cit., p. 27; More information on the Mayi-Mayi Kumu of Major Luc can be found in: IPIS/International Alert (November 2010a), op. cit., pp. 42-58.

suspicion. Furthermore, there is a problem with the existence of separate networks and chains of command within the army in Orientale.<sup>44</sup>

The presence of state security agencies is thus met with mixed perceptions by people working in the mineral sector. They do provide a certain level of security, but are also involved in the daily operation of the mines' supply chains, levying informal taxes. The limited formal presence of civil government authorities at a lot of mining sites creates a void, which is regularly filled by these security services.<sup>45</sup>

FARDC are badly paid and lack the motivation to risk their lives and fight rebel forces. As several FARDC officers, especially in Ituri, are implicated in the trade in minerals, they also have an interest in prolonging their deployment and restraining from effectively tackling the security problems caused by rebel groups.<sup>46</sup> Reportedly, they can be quite a problem in areas where MONUSCO presence is lacking. In 2007, gold diggers in several mines in the Mongbwalu area complained they had to pay \$3 per week to mine operators for payoffs to the FARDC or police.<sup>47</sup>

FARDC units that profit from the province's resource wealth seem to be present all over the province. They are known to have (had) positions at mining sites near Buta and Niapu, in Bas-Uele, and near Isiro and Watsa-Durba, in Haut-Uele.<sup>48</sup> In eastern Ituri, in the Mongbwalu-Kilo region, FARDC did not seem to control mining sites or to profit systematically from them. There are however reports of FARDC soldiers that frequent mining sites.<sup>49</sup> IPIS field research in 2010 and 2011 also revealed FARDC and PNC involvement in the gold sector in Bafwasende (Tshopo district), Mambasa (western Ituri) and Bondo (Haut-Uele district) territories, and around Isiro (Bas-Uele district).<sup>50</sup>

The much-discussed Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>51</sup> aimed to address the problem of 'conflict minerals'. So far, however, it does not seem to have a direct impact on the Congolese gold sector. As the major part of Congolese gold is exported fraudulently, its trade is hardly affected by the law. With regard to the 3Ts, recent field research conducted by IPIS in the Kivu provinces and Katanga, showed that its trade decreased to about 10% of what it used to be. Former customers of the Congolese *comptoirs* shy away from their suppliers, fearing the consequences of the Dodd-Frank Act. There are indications that a lot of the *creuseurs* who used to dig for the 3Ts, recently turned to gold, because of the higher demand. An indirect effect of the Dodd-Frank Act thus seems to be that clandestine gold production and trade in eastern DRC is on the rise.

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<sup>44</sup> Spittaels S. and Hilgert F. (March 2010), op. cit., p. 23.

<sup>45</sup> Pact (June 2010), op. cit., pp. 58-60.

<sup>46</sup> Spittaels S. and Hilgert F. (March 2010), op. cit., p. 3.

<sup>47</sup> Fahey D. (2007-2008), op. cit., p. 366.

<sup>48</sup> Spittaels S. and Hilgert F. (March 2010), op. cit., p. 21.

<sup>49</sup> Ibid, p. 24.

<sup>50</sup> IPIS/International Alert (November 2010a), op. cit., p. 54.

<sup>51</sup> Under the Act, any company that is registered with the US Securities and Exchange Commission (SEC), and whose products contain coltan, cassiterite, gold or wolframite, all categorically defined as "conflict minerals", will have to disclose on a yearly basis whether these minerals originate from the DRC or an adjoining country. For more information, see: IPIS, *Guide to Current Mining Reform Initiatives in Eastern DRC*, April 2011, pp. 10-13.



Artisanal miners chiselling gold-bearing rock at Kputuka/Indi, Mambasa territory (Photo: IPIS/OCEAN, 2010)

### 3. Trading centres within Orientale Province's gold chain

Gold produced in Orientale Province's mine sites takes several trade routes within northeastern DRC, before it enters the neighbouring countries, especially Uganda. Hereafter we will describe the role of the most important trading centres along these commercial routes, examine relevant actors such as *comptoirs* and *négociants*, and assess the volume of gold passing through these centres. First, we will take a look at Bunia (3.1.), currently the most important point of exit for Orientale's gold. Next, the trading towns Kisangani (3.2.) and Isiro (3.3.) will be discussed, as they are supplying the second most important gold export town, Butembo (3.4.). Finally, Ariwara (3.5.) represents the third most important town within Orientale's gold chain.

When reading this chapter, it may be useful and clarifying to regularly consult Tables 1, 2 and 3, which can be found in Annex 8.2. Tables 1 and 2 give an overview of the official gold export figures per town and per *comptoir*. Table 3 serves as an interesting overview/summary of the information that is discussed below concerning the actual trade routes and volumes per trading town.

#### 3.1. Bunia

##### 3.1.1. Official circuit

Bunia is located about 30 km west of Lake Albert, within Irumu territory in Ituri district. In terms of official export figures, Bunia is the most important trading centre for Orientale's gold. According to official statistics of the *Centre d'Evaluation, d'Expertise et de Certification* (CEEC), Bunia exported about 115 kg in 2010, while Kisangani only exported 13.5 kg. Butembo's *Bureau Urbain des Mines* reports there has only been one official gold export in 2010, of 2.6 kg (Annex 8.2., Table 1).<sup>52</sup>

These official gold exports have all been carried out by registered *comptoirs*, as they are the only ones allowed to export artisanal gold production under the 2002 Mining Code. The presence of registered *comptoirs* in Bunia is a quite recent phenomenon. When *Congo Performance Développement*, COPED in

<sup>52</sup> Bureau Urbain des Mines et Géologie de Butembo, *Rapport Annuel 2010*.

short, opened up in Bunia in May 2009, it was the first official *comptoir* in town since the beginning of the first Congo war.<sup>53</sup>

The Congolese government has been trying to stimulate official *comptoirs* to return to the war-torn eastern part of the country, in order to better channel, formalise and tax the mineral trade. A December 2008 decree provided several measures to make it easier for *comptoirs* to do legal business. For example, some taxes and fees were reduced. The annual registration tax and deposit for gold *comptoirs* were diminished considerably. While the rates used to be \$50,000 and \$25,000 respectively, nowadays they are only \$5000 and \$2500.<sup>54</sup>

These efforts have motivated gold *comptoirs* to actually start up business in Bunia. However, several of these *comptoirs* closed down again shortly after they opened up, allegedly because legal business was not sufficiently profitable. This, and the fact that gold export figures are altogether still low, shows a lot remains to be done to formalise the sector. This is not only the case in Bunia. The same tendency exists in Butembo and Kisangani, which will be discussed in sections 3.2. and 3.4.

CEEC recorded about 249 kg of gold exported from Bunia from June 2009 to September 2011 (Annex 8.2., Table 1).<sup>55</sup> This is quite a lot compared to the official export figures of other Congolese towns involved in the gold trade, and thus reflects Bunia's importance for the gold export. However, if we compare this figure to various estimates of real gold production and trade, it only represents a tiny percentage. It shows the Congolese government still has a long way to go to channel all gold production through the official *comptoirs*.

The coming and going of gold *comptoirs* is less of a problem in Bunia than in Kisangani and Butembo. For the moment three official *comptoirs* are based in Bunia, being COPED, KARMALI and *Office des Mines d'Or de Kilo Moto* (OKIMO). OKIMO's *agrément* (permit) has however expired in May and the company is currently negotiating to obtain a new one.

COPED started operating in Bunia in May 2009, while its current *agrément* is valid until May 2012.<sup>56</sup> In 2009, it exported 60.64 kg of gold. From December 2009 to August 2010, COPED did not export any gold,<sup>57</sup> allegedly due to problems of liquidity.<sup>58</sup> The last months of 2010 it exported 9.28 kg, and from January up to September 2011 12.1 kg (Annex 8.2., Table 2). In 2011, all of COPED's registered exports were destined for the United Arab Emirates.<sup>59</sup>

It is important to note that the above-mentioned amounts of gold exported by COPED are not pure gold. The purity of COPED's exported ingots varies between 83% and 90%. Abroad, the ingots are further purified to 99%. This is also the case for the exports of the other *comptoirs*.

According to CEEC documents, COPED has been sourcing from Dala (Djugu territory), Bunia, Djalasiga (Mahagi territory) and Mambasa.<sup>60</sup>

KARMALI is the newest *comptoir* in town, as it registered with the Ministry of Mines last March.<sup>61</sup> Officially, it first started buying in July, gold ores coming from Bondo (Bas-Uele district), Mambasa, Nia-Nia (Mambasa territory) and Bunia. It carried out a gold export in August and one in September, of 3.11 kg and 6.21 kg respectively, with a purity of 73% and 86%.<sup>62</sup> Before KARMALI started its operations in Bunia, it was active in Kisangani, where it exported 1.94 kg last June.

The third *comptoir* present in Bunia is OKIMO. Currently, it is still negotiating for the renewal of its *agrément*, as it expired last May.<sup>63</sup> This *comptoir* is linked to the state mining company of the same name.

<sup>53</sup> IPIS/International Alert, *The complexity of resource governance in a context of state fragility: the case of Eastern DRC*, November 2010b, p. 17.

<sup>54</sup> Arrêté Interministériel n° 0249/CAB.MIN/MINES/01/2010 et n° 042/CAB/MIN/FINANCES/2010, op. cit.

<sup>55</sup> CEEC Bunia, Gold export statistics 2009-2011.

<sup>56</sup> Arrêté Ministériel n° 0245/CAB.MIN/MINES/01/2011 du 10 mai 2011.

<sup>57</sup> CEEC Bunia, Gold export statistics 2009-2011.

<sup>58</sup> Confidential unpublished report by regional expert, August 2010.

<sup>59</sup> CEEC Bunia, Gold export statistics 2009-2011.

<sup>60</sup> Ibid

<sup>61</sup> Arrêté Ministériel n° 0046/CAB.MIN/MINES/01/2011 du 18 mars 2011.

<sup>62</sup> Data obtained from local mining administration in Bunia, October 2011.

<sup>63</sup> Arrêté Ministériel n° 0286/CAB.MIN/MINES/01/2010 du 24 mai 2010

Since the beginning of the year, however, OKIMO has been renamed SOKIMO, signalling the finalisation of the process to transform the former state miner into a commercial enterprise.<sup>64</sup> For the moment, the Congolese government is nevertheless still the sole shareholder. As soon as a new agreement is reached, the *comptoir* will also be renamed SOKIMO.

In 2009 (from August onwards), 2010 and 2011 (until September), it exported 23.2 kg, 105.5 kg and 28.9 kg of gold respectively (Annex 8.2., Table 2).<sup>65</sup> In 2011, OKIMO's last export was carried out in May, after which it was no longer allowed to export due to the expiration of its *agrément*.<sup>66</sup> All exports are destined for Lebanon, because of a deal OKIMO has with MIKUBA MINING, a Lebanese-run company.

Although (S)OKIMO is in fact an industrial mining company, it recognised that a lot of the gold on its concessions was extracted by artisanal miners. In order to promote the formalisation of the gold mining sector, it decided it would be useful to start up a *comptoir* itself, to offer the *creuseurs* an option to legally sell their production. Yet OKIMO did not have the financial capacity to open up a *comptoir*. Therefore it entered into a ten-year agreement with MIKUBA in April 2009.

There has, however, been quite some confusion over the terms of the agreement, as well as some problems with the compliance with them. Representatives of MIKUBA declared OKIMO is not in full compliance, as not all the minerals from its concessions are exported through MIKUBA.<sup>67</sup> OKIMO however refutes this. It claims the agreement with MIKUBA only relates to the "*Protocole d'accord de sous-traitance*" between the provincial government, *Service d'Assistance et d'Encadrement d'Artisanal et Small Scale Mining* (SAESSCAM) and OKIMO. This Memorandum of Understanding provides a mechanism to assist and support artisanal mining on Concession 40, which is discussed in more detail in section 4.1. Within this framework, artisanal miners are obliged to give 30% of their production to OKIMO. They are free to sell the other 70% to any official *comptoir*. OKIMO stated it is only obliged to deliver the 30% to MIKUBA; it is free to buy and to export itself, or to sell to another *comptoir*, the other 70%, just as gold ores from other concessions. For its part, OKIMO claimed MIKUBA was not complying with the terms of the agreement. It did pay the non-recurrent \$20,000 remuneration to OKIMO, but never paid the 1% it should pay OKIMO on the value of its export.<sup>68</sup>

The *comptoirs* are supposed to be supplied by official *négociants*, holding a '*Carte de négociant*', which costs \$500 per year for a *négociant* of category A and \$150 for one of category B. In 2010, the Mining Bureau in Bunia registered 317 *négociants* in the entire district of Ituri.<sup>69</sup>

### 3.1.2. Unofficial circuit

Gold exported through the official circuit clearly represents only a tiny percentage of the overall gold trade in Bunia and the province.

A number of *maisons d'achat* (buying houses) are known to be buying and exporting gold ores without having an *agrément de comptoir* with the government. They prefer to sell their gold directly to gold traders in Kampala because these offer a better price than the *comptoirs* based in the DRC. Most *négociants*, whether official or not, prefer to sell to these unofficial buying houses which export clandestinely, because of the better price they offer.

Official *comptoirs* in Bunia and Kisangani complain they cannot compete with the gold buyers in Kampala because of the difference in export tax. While gold exports from the DRC are subjected to a 3.25% export tax, gold exporters in Uganda only have to pay 0.5%. *Comptoirs* that were interviewed claimed that this situation is not sustainable in the long term.

Another element, mentioned by some stakeholders, that discourages participation in the official circuit, is the Congolese bureaucracy. For example, the time lost to the analysis of the samples and the

<sup>64</sup> Radio Okapi, Portefeuille de l'Etat: Okimo devient Sokimo, 28 December 2010.

<sup>65</sup> Export figures obtained from OKIMO, October 2011.

<sup>66</sup> Some sources said *comptoirs* are granted a few months time to continue exporting when their *agrément* has expired, if they are negotiating for its prolongation.

<sup>67</sup> Interview IPIS with MIKUBA representatives, Bunia, 4 October 2011.

<sup>68</sup> Interview IPIS with OKIMO and mining officials, Bunia, October 2011.

<sup>69</sup> Bureau Minier Isolé de District de l'Ituri, *Rapport Annuel 2010*.

subsequent paperwork, bothers the *comptoirs*. One *comptoir* also mentioned that it fears the time and cost implications of certification mechanisms for the Congolese mining sector.<sup>70</sup>

However, unofficial traders are not the only ones exporting clandestinely to Uganda. Several sources also pointed at the *comptoirs* themselves. Mining officials stated that they do supervise what the *comptoirs* buy during the day in their office, but that they cannot know what is bought at night or outside the buyer's office. Furthermore, ANORI, an association of gold *négociants* in Ituri, raised *comptoirs* often register only a tiny percentage of what they buy from them. ANORI gives the example of a *négociant* who complained that he once sold 200 grams to COPED, but received a receipt of no more than 32 grams.<sup>71</sup>

It is estimated that about 50 to 60 *négociants* are currently present in Bunia. Ten of them can be regarded as the main traders, who buy from the smaller ones and control the majority of Bunia's actual gold export. Two of these important traders are said to take their gold to Butembo, while the other ones reportedly go directly to Kampala.<sup>72</sup> In total, it is estimated that about 85% of Bunia's gold is shipped to Kampala, and 15 % to Butembo.<sup>73</sup> Figures from *Fédération des entreprises du Congo* (FEC) support this estimate.<sup>74</sup> These exports are transported mainly on commercial passenger flights, operated by CETRACA and TMK (before it quit its aviation service at the end of August 2011), or by road through Mahagi-Paidha to Kampala.<sup>75</sup>

From confidential interviews with various stakeholders, it appears the entire group of Bunia *négociants* can, to large extent, be subdivided into/linked to a few clandestine gold-trading networks. The most important one is the network of traders originating from Djugu territory. Reportedly, the six major traders of this network are each buying at least six kg per week. This means they trade at the very least 1.87 tonnes of gold per year. With the money from the gold sales, they directly buy merchandise in Uganda and sell it at Orientale's mining sites for gold. This so-called *troc* or barter allows them to make bigger profits.<sup>76</sup>

Next to the Ituri traders, there are the Nande representatives who buy gold for their patrons in Butembo. Edmond Kasereka is the most well-known trader in this network. He is the brother of the late Kambale Kisoni and reportedly the most important financier of Nande traders present in Bunia.<sup>77</sup> An estimated 15% of the gold that leaves Bunia is heading towards Butembo.<sup>78</sup> We will examine the business of the Nande traders more in detail when discussing the role of Butembo in the gold trading sector.

The origins of the gold that is traded through Bunia are the surrounding territories, especially Djugu and Irumu. Mongbwalu is the most important source for Bunia's gold traders. Research conducted in 2008 reported that only 10 to 20% of Bunia's gold originates from Mongbwalu.<sup>79</sup> Interviews with various stakeholders in October 2011, however, indicate that about 75% of the gold in Bunia is sourced from Mongbwalu.<sup>80</sup> To a certain degree, this can be explained by the rehabilitation of the road between Mongbwalu and Bunia. In the chapter on Ituri's gold production we will examine Mongbwalu more in detail. Gold produced in Irumu territory also finds its way to Bunia, though mining sites in the southern part of the territory rather supply Butembo. Apparently, there is also some gold of Mambasa and Bafwasende territories which is transported to Bunia.<sup>81</sup>

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<sup>70</sup> Interview IPIS with COPED representative, Bunia, October 2011.

<sup>71</sup> ANORI, *Compte rendu de la réunion de 02 mars 2011*, 2 March 2011.

<sup>72</sup> IPIS/International Alert (November 2010b), op. cit., p. 15.

<sup>73</sup> International Alert (January 2010), op. cit., p. 39; Fahey D. (2007-2008), op. cit., pp. 357-384.

<sup>74</sup> Tegera A. and Johnson D. (May 2007), op. cit., p. 99.

<sup>75</sup> IPIS/International Alert (November 2010b), op. cit., p. 15.

<sup>76</sup> Confidential interviews, Bunia, June and October 2011.

<sup>77</sup> Research commissioned by IPIS, conducted in July 2010 by Dan Fahey; Confidential interviews, Bunia, June 2011.

<sup>78</sup> International Alert (January 2010), op. cit., p. 39; Fahey D. (2007-2008), op. cit., pp. 357-384.

<sup>79</sup> Fahey D. (2007-2008), op. cit., p. 369.

<sup>80</sup> Interviews IPIS with civil society representatives and mining officials, Bunia, October 2011.

<sup>81</sup> IPIS/International Alert (November 2010a), op. cit., web map of Southeastern Orientale, <http://www.ipisresearch.be/mining-hinterlands.php>

Previous reports estimated that at least 10 kg of gold leaves Bunia every day, so at least more than 3.5 tonnes per year.<sup>82</sup> This is still a low estimate. On the basis of production figures and the number of *creuseurs* working in the mines in the adjacent territories (see Section 4.1.1. and 4.1.3., and Table 5 in Annex 8.2.), and interviews with mining officials and civil society organisations in Bunia, it could be estimated that the trade is more than double of, or even three times, the 3.5-tonnes estimate.

Table 3 gives an overview of the sources and destinations of Bunia's gold trade, as well as an estimate of the volume of the trade.

Additionally, gold traders complained about extortions along the Nia-Nia - Bunia axis and between Komanda and Bunia, by FONER, DRPO, the PNC and, on the first road, FARDC.

## 3.2. Kisangani

### 3.2.1. Official & unofficial circuits

Kisangani, the capital of Orientale Province, is most known for its role in the trade in diamonds. The city, however, also has a number of gold *comptoirs* and plays an important role in the gold supply chain of Butembo in North Kivu, a main point of export.

The four gold *comptoirs* present in Kisangani in 2010, officially only exported 13.5 kg of gold (Annex 8.2., Table 1). As mentioned before, this tiny export volume reveals the insignificance of the official circuit compared to the clandestine exports. It is yet another indication that a lot remains to be done to formalise the province's gold sector. Moreover, in the course of 2010, four gold *comptoirs* opened up in Kisangani, but only two of them remained active until the end of the year.<sup>83</sup>

CUT Congo Mining opened in Kisangani last year, after it had left Kinshasa. In total, it bought 2.3 kg of gold in Kisangani (Annex 8.2., Table 2).<sup>84</sup> It was one of the two *comptoirs* that remained active in Kisangani until the end of 2010,<sup>85</sup> but in 2011 it closed down. According to local mining officials, CUT was planning to start a *comptoir* in Bunia, but to date there has not been a sign of them there.

Jan Mangal is the second Kisangani *comptoir* that was still active at the end of 2010. In May 2010 it started up business in Butembo, but several months later it already left for Kisangani. There, it bought 3.64 kg of gold between September and December.<sup>86</sup> For the moment, however, its activities have also been put on hold, allegedly after a fraudulent 10-kg gold export had been intercepted in Nairobi on a Kenya Airways flight.<sup>87</sup>

DIVAS and GAMA started buying gold in Kisangani in 2010, but quit the same year. They bought 9.9 kg and 6.4 kg of gold respectively (Annex 8.2., Table 2).<sup>88</sup>

The *comptoir* KARMALI started its activities in Kisangani before it moved to Bunia. In June 2011, it exported 1.94 kg of gold from Kisangani.<sup>89</sup> KARMALI however believed it would be able to buy more gold in Bunia than in Kisangani. In August and September alone, it already managed to export more than 9.3 kg from its new Bunia office.<sup>90</sup>

The only official gold *comptoir* that is currently active in Kisangani is Abner Congo Diamant (ACD). Its principal business is diamond trade, but since this year it started to get involved in the gold trade. It does however complain how difficult it is to make profit as an official gold *comptoir*. According to the ACD

<sup>82</sup> Hayes K., Smith K.H., Richards S. and Robinson R.C., *Researching natural resources and trade flows in the Great Lakes Region*, Pact, June 2007, p. 31; Tegera A. and Johnson D. (May 2007), *op. cit.*, p. 99.

<sup>83</sup> Province Orientale. Division Provinciale des Mines, *Rapport Annuel 2010*.

<sup>84</sup> CEEC, Gold export statistics 2009-2011.

<sup>85</sup> Province Orientale. Division Provinciale des Mines, *Rapport Annuel 2010*.

<sup>86</sup> CEEC, Gold export statistics 2009-2011.

<sup>87</sup> Confidential interview IPIS with a mining official, Kisangani, October 2011.

<sup>88</sup> CEEC, Gold export statistics 2009-2011.

<sup>89</sup> SAESSCAM, Antenne de Kisangani, Monthly report, June 2011.

<sup>90</sup> CEEC Bunia, Gold certification documents 2011; Interview IPIS with CEEC official, Kisangani, October 2011.

representatives they are only capable of surviving because they also own a diamond *comptoir* and do not depend solely on gold.<sup>91</sup>

SAESSCAM documents show the origins of the gold that is traded (officially) in Kisangani. For example, of the 4 kg of gold that was bought by ACD and KARMALI in June 2011, 56% originated from Bondo and 10% from Buta, both in Bas-Uele district, and 31% and 3% from Bafwasende and Banalia respectively, in Tshopo district.<sup>92</sup> According to these figures, Bondo territory is by far the most important source for gold traded in Kisangani, followed by Bafwasende and Buta.

Almost all of Bas-Uele district's gold goes by road to Kisangani, and sometimes by plane,<sup>93</sup> after which it continues its way to Butembo. The district's gold goes southwards, because the roads to the east, the shortest way to the border, are nearly impassable.

Also a part of the gold production of Tshopo district passes by Kisangani, as the SAESSCAM data shows. However, Bafwasende's gold often goes directly to Butembo, instead of making a detour to Kisangani first.

A very rough estimate of the real volume of gold that passes through Kisangani is at least 50 kg per week.<sup>94</sup> This amounts to 2.6 tonnes of gold per year, almost all transported to Butembo (Annex 8.2., Table 3). This estimate is supported by Bondo's estimated level of production, about 30 kg per week (see Section 4.3.1. and Table 5 in Annex 8.2.), considering it reportedly supplies more than 50% of Kisangani's gold (see above).

### 3.3. Isiro

Isiro is the capital of the Haut-Uele district and a major hub for gold from surrounding territories. From Isiro, gold is generally transported by plane to Butembo, or sometimes immediately Uganda. This is because of the terrible condition of the roads around Isiro, which do not permit transport by vehicle. According to the Ministry of Plan in 2005, of a total of 900 km of roads linking Isiro to the towns surrounding it (Wamba, Nia-Nia, Poko, Ameta, Watsa and Faradje), a mere 6 km are in good condition, on a total of 714 km.<sup>95</sup>

A portion of the gold traded in Isiro is not sold to traders from Butembo but enters the gold trade network that passes by Aru and Ariwara. The main buyers are *négociants* of the Lugbara ethnic group<sup>96</sup>, from the area around the Aru-Ariwara axis.<sup>97</sup> We will discuss this trade network in the section on Ariwara.

As indicated earlier, the degenerated state of the road network in the area also explains why gold from Bas-Uele first heads south, to Kisangani, before it is transported to the border. Gold traded in Isiro originates therefore solely from mines in the surrounding territories. This is nonetheless still a significant volume.

Next to the physical condition of the road network around Isiro, traffic on the roads suffers from extortions committed by state security services. FARDC and PNC elements are regularly encountered at roadblocks and mining sites in the region.

Currently, there are 10 to 12 gold buyers present in Isiro. This number does not include about 10 shopkeepers who clandestinely buy gold. Furthermore, there are some *commissionaires*, who buy for the bigger gold traders, including Nande traders.

<sup>91</sup> Interview IPIS with ACD representatives, Kisangani, October 2011.

<sup>92</sup> SAESSCAM, Antenne de Kisangani, Monthly report, June 2011.

<sup>93</sup> Interview IPIS with mining officials from the Division des Mines, Kisangani, October 2011.

<sup>94</sup> Ibid

<sup>95</sup> Ministère du Plan de la RDC, *Monographie de la Province Orientale*, March 2005, pp. 184-185.

<sup>96</sup> Confidential interviews, Bunia, June 2011.

<sup>97</sup> See the 'Ethnic map' of IPIS' web maps of Province Orientale: IPIS, *Mapping Conflict Motives: Province Orientale (DRC)*, March 2010: [http://www.ipisresearch.be/mapping\\_orientale.php](http://www.ipisresearch.be/mapping_orientale.php)

During September/October 2011, *négociants* in Isiro bought gold for \$53 per gram and received \$55.85 for it from the Butembo's traders. Some gold traders from Isiro mentioned they sold to other Isiro traders, but only received \$54 per gram of gold, almost two dollars under the price of the Butembo traders.<sup>98</sup>

In 2008, PAC obtained the accounts of one of the more important traders for the month of November. The trader shipped out 12 kg of gold that month, which appeared to be close to what he exported on average each month. This means this buying house alone traded about 144 kg in 2008.<sup>99</sup>

Interviews conducted by local researchers in 2011 revealed that 7 gold traders sold a total of 16.2 kg of gold in the month preceding the interview,<sup>100</sup> mainly to traders from Butembo. These gold traders further explained that they buy about 30% more during the dry season, which lasts about 4 months in the area. This means that these seven traders buy about 214 kg per year. Knowing that there are about 10 to 12 gold traders, an estimated 306 kg to 367 kg is traded each year by them. The total amount of gold traded in Isiro might be the double of this volume, notably because of the clandestine activities of the shopkeepers. This estimate of the percentage of clandestine trade is supported by Isiro's mining officials. An estimated total trade volume of nearly 700 kg per year might still be a quite conservative estimate, especially keeping in mind the accounts that PAC obtained from a gold buying house in 2008 (Annex 8.2., Tabel 3).

The volume of gold traded in Isiro might only be half of what is actually produced in the region. Wamba territory alone, for example, already produces an estimated 850 kg per year (see Section 4.2.2. and Tabel 5 in Annex 8.2.). Traders coming from other towns, such as Ariwara and Butembo, reportedly buy gold at the region's mining sites themselves.<sup>101</sup>

Isiro's gold traders depend largely on the territories of Wamba (Haut-Uele) and Mambasa (Ituri) for their supply. Wamba is the most important territory in terms of quantity as well as quality (purity). Mambati, Gatoa, Bolebole, Gbonzunzu and Matete are the most important mines. In the chapter on Haut-Uele's mining sites we will examine these sites more in detail.

Gold sourced from Mambasa territory comes from the road between Nia-Nia and Wamba town. The most important mines are located around 'PK 25', 'PK 47' and 'PK 51', representing the distance in km of these places from Nia-Nia.<sup>102</sup> Although considerable quantities of Mambasa gold reach Isiro, its purity is generally low.

Furthermore, smaller quantities of gold are coming from the territories of Poko (Bas-Uele), Watsa and Dungu. Watsa's and Dungu's gold ores are mainly transported to Ariwara, but Isiro gold traders reported they receive small quantities of high quality gold from Libombi (Dungu territory). Poko's Niapu and Watsa's Tora and Ngangazo mines were also cited.

## 3.4. Butembo

Butembo is an important trading centre in the *Grand Nord* ("Great North") of North Kivu province. Trade is almost exclusively in the hands of the Nande ethnic group, which has ethnic and commercial links with Uganda.<sup>103</sup> Since the 1980s, Butembo has also been a well-known gold trading centre and an important point of (clandestine) export for gold from North Kivu and Orientale Province.

### 3.4.1. Official circuit

Butembo's official gold exports are extremely limited. According to the Provincial Division of Mines, there has only been one gold export in 2010. In June, Jan Mangal exported 2.582 kg of gold to Dubai.<sup>104</sup>

<sup>98</sup> It is possible that all these amounts should be a few dollars lower. There is regularly confusion on the ground about the gram-to-la ratio.

<sup>99</sup> Partnership Africa Canada (PAC), *Diamonds and Human Security. Annual Review 2009*, p. 13.

<sup>100</sup> Some of them were interviewed in October, others in September.

<sup>101</sup> OBERIUELE, Rapport de recherche sur la production et la commercialisation d'or dans la ville d'Isiro, research report commissioned by IPIS, November 2011, pp. 2-3.

<sup>102</sup> PK stands for *Point kilométrique* or Kilometre point.

<sup>103</sup> Tegera A. and Johnson D. (May 2007), op. cit., p. 17.

<sup>104</sup> Bureau Urbain des Mines et Géologie de Butembo, *Rapport Annuel 2010*.

Of course, the presidential ban on mining in the Kivus and Maniema has had its effects, but that was only imposed in September 2010. In 2011, registered trade increased slightly: up to and including October, 9.2 kg of gold was exported from Butembo, all by Glory Minerals (see Annex 8.2., Table 1 and 2).<sup>105</sup>

Currently, three gold *comptoirs* are present in Butembo, but export statistics reveal only Glory Minerals is active at present. In April, one month after the mining ban was lifted, it exported 3 gold bars to Dubai, with a total weight of 2.332 kg and a purity of 80%. Its second gold export to Dubai was carried out in June: 2.128 kg, with a purity of 86%. In August, Glory Minerals exported 2.641 kg of 88% pure gold to Dubai and in October 2.08 kg. Glory Minerals' activities in Butembo have been controversial. The application procedure for its export license, in 2009, took quite a while, as the Ministry of Mines hesitated to approve it because of the company's links with the late Kambale Kisoni. Furthermore, the UN Group of Experts stated in 2009 that Glory Minerals bought gold from FDLR-affected areas.<sup>106</sup>

The other *comptoirs* that are present, but not active for the moment, are Galaxy Kavatsi and Ar Golden. Galaxy Kavatsi is present in Butembo since 2010 but lacks financial means. Ar Golden opened up in Butembo in March 2011, but so far has not shown any activity either.

Jan Mangal was present in Butembo in 2010, but moved to Kisangani in September of that year. Northern Goldline too left Butembo at that time, after it had arrived one year earlier in April. In 2009, it managed to export 3.06 kg of gold (Annex 8.2., Table 2).<sup>107</sup> The UN Group of Experts in its 2009 report described a link between Northern Goldline and Glory Minerals.<sup>108</sup> It allowed the traders of Glory Minerals to export gold in 2009, through Northern Goldline, as they were still waiting for the approval of their own *agrément* with the Ministry of Mines.<sup>109</sup>

### 3.4.2. Unofficial circuit

Although the official statistics do not reveal this, Butembo is an important point of export for Orientale Province's gold. Many Nande traders are present in Orientale. These traders visit or live in local trading towns and mining sites to sell their merchandise. With the money they often buy gold, or they barter their merchandise directly for gold.

The Nande trading networks are well known for their geographical spread, running from Uganda to almost everywhere in the eastern Congolese territory. The Nande "*trust network*" creates a strong degree of social cohesion in the Great North. Its economy is one of the most dynamic in the DRC, with the lively trading towns of Butembo and Beni.<sup>110</sup>

A system frequently applied by Nande traders who buy gold in Orientale works as follows. They sell merchandise themselves in Orientale, but often the Congolese francs earned with this do not allow them to buy a lot of gold, as the high value of gold requires a lot of liquidities. Therefore, they ask for Congolese francs from other traders who sell merchandise, but are not involved in the gold trade. Subsequently, they call home and their patron in Butembo reimburses the borrowed money in dollars to the merchandise trader's relatives in Butembo. These relatives can buy new merchandise in Butembo and send it with a transporter to the merchandise trader in Orientale. This system has several advantages for both parties. Buying gold requires a lot of cash money, and this system provides large gold traders with a constant supply of cash. Secondly, the gold trader does not have to bring the cash by road from Butembo to Orientale, which can be a risky business considering the security situation on the ground

<sup>105</sup> Office Congolais de Contrôle, *Statistique des exportations des produits miniers en 2011 à Butembo (RDC)*.

<sup>106</sup> The company was created in 2008 by Mr Muhiwa, Mr Kambale, Mr Vikalwe and Ms Nzanzu Mbusa. The last one is the widow of Mr Kambale Kisoni, who had been listed by the UN Sanctions Committee in March 2007 (Source: UN Doc. S/2009/603, op. cit., § 128-132); IPIS/International Alert (November 2010b), op. cit., p. 22.

<sup>107</sup> CEEC Butembo, Monthly purchase and export statistics 2009; IPIS/International Alert (November 2010), op. cit., pp. 22-23.

<sup>108</sup> UN Doc. S/2009/603, op. cit., p. 40.

<sup>109</sup> IPIS/International Alert (November 2010b), op. cit., p. 23.

<sup>110</sup> For more information on the Nande trading networks: Raeymaekers T., *The power of protection: Governance and transborder trade on the Congo-Uganda frontier*, Ghent University, 2006-2007.

in eastern DRC. The merchandise trader, for his part, does not have to transport his proceeds by road to Butembo to purchase new merchandise.<sup>111</sup>

Gold transport to Butembo, is mainly by road and sometimes by plane. Above, we already mentioned that an estimated 15% of the gold that leaves Bunia, passes by Butembo before export. A lot of the gold that is produced in the south of Irumu territory, the area south of Bunia, leaves Orientale for Butembo without passing by Bunia. *Négociants* in Eringeti and Oicha reported they receive quite some gold ores from Irumu territory. The following mine sites have been mentioned: Apumu, Mayitatu, Atandele II, Ndalya and Mabanga.

Furthermore, above we indicated that nearly all of the gold from Bas-Uele (through Kisangani) and Tshopo districts heads to Butembo. It is mainly transported by the road that passes by Bafwasende, Nia-Nia, Mambasa, Komanda and Beni. Gold from Mambasa territory, which makes up the western part of Ituri district, takes the same road to Butembo. We will take a closer look at this when gold production in Mambasa is discussed. Also a significant part of Haut-Uele's gold production leaves the DRC through Butembo. As mentioned above, most of the gold that leaves Isiro heads for Butembo (Annex 8.2., Table 3).

Gold sourced from Orientale Province represents an essential portion of the total amount of gold traded through Butembo. It is estimated that between 70% and 80% comes from Orientale, and the remainder from North Kivu mines.<sup>112</sup>

Currently, there are about 50 gold traders in Butembo. Seven of them are widely considered major gold traders, those who have the machinery to transform the crude ores into ingots. Most of the other traders depend on these seven to export their gold. Even though there are other traders who export gold themselves in crude form, to be refined abroad, these seven major traders control the biggest part of the gold export. Reportedly, they are each capable of buying somewhere between 500 and 2000 *tola* per week.<sup>113</sup> Knowing that 1 *tola* equals 11.4 grams, this means these seven major traders alone export between 2 and 8 tonnes per year. An average between 2 and 8 tonnes would result in 5 tonnes. However, the estimate between 2 and 8 tonnes concerns the seven major Butembo traders. In order to include the export of the smaller traders we assume an export volume of 6 tonnes. (Annex 8.2., Table 3)

### 3.4.3. The decline of Butembo as a trading centre

It is clear that Butembo is still one of the most important points of export for gold in the DRC. However, its role has been declining since a few years. Several reasons can be advanced to explain this trend.

Burundi used to be the most important transit point for Congolese gold to the world market in the beginning of the 1990s. An international embargo against the Buyoya regime and a more profitable tax regime for gold exports from Uganda, however, caused Bujumbura to lose its status.<sup>114</sup> As Kampala became the main transit hub for Congolese gold, the Ituri border posts with Uganda gained importance to the detriment of Butembo. Before, nearly all Orientale's gold left the DRC through Butembo.

The Nande living in and around Butembo have always been known to be heavily involved in cross-border trade. Their historic commercial and ethnic links with Uganda made them well placed to export the mineral ores from the Congo's subsoil and to import all kinds of merchandise people could hardly obtain from other sources. In recent years, however, traders from elsewhere in the DRC have become more mobile, discovered foreign markets and established commercial relationships themselves in Kampala, Dubai and Guangzhou (China).<sup>115</sup>

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<sup>111</sup> This has even led to the establishment of formal money transfer agencies by Nande, for example Congocom in Bunia and Mongbwalu.

<sup>112</sup> IPIS/International Alert (November 2010a), op. cit. p. 54; Confidential interviews by IPIS and local research partners with *négociants*, Butembo, October 2011.

<sup>113</sup> Confidential interview IPIS with a gold trader, Butembo, October 2011.

<sup>114</sup> International Alert (January 2010), op. cit., p. 39.

<sup>115</sup> Congo Siasa (Jason Stearns), *Tidbits from travel*, 17 June 2011, <http://congosiasa.blogspot.com/2011/06/tidbits-from-travels.html>

The death of Kambale Kisoni<sup>116</sup> is also believed to have had an important impact on the role of Butembo as a trading centre for Orientale's gold. Kisoni was known to have a lot of liquidities and to be very solvent. Therefore, many traders preferred to go to him, as he was always able to buy their gold or to pre-finance their activities. His death thus decreased the working capital of a lot of *négociants*. A lot of traders subsequently turned to Ariwara or Bunia.

The dollarisation of the eastern Congolese economy can also be mentioned as a cause for Butembo's declining role in the gold trade. Towards the end of the Mobutu era, the extremely high inflation rates made it more interesting for Nande traders in Orientale to trade their merchandise for gold. The price of gold was much more stable than the value of the *zaïre*, the national currency between 1967 and 1997. Besides, traders would have to travel with huge amounts of banknotes because of the low value of the *zaïre*. The penetration of the US dollar in the eastern Congolese economy offered an alternative to gold for the Nande traders as a stable, high-value currency for their merchandise.

During the Congo Wars, there was an arrangement with the local politicians that allowed the business elite from Butembo to avoid the high taxes that traders had to pay.<sup>117</sup><sup>118</sup> We can refer, for example, to the close relationship between Kambale Kisoni and Mbusa Nyamwisi.<sup>119</sup> These arrangements are no longer standing. On top of that, the implementation of a number of new customs procedures is also disadvantageous for Butembo. First there was the implementation of BIVAC in 2005.<sup>120</sup> BIVAC is an interface, managed by Bureau Veritas Group, that allows pre-shipment inspections of imports. When an importer has not reported for inspection prior to loading, he has to pay a fine at arrival in the DRC. In Ituri, these fines were not imposed on traders until the end of 2010. More recently, the *Guichet unique* (single counter) has been implemented in North Kivu. Traders who want to export from, or import into the DRC have to declare their merchandise to one service, the DGDA, and pay all taxes at once. This is already applied at the Kasindi border post, in North Kivu, through which Beni's and Butembo's imports and exports pass.<sup>121</sup> The implementation of these tighter customs procedures in North Kivu, and the poor implementation of them in Ituri, has been disadvantageous for the trading towns in the North Kivu's *Grand Nord*, according to several customs officials. These tighter customs procedures make it more difficult to import merchandise fraudulently, which causes the Nande traders to have less merchandise to barter and to increasingly pass by Aru territory's border posts.<sup>122</sup>

Also the mining ban established by President Kabila in both Kivus and Maniema between September 2010 and March 2011 has affected Butembo. During research conducted in Nia-Nia (Mambasa territory) in 2010, it appeared most of the gold traders were now transporting their minerals to Bunia, while they used to go to Butembo. The presidential decree clearly forced the Nande traders to reschedule their gold trade routes.<sup>123</sup> Reportedly, the increasing presence of Nande traders in Bunia caused tensions over shares of the gold market in Bunia.

The declining role of Butembo as a trading centre has been confirmed by observations from several sources. A *négociant* in Butembo informed us that the number of *maisons d'achat* has fallen considerably. It is estimated that there are currently about 45 to 50 buying houses in Butembo, while there were around 70 in the Mobutu era.<sup>124</sup> Furthermore, customs officials at Kasindi border post stated that the number of trucks passing by has decreased significantly.<sup>125</sup> Several sources mentioned a 50% decline.

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<sup>116</sup> More info on Kambale Kisoni can be found in various reports of the UN Group of Experts on the DRC. See: <http://www.un.org/sc/committees/1533/egroup.shtml>

<sup>117</sup> Congo Siasa (Jason Stearns), *Tidbits from travel*, 17 June 2011, op. cit.

<sup>118</sup> The war however also presented a setback for Nande traders in and around Mongbwalu. Whereas up until the war, Nande gold buyers were well represented in Mongbwalu, they have been consistently chased away during the war.

<sup>119</sup> International Alert (January 2010), op. cit., p. 45.

<sup>120</sup> Le Potentiel, *Bivac-Veritas succède à la Société générale de surveillance*, 15 December 2005.

<sup>121</sup> Interview IPIS with official from the DGDA, Beni, October 2011.

<sup>122</sup> Interview IPIS with civil society representatives, Butembo, October 2011.

<sup>123</sup> Schouten P., *International mining corporations and socio-political conflict in the DRC. A case study of the Nia-Nia area, Ituri District, Province Orientale*, IKV Pax Christi, March 2011, pp. 7-8.

<sup>124</sup> Confidential interview IPIS with a *négociant*, Butembo, October 2011.

<sup>125</sup> Interviews IPIS with customs officials, Beni, October 2011.

### 3.5. Ariwara

Ariwara is an important trading centre in Aru territory (Ituri district), located about 50 km from South Sudan and 12 km from Uganda. The administrative centre of the territory is the quiet town of Aru. Ariwara, by contrast, is a busy trading hub, which, despite its centrality to regional and cross-border trade, does not even figure on most maps. Ariwara is a trade hub for manufactured goods and is locally referred to as '*petit Dubai*'. Yet the overtly visible trade in manufactured goods, predominantly imported from Uganda<sup>126</sup>, is deeply intertwined with the trade in gold. The gold circuit, however, is entirely informal. Although Ariwara has become an import point of export for Orientale Province's gold, there are no formal *comptoirs* in town.

Interviews indicated that the Aru territory has 93 gold traders, most of whom operate in Ariwara. The town counts about 48 gold traders (*négociants*) and 25 *commissionnaires* (Annex 8.2., Table 3). Of those 48 traders, 32 are officially registered and member of the FEC.

Approximately 20 gold traders are considered 'serious' traders, meaning they can buy over 500 grams of gold per week. Of these 20, 8 are referred to as 'big fish', as allegedly buy more than 2 kg of gold per week. Several sources even stated that each of them handles on average 1 to 3 kg per day. A number of the medium and smaller buyers actually work for one of the 'big fish', either as a local intermediate or to buy gold in gold producing areas.

The gold trading houses (*maisons d'achat*) in Ariwara merely serve as recognisable addresses where those arriving from gold producing sites can get in touch with gold buyers. The trading houses are empty spaces where only small quantities are traded; larger quantities are traded in other places, such as the back office or the homes of gold traders.<sup>127</sup> In total, it was estimated that these eight big traders are responsible for 70% of gold trade in Ariwara.

Various estimates exist on how much gold passes through Ariwara. Official FEC statistics arrive at 30 kg per week.<sup>128</sup> This estimate seems to be adopted by other researchers, who arrive at 120-160 kg per month.<sup>129</sup> Initially, traders in Ariwara confirmed this officially registered estimate. However, they also stated that official statistics represent perhaps only 30% of what is going on. It seems that the volume of gold traded by the 32 registered traders and 20 commissioners amounts to at least 200 kg per month in the rainy season (period of fieldwork). While it was difficult for the traders to estimate the total gold trade, they agreed on an estimated monthly average of 400 kg in 2010, and an estimate for October 2011 of around 350 kg. This means the annual gold trade in Ariwara easily exceeds 4 tonnes (Annex 8.2., Table 3).

Traders estimate that gold quantities were even larger in Ariwara before Ashanti Goldfields Kilo (AGK) fixed the road between Mongbwalu and Bunia. Before that, a considerable amount of Mongbwalu gold was traded through Ariwara as well. Also, the closing down of Durba had an impact on the quantities of gold arriving in Ariwara (see Section 4.2.1.).

While prices in Ariwara revolve around \$50 (about 125,000 Ugandan shilling) per gram, traders will pay more for large quantities (from smaller *négociants*) and for higher-quality gold. Typically, traders explain, artisanal miners are paid 42,000 Congolese francs per gram (approx. \$45), while gold prices in Kampala fluctuate around \$55 per gram.

For the moment, Ariwara largely depends on gold from the Watsa territory in Haut-Uele district. Gold from Mahagi and Dungu territories is also consistently traded in Ariwara (Annex 8.2., Table 3). The following mining sites were invariably indicated as central sources of the gold traded in Ariwara: Durba, Moku, Wanga and Tora in Watsa territory; Rambi in Faradje territory; Nzani in Mahagi territory; Sambia and Gangala-na-Bodio in Dungu territory.

<sup>126</sup> Titeca, K., *The changing Cross-border Trade Dynamics between North-western Uganda, North-eastern Congo and Southern Sudan*, London School of Economics and Political Science, Crisis States Working Paper, 63 (2), 2009.

<sup>127</sup> This is a more general pattern in Sub-Saharan Africa and the DRC specifically, whereby important deals are not cut in the office but rather in the shadow of a porch or mango tree. See: Terray E., *Le climatiseur et la véranda*, in: *Afrique plurielle. Hommage à Georges Balandier*, Paris, Karthala, 1986, pp. 36-44.

<sup>128</sup> Titeca K. (2009), op. cit., pp. 25-26; Tegera A. and Johnson D. (May 2007), op. cit., p. 98.

<sup>129</sup> Hayes K., Smith K.H., Richards S. and Robinson R.C. (June 2007), op. cit., p. 32.

Gold from Watsa territory is almost exclusively traded in Ariwara (see Section 4.2.1.). Gold is bought in these places by small *négociants* and then brought to Ariwara, mainly by motorcycle, as road conditions generally do not permit transport by vehicles. These intermediate traders are largely 'clients' of the bigger 20 Ariwara traders, which means that they mostly work with money supplied from Ariwara. See the section on the Watsa territory below for an in-depth discussion of these sites.

The gold trade from Ariwara is generally oriented towards Uganda and to a lesser extent to South Sudan. The local currency used in Ariwara (and, to a lesser degree, also in Aru), is the Ugandan shilling, rather than the Congolese franc. Opposed to gold exports from Butembo, Ariwara's traders mainly export unrefined gold. They do not have the machinery to transform the crude ore into ingots.

While Arua, in northwestern Uganda, used to function as an intermediate station<sup>130</sup>, now gold traders go directly to Kampala. When traders have good relations in Kampala, they might arrive with for instance 2 kg but will be paid for 3 by way of pre-financing. This typically only happens after one of the big dealer's men has come to inspect a gold trader's business in Ariwara. Ariwara traders, in turn, can use that money to help pit bosses finance exploitation and machinery, although they explicitly shy away from exploiting pits themselves.

Ariwara traders explained that big gold traders need to travel to Bunia occasionally to sell a symbolic quantity of their trade to the registered *comptoirs*. Big, well-known traders who fail to do so, will get into difficulties when exporting to Kampala. Traders indicate they would sell in Congo if only Congolese *comptoirs* would be present locally, buy at internationally competitive prices and reduce formal export taxes.

While gold traders indicate that export taxes for gold are not that difficult to circumvent, Congolese import taxes on merchandise have not only mounted but are also increasingly enforced. Already in 2008, this led to commotion among traders in Ariwara<sup>131</sup>; more import tax increases enforced since April this year (BIVAC, see Section 3.4.3.) have further pressed gold traders. In November 2011, this led to a minor crisis at border control posts important for Ariwara's trade.<sup>132</sup> Interviews indicated that not only trade, but the population more generally, is suffering from the subsequent price increases of consumer goods, which are nearly all imported.

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<sup>130</sup> Titeca K. (2009), op. cit., p. 25.

<sup>131</sup> Uganda Radionetwork, Congolese Traders Strike Shuts Famous Ariwara Market, 25 August 2008, <http://ugandaradionetwork.com/a/story.php?s=17784>

<sup>132</sup> Angulibo A., Tension: Uganda-Congo Border Closed, Red Pepper, November 2011, <http://redpepper.co.ug/welcome/?p=22430>



The Canan gold mining site near Baye, Bondo territory, Bas-Uele (Photo: IPIS/OCEAN, 2011)

## 4. Gold production

Gold production in Orientale Province happens largely through artisanal mining. According to the Provincial Division of Mines no more than 507 *creuseurs* were officially registered in 2010. This constitutes an extreme low figure, seeing that at the very least 150,000 artisanal diggers are working the province's mines. It is estimated that currently at least 80% of Orientale's *creuseurs* is looking for gold and some 10% for diamonds.<sup>133</sup>

Artisanal gold miners mines can produce an average of 1 gram of gold per day.<sup>134</sup> This average production can, however, not be extrapolated to all gold miners in the province. During the development phase of a mine, production is negligible compared to the moment when the miners strike a gold vein. Furthermore, this average level of production is not maintained during the entire year. During the rainy season production decreases significantly because of the floods. A lot of the miners only dig on a seasonal basis.<sup>135</sup> During the rains the number of miners tends to diminish considerably.

Hereafter, we will discuss the most important gold mining sites and areas within Orientale Province. The chapter is divided in four parts, one per district. The districts are examined in order of importance in terms of gold production: first Ituri, next Haut-Uele, Bas-Uele and finally Tshopo. Within each part, the gold mining sites will be discussed per territory, also starting with the most important each time.

Once again, it may be interesting to keep the relevant tables, which can be found in Annex 8.2., at hand. Table 4 shows the official artisanal gold production figures per territory for 2010. Estimated gold production figures and estimated numbers of *creuseurs*, per territory, can be found in Table 5. These tables may be useful to guide the reader through this chapter, as a lot of figures will be cited. The tables help to view these figures in the proper context.

### 4.1. Ituri district

Already in the beginning of the 20<sup>th</sup> century the Belgians acknowledged the importance of Ituri's gold reserves and started up commercial exploitation within the Kilo-Moto area. Since the 1990s industrial

<sup>133</sup> Province Orientale. Division Provinciale des Mines, *Rapport Annuel 2010*.

<sup>134</sup> Pact, (June 2010), op. cit., p. 98.

<sup>135</sup> Ibid, p. 20.

exploitation has disappeared, but due to artisanal mining Ituri remains the most important gold producing area in Orientale. A recent estimate of the Mining Bureau in Ituri, which has been repeatedly supported by several researchers in the field, gives a number of 123,000 artisanal miners spread over 430 sites in the entire district.<sup>136</sup> Estimates made only 5 years ago pointed to about 60,000 gold miners in Ituri.<sup>137</sup> This strong increase can be explained by the stable evolution of gold prices, especially when compared to price fluctuations of other commodities. It has stimulated *creuseurs* of other minerals and other regions to start digging for gold in Orientale, as well as others to start mining.<sup>138</sup> Furthermore, the Mining Bureau estimates that there are some 317 *négociants* working within the district.<sup>139</sup>

The main mining area in Ituri runs from western Djugu territory north into Mahagi territory, including Mongbwalu and Djalasiga. It is there that OKIMO created its industrial concessions during the Mobutu era. Mongbwalu is located in the centre of Concession 40, which comprises 8191 km<sup>2</sup> in western Djugu. The 4880-km<sup>2</sup>-large Concession 39, which includes Djalasiga, is located in the west of Mahagi territory. The last concession, number 38, is located outside Ituri, in Haut-Uele's Watsa territory around the towns of Durba and Watsa.<sup>140</sup> Other important mining areas within Ituri are located in Irumu territory (Gety and Bavi) and western Mambasa territory (especially the area around Nia-Nia).

Within the OKIMO concessions there have been some efforts to formalise artisanal gold mining. Since 1999, OKIMO and the Provincial Division of Mines have alternately tried to better regulate the *creuseurs'* activities. In 2008, OKIMO reinstated the system of *sous-traitance* (subcontracting), which was confirmed by a memorandum signed by (S)OKIMO<sup>141</sup>, SAESSCAM and the provincial government. This *Protocole d'accord de sous-traitance* provides a mechanism to assist and regulate artisanal mining. Within this framework, a *sous-traitant* (subcontractor) can obtain a demarcated concession of 500 m<sup>2</sup> by signing a contract with SOKIMO. Subcontractors are obliged to give 30% of their production to SOKIMO, but are free to sell the other 70% to any official *comptoir*.<sup>142</sup> Reportedly, SOKIMO is only levying the royalties, without giving any support in return to the artisanal miners.<sup>143</sup> SOKIMO said it installed this mechanism because of two reasons. First, in this way, it can still reap some benefit from the gold that is extracted from its concessions. In fact, although SOKIMO is actually an industrial miner, industrial exploitation still has not commenced.<sup>144</sup> Second, SOKIMO explained it helps to fight fraudulent trade, as the artisanal gold production on its concessions is better canalised through the *sous-traitance* system.<sup>145</sup>

The system is however not completely flawless. When talking about the low figures in official statistics, one subcontractor explained that instead of giving SOKIMO 30%, it has become a convention to only give them about 3 grams of gold, under pretence that "production was bad". The production statistics that subcontractors declare to SAESSCAM and the Division of Mines is based on the amount they have given to SOKIMO.

Since the first half of 2011, however, SOKIMO is gradually withdrawing from a lot of the areas on its old concessions. Since the 2002 Mining Code these concessions have been transformed into *Permis d'exploitation* (exploitation permits) and a lot of them have been leased to the Kibali Goldmines and Ashanti Goldfields Kilo (AGK) projects.<sup>146</sup> SOKIMO fears this may affect formalisation efforts, as AGK has

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<sup>136</sup> Bureau minier isolé de District de l'Ituri, *Rapport Annuel 2010*.

<sup>137</sup> Hayes K., Smith K.H., Richards S. and Robinson R.C., (June 2007), op. cit., p. 31.

<sup>138</sup> Pact, (June 2010), op. cit., p. 21.

<sup>139</sup> Bureau minier isolé de District de l'Ituri, *Rapport Annuel 2010*.

<sup>140</sup> Research commissioned by IPIS, conducted in July 2010 by Dan Fahey.

<sup>141</sup> On 27 December 2010, OKIMO has been renamed SOKIMO, signalling the finalisation of the process to transform the former state miner into a commercial enterprise. For the moment, the Congolese government is however still the sole shareholder (Sources: Société Minière de Kilo-Moto, *A la recherche des partenariats pour la découverte de nouveaux gisements aurifères et d'autres substances minérales*, February 2011; Radio Okapi, Portefeuille de l'Etat: Okimo devient Sokimo, 28 December 2010).

<sup>142</sup> Lonema Dhena J. P., Basegere Ndahura J. P., Dhekana Ts'rba E., *Rapport d'enquête sur les filières de commercialisation de l'or dans la concession 40 de l'OKIMO*, unpublished research report commissioned by Dan Fahey and IPIS, July 2010, pp. 7-10.

<sup>143</sup> Research commissioned by IPIS, conducted in November 2011 by Caritas Développement Bunia.

<sup>144</sup> Maintaining mineral production by relying on agreements with artisanal miners, is a technique State Owned Enterprises (SOEs) in the DRC have been using since the Mobutu regime (Source: Pact (June 2010), op. cit., p. 41). Another example is SOMINKI/SAKIMA, see: IPIS/International Alert (November 2010), op. cit., pp. 27, 34.

<sup>145</sup> Interviews IPIS with SOKIMO representatives, Bunia, October 2011.

<sup>146</sup> Société Minière de Kilo-Moto (February 2011), op. cit.

not yet recognised the *sous-traitance* mechanism.<sup>147</sup> As a result, the presence of subcontractors at the concessions is in effect illegitimate, and they risk to fall into a policy vacuum.

Gold production figures for the entire district are lacking. 2006 figures from FEC revealed 100 kg of gold was transported out of Ituri every week, or more than 5 tonnes per year.<sup>148</sup> These figures, however, only included gold movements out of Bunia and Ariwara. Gold that went directly from local trading centres, such as Mambasa town, to for example Butembo were not included. On the other hand, Ariwara mainly exports gold coming from Haut-Uele district. Nevertheless, 100 kg per week, or over 5 tonnes per year, seem to be below actual gold production within the district. We will examine this in more detail below in the parts on the different territories of Ituri

There is also increasing semi-industrial alluvial gold exploitation in Ituri. Especially Mambasa territory hosts several companies using dredges registered with the Mining Division (See section 4.1.2.) Also in the eastern part of the district, on SOKIMO concessions, there are some dredges operating on the Ituri and Shari rivers. Egirex and DKCS (David Kim Cho Soo) concluded contracts with SOKIMO that allows them to exploit gold on the latter's concessions. DKCS doesn't operate during several months of rainy season. With its powerful 8-inch suction pump *drague* it reportedly can produce over one kg of gold per month.<sup>149</sup> The *drague* companies pay fees to SOKIMO for the right to mine, a fixed sum of \$15,000 plus 20% of their production.<sup>150</sup> Although it is rumoured that they are allowed to sell the gold they produce to whomever they like,<sup>151</sup> the contracts clearly stipulate they are obliged to sell to a registered *négociant* or *comptoir*.<sup>152</sup>

#### 4.1.1. Djugu territory

Artisanal mining activity in Djugu territory is especially thriving on Concession 40, in the western part of the territory. The Mining Bureau in Bunia estimates that there are about 100,000 *creuseurs* in Djugu territory, spread over around 300 mining sites.<sup>153</sup> It is likely that the artisanal mining population is even larger today. The majority of them is working in the area around Mongbwalu, 80 km northwest of Bunia. This is by far Ituri's most important mining area. Other important mining sites are located within the localities Mabanga, Nizi, Kobu, Iga-Barrière, Lopa, Chele, Dala, Mbidjo, Tchudja, Kilo, Bambu, Yedi, Pili Pili, Paradiso and Lodjo. Each of these sites contains about ten pits.<sup>154</sup>

Djugu's rich subsoil has attracted a lot of attention from large international mining companies. In 2003, AngloGold signed a joint venture agreement with OKIMO for the exploitation of the old Concession 40. As a consequence, Adidi, one of the three old underground industrial mines near Mongbwalu, was closed. The other mines are Makala and Senzere.<sup>155</sup> So far, industrial exploitation has not yet started off. In order to deal with the only form of gold exploitation to date in Djugu, artisanal mining, (S)OKIMO launched the *sous-traitance* system, which is examined above.

How much the territory's gold miners produce is nearly impossible to assess. However, keeping in mind that there are at least 100,000 *creuseurs* in Djugu's mines, who could produce on average between 2 and 2.5 grams of gold per week,<sup>156</sup> roughly estimated, the territory might produce an amount of 7 or 8 tonnes of gold per year, as not all the *creuseurs* are mining every single day (Annex 8.2., Table 5).

Most of the localities mentioned above as containing the most important mining sites, constitute the first local trading centres from where gold is transported to Bunia. After Mongbwalu, the most important

<sup>147</sup> Interviews IPIS with SOKIMO representatives, Bunia, October 2011.

<sup>148</sup> Tegera A. and Johnson D., *Rules for sale. Formal and informal cross-border trade in Eastern DRC*, Pole Institute, May 2007, p. 99.

<sup>149</sup> Interview with DKCS, Bunia and Nizi, November 2011.

<sup>150</sup> *Contrat de partenariat relatif à l'exploitation de l'or alluvionnaire dans le lit de la rivière Shari, entre l'Office des Mines d'Or de Kilo-Moto et L'Etablissement DKCS.*

<sup>151</sup> IPIS/International Alert, *The complexity of resource governance in a context of state fragility: the case of Eastern DRC*, November 2010, pp. 19-20.

<sup>152</sup> *Contrat de partenariat relatif à l'exploitation de l'or alluvionnaire dans le lit de la rivière Shari, entre l'Office des Mines d'Or de Kilo-Moto et L'Etablissement DKCS.*

<sup>153</sup> Bureau minier isolé de District de l'Ituri, *Rapport Annuel 2010*.

<sup>154</sup> Research commissioned by IPIS, conducted in November 2011 by Caritas Développement Bunia.

<sup>155</sup> For more information, see: Fahey D. (2007-2008), *op. cit.* pp. 362-364.

<sup>156</sup> Research commissioned by IPIS, conducted in November 2011 by Caritas Développement Bunia.

ones are Iga-Barrière, Mabanga and Kobu. Their gold is transported immediately towards Bunia, just as Kilo's gold. From the local trading centres of Dala, Mbidjo and Yedi, gold passes by Mongbwalu before it continues to Bunia. Gold produced in Nizi, Lopa, Mabanga and Chele passes mainly by Iga-Barrière.

According to the Mining Bureau, there are around 120 *négociants* in Djugu.<sup>157</sup> Another source, however, concluded in 2008 that there were 157 gold buyers in Mongbwalu alone. 56 of them were solely dedicated to buying and selling gold, while the other ones operated from shop fronts where they also sold or bartered merchandise. Butembo used to host most of Mongbwalu's gold. Since 2007, however, traders transport the territory's gold production mainly to Bunia, in the north of Irumu territory. Several sources in Bunia estimated that 70 to 80 percent of the gold traded within the town originates from Djugu.<sup>158</sup> This can be explained to a certain extent by the fact that MONUSCO and AGK have refurbished the road between Bunia and Mongbwalu in 2005-2006, reducing travel time from two days to four hours. Furthermore, there is the death of Kambale Kisoni.<sup>159</sup> Ariwara also used to welcome gold from the Mongbwalu area. This has however reduced considerably and appears to be insignificant at present. These and other developments have been dealt with extensively in Section 3.4.3.

#### 4.1.2. Mambasa territory

Mambasa territory is Ituri's least populated territory, as it is occupied for a large part by the Okapi Faunal Reserve (*Réserve de faune à okapi*, RFO). Yet Mambasa is extremely rich in mineral resources, varying from diamonds to cassiterite, coltan, wolframite, and gold. Artisanal mining is concentrated mainly around Nia-Nia, along the Ituri river south of Mambasa town and in the Bakaiko *groupement* between the RFO and North Kivu.

In the Nia-Nia area (composed of the *chefferies* of Bandaka and Bombo) mining activities concentrate around the Ituri river southwest of Nia-Nia, and the Ngayo river to the north. The Bakaiko *groupement* is quite inaccessible, due to its remoteness (five to twelve days walking) and FARDC presence.<sup>160</sup>

The annual report of the Ituri Mining Bureau estimates that there are 10,000 artisanal miners present in Mambasa territory.<sup>161</sup> SAESSCAM data for the number of miners per gold mining area give the following figures for July, August and September respectively: in Mambasa town and the surrounding area 908, 974 and 763; in Nia-Nia 578, 523 and 450; in the Biakato area 746, 1353 and 614.<sup>162</sup> SAESSCAM documents of the Kisangani Antenna, however, mention 2445, 2289 and 2135 for Mambasa town, Nia-Nia and Biakato respectively for July 2011.<sup>163</sup>

Next to artisanal mining, Mambasa is known for its semi-industrial alluvial gold exploitation with *dragues*. A *drague* is a small dredge placed on a boat or raft, which operates on a river to extract particles of gold. The Ituri river is widely exploited by these dredges. SAESSCAM has registered 22 active dredges owned by Congolese around Mambasa (18) and Biakato (4).<sup>164</sup> Four dredging projects on the Ituri river in the western part of Mambasa territory should be added to this number.<sup>165</sup> Two separate Chinese dredging projects had been previously identified: Corner Stone Resources at Bafwaio (7 km south of Nia-Nia)<sup>166</sup>, and Fametal (former Golden Dragon), which works on the Ituri river 1 km from the western edge of the RFO just south of the Nia-Nia - Mambasa road.<sup>167</sup> During 2011, two other suction dredging projects have joined their ranks. At Mangeni, close to Avakubi, where the Kisangani - Nia-Nia road crosses the Ituri river, a team lead by two Brazilians (but including an Israeli national) work opposite a team of Indians.<sup>168</sup>

<sup>157</sup> Bureau minier isolé de District de l'Ituri, *Rapport Annuel 2010*.

<sup>158</sup> Interviews IPIS with mining officials and civil society representatives, Bunia, October 2011.

<sup>159</sup> Fahey D. (2007-2008), *op. cit.*, pp. 367-369.

<sup>160</sup> IPIS/International Alert (November 2010a), *op. cit.* p. 45.

<sup>161</sup> Bureau minier isolé de District de l'Ituri, *Rapport Annuel 2010*.

<sup>162</sup> SAESSCAM Mambasa,, Monthly reports July-September 2011.

<sup>163</sup> SAESSCAM Kisangani, Monthly report July 2011.

<sup>164</sup> Up from 10-15 in June 2010, see IPIS/International Alert, (November 2010a), *op. cit.*, p. 52.

<sup>165</sup> An employee of one semi-industrial enterprise explained that while other rivers in the area (such as the Ngayo) are also rich in high-grade gold, the Ituri river is the only river deep enough to place dredges.

<sup>166</sup> Schouten P. (March 2011), *op. cit.*, p. 13.

<sup>167</sup> Confidential report of wildlife conservation officer, November 2011.

<sup>168</sup> Interviews consultant in Nia-Nia, October 2011.

According to the Mining Antenna of Mambasa, total gold production of the Mambasa territory for 2010 amounted to 144.20 kg. For the first 4 months of 2011, the Antenna registered 18.76 kg of declared gold production.<sup>169</sup> Total registered production for July 2011 was 4.39 kg, and for August 2011 5.81 kg. Yet mining officials estimate that official statistics represent no more than 10 to 50% of actual production, and add that in the Bakaiko *groupement* alone, gold production during the rainy season is over 18 kg per month, so at least 216 kg per year.

The most important mining sites of the western Mambasa territory all lie off the Nia-Nia - Isiro road. Here, one can find a mix of open-air mining (both alluvial and in rocks) and underground mining, either where old Belgian mining shafts are re-worked (as at Adombi hill) or where open pits are linked underground.

The most productive mining sites are currently the following: Ituri river, Kputuka and Maka (off the Nia-Nia - Isiro road at PK 25)<sup>170</sup>, and those in the Bakaiko *groupement* south of the RFO.

The grade of *or filonien* (gold found in rocks) is generally low around Nia-Nia, varying between 60-80%, with prices at \$40-45/gram. High-grade *or sec* (between 87-92%, found in alluvial deposits) is sold locally at \$50/gram.<sup>171</sup>

According to SAESSCAM, the 22 suction dredges they have identified produce between 5-8 grams per *tour*, that is, the period of three hours that a diver can stay under water. One local stakeholder who visited some of the dredges explains that at least some of them work day and night. Assuming that a dredge only does three 'tours' a day, one dredge produces at least 450 grams a month. The 4 dredges operated by foreigners around Nia-Nia are allegedly more powerful and thus capable of producing more, but it was impossible to come by exact production figures. So presuming the 22 dredges produce at least 450 grams per months, comes down to a total annual production of 120 kg per year.

Gold trade in Mambasa territory is concentrated largely in Mambasa town, Nia-Nia, Bavabango, and Biakato. During August and September 2011, SAESSCAM registered 193 gold traders in total for the Mambasa territory. 33 of them are reportedly present in Mambasa and its periphery, 63 in and around Biakato<sup>172</sup>, and 97 in the area around Nia-Nia. These figures however exclude an estimated 150-200 non-registered gold traders.<sup>173</sup>

The area around Nia-Nia includes the following local trading centres: Nia-Nia town, PK 25 (locality Bafwanekengele), PK 47 (locality Bafwambaya) and PK 51 (locality Bavabango). After Nia-Nia, Bavabango (PK 51) is considered the most important *centre de négoce*.

Within Nia-Nia there are seven gold traders who can be considered 'big'. Each of them is estimated to handle 250-500 grams per week in the rainy season and up to 2 kg per week in the dry season. Maison Gustave alone is estimated to trade a kilo per week in Nia-Nia, while medium traders in Nia-Nia and at PK 25 handle around 100-150 grams per week. One big trader estimated that around 10 kg of gold are traded in Nia-Nia per week.

Biakato is located on the road that runs south from Mambasa town to Bela (border with North Kivu), and is an important source of gold for Mambasa town. This road is sometimes also used to transport directly to Beni and Butembo.<sup>174</sup>

Most traders in the Mambasa territory are Nande from the *Grand Nord* (Butembo); remaining traders are from the Gegere/northern Hema tribe.<sup>175</sup> Nande traders indicate that besides travelling to Butembo directly, it is common practice to resell their gold to big Nande gold traders in Bunia. Their money is then transferred to Butembo using informal, Nande money transfer systems to buy merchandise there without the risk of travelling with large amounts of cash.<sup>176</sup> It is estimated that 80% of the gold produced

<sup>169</sup> Antenne des Mines et Géologie de territoire de Mambasa, *Statistique de production 1e trimestre exercice 2011*.

<sup>170</sup> Maka is located in Wamba territory but administered by the Nia-Nia Mining Antenna (Source: IPIS/International Alert (November 2010a), op. cit., p. 46).

<sup>171</sup> Grades: Ituri and Ngayo rivers: 90-92%; Maka : 85-90%; Kputuka : 84-90%.

<sup>172</sup> In and around Biakato, Lwemba (market day: Thursday) and Diapunda are the most important trading centres.

<sup>173</sup> SAESSCAM, Bureau de Mambasa, *Rapport d'Activité Mois de Juillet 2011*, pp. 4-5.

<sup>174</sup> Interview IPIS with mining officials, Bunia, October 2011.

<sup>175</sup> One foreign gold trader was identified, a Somali called Gustave (not to be confused with Maison Gustave).

<sup>176</sup> One positive externality is that gold traders function as an informal Western Union. Aybeka Kopikama notes that people who want to transfer money to Butembo can hand over gold to local Nande gold traders, who will then by phone release the

in Mambasa goes to Bunia and Butembo, while 90% of gold traders are Nande. As Nia-Nia is in the middle of the Kisangani-Bunia road, with a direct road from Mambasa to Beni, it is well positioned for trade towards both Butembo and Bunia. Kisangani was also mentioned as a destination for gold, yet in Nia-Nia, Gustave is the only identified trader that ships his gold to Kisangani, where he has his main *bureau d'achat*. Finally, also buying houses in Isiro claimed that they regularly buy gold from Mambasa territory. PK 25, 47 and 51 on the Nia-Nia - Wamba road are the local gold trading centres that supply Isiro.

Finally, in order to make an estimate for Mambasa territory's gold production, it is necessary to assemble the different kinds of information that we obtained for each of the three important mining areas. It was estimated that around 10 kg per week is being traded in Nia-Nia, which comes down to about 520 kg annually. Bakaiko groupement was estimated to produce 216 kg of gold per year. And the *dragues*, which mainly operate in the area of Mambasa town, are estimated to produce at least 120 kg per year. Consequently, Mambasa territory produces at least 850 kg of gold per year (see Annex 8.2., Table 5).

#### 4.1.3. Irumu territory

Kunda, Bavi(-moteur), Gety and the river Shari are the most important mining areas within Irumu territory. The Ituri Mining Bureau estimates Irumu has about 6000 artisanal gold miners.<sup>177</sup> This number might actually be higher, as Bavi alone already hosts approximately 5000 *creuseurs*.<sup>178</sup>

While mining officials talk about 75 *négociants* in the territory,<sup>179</sup> gold traders in Bunia estimate their number at somewhere between 100 and 120, including the non-registered ones. The high concentration of traders is logic because Bunia is the main destination for the province's gold. Mining sites in the south of territory, however, are also frequented by Nande traders who transport gold to Butembo via the road coming from Komanda. Even from Bavi, gold reportedly sometimes goes southwards to Butembo.<sup>180</sup>

Next to Bunia, there are a few other, smaller trading centres within the territory: Komanda, Tchomia (Djugu), Kasenyi, Mwangi, Kunda and Bavi. Gold from the entire district passes by Komanda, which is located at a crossing with Bunia to the north, Beni-Butembo to the south and Mambasa to the west. Tchomia and Kasenyi are located on the shores of Lake Albert.

Field research revealed mining sites in the western part of the territory are free from militarisation. Bavi en Gety, however, on the eastern axis between Bunia and Luna (border post between Orientale Province and North Kivu), are widely reported to suffer extortions committed by FARDC, but especially by FRPI militiamen.<sup>181</sup> Last October, a new wave of FRPI attacks displaced some 30,000 people living in several villages on the Bunia-Luna axis, such as Aveba.<sup>182</sup>

#### 4.1.4. Mahagi territory

Gold mining in Mahagi is especially carried out at OKIMO's old Concession 39, around Djalasiga and Nzani in the territory's northern collectivity of Alur-Djuganda. Further south, there is also the Pimbo gold mining site. These mine sites appear to provide the vast majority of the territory's gold production, as the number of mines does not seem to be very high within the territory. About 4000 diggers are estimated to be working in the mines.<sup>183</sup>

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equivalent amount of money in Butembo. See Aybeka Kopikama, *Exploitation artisanale de l'or et développement en territoires de Mambasa et Wamba (Province Orientale, RD Congo)*, Université Catholique du Gabon, 2010, 3.1.1c, and IPIS/International Alert, *The complexity of resource governance in a context of state fragility: an analysis of the mining sector in the Kivu hinterlands*, November 2010, p. 53, for a negative assessment of the truck-and-barter economy.

<sup>177</sup> Bureau minier isolé de District de l'Ituri, *Rapport Annuel 2010*.

<sup>178</sup> Research commissioned by IPIS, conducted in November 2011 by Caritas Développement Bunia.

<sup>179</sup> Bureau minier isolé de District de l'Ituri, *Rapport Annuel 2010*.

<sup>180</sup> Research commissioned by IPIS, conducted in November 2011 by Caritas Développement Bunia.

<sup>181</sup> Research commissioned by IPIS, conducted in November 2011 by Caritas Bunia; Spittaels S. and Hilgert F. (March 2010), op. cit., p. 22.

<sup>182</sup> Radio Okapi, Ituri : une nouvelle attaque du FRPI fait 30 000 déplacés, 20 October 2011.

<sup>183</sup> Bureau minier isolé de District de l'Ituri, *Rapport Annuel 2010*.

Mwana Africa Plc, a South African mining company that holds an 80% stake in the Zani-Kodo joint venture with SOKIMO, is exploring for gold in Mahagi territory.<sup>184</sup> The project includes the Nzani and Djalasiga areas, but not Pimbo. Nevertheless, at present, artisanal miners are still the only ones to produce gold. The *sous-traitance* system, however, never fully broke through in Mahagi, as it did in Watsa and Djugu territories. SOKIMO reported it is much more difficult to reach the *orpailleurs* (gold diggers) in Mahagi territory.<sup>185</sup> This is possibly related to the territory's orientation to the east and the subsequent alienation from the Congolese central government. Like in Ariwara, the Ugandan shilling is the common currency in Mahagi.

Official gold production figures for the territory are not available. Gold traders in Djalasiga, however, said that they all together buy between 600 and 700 grams of gold per day in this local *centre de négoce*.<sup>186</sup> This would amount to 18 to 21 kg per month, or approximately 250 kg per year for Djalasiga alone. When extrapolating average production figures per *creuseur*, of about 2 to 2.5 grams per week<sup>187</sup>, to the territory's entire artisanal mining population (4000), Mahagi territory could produce, roughly estimated, half a tonne of gold per year (Annex 8.2., Table 5).

There are about 20 gold traders in Djalasiga, who mainly transport their commodities to Ariwara, but sometimes also cross the border with Uganda themselves.<sup>188</sup> A few other gold trading centres are located in the eastern part of the territory: Mahagi town, Ndrele and Djegu. From these towns gold goes to Ariwara, or immediately to Kampala via the Ugandan border post of Paidha.<sup>189</sup>

## 4.2. Haut-Uele district

### 4.2.1. Watsa territory

In terms of gold production, Watsa territory represents Haut-Uele's most important area. It is located in the old OKIMO Concession 38, which has now been cut up into several concessions that were sold to foreign, industrial, mining companies: Kibali Gold, Mineral Invest and Moku-Beverendi, a new venture of Dan Gertler and Claus Eckhoff.

Watsa territory is also home to a large concentration of artisanal miners. SOKIMO's subcontracting system, which was discussed in detail in the part on Ituri, is also in effect here. According to SAESSCAM data, there are 39 registered subcontractors in Watsa territory. Estimates by SAESSCAM, the Division des Mines and subcontractors point to a number of 50 concessions assigned to subcontractors, next to an infinite amount of loose individual pits. Watsa is thereby the most densely mined territory of Haut Uele.

SAESSCAM claims there is a total number of 5000 artisanal miners in the territory. A combination of interviews and field visits indicates that most artisanal mining, however, goes on unnoticed by mining authorities. Around Wanga and Watsa, the landscape consists of a patchwork of bush or small cultivated areas flanked on all sides by small artisanal mining pits. Interviews indicate that around Giro and Tora, the same pattern exists, while Ganga consists of a smaller number of bigger, more organised mines. Estimates by mining authorities of the average number of *creuseurs* per site range between 30 and 50 artisanal miners. The following sites stand out, however, because of high concentrations of artisanal miners: Tora (approximately 4800), Moku (5700) and Wanga (6200). Several interviewees estimated that there are at least 20,000 artisanal miners in the entire territory.<sup>190</sup> Interviews in Watsa, Durba and Moku indicate that nearly 80% of local males - including children under 18 - are in some way engaged in artisanal mining.

Watsa's artisanal mining population has however experienced quite some fluctuations recently. In 2010, before the most productive areas of Durba were closed by Kibali Gold, there were an estimated 7600

<sup>184</sup> Mwana Africa, *Zani-Kodo Project*, last consulted on 6 December 2011 ([http://www.mwanaafrica.com/oe/drc\\_zani.asp](http://www.mwanaafrica.com/oe/drc_zani.asp))

<sup>185</sup> Interview IPIS with SOKIMO representatives, Bunia, October 2011.

<sup>186</sup> Research commissioned by IPIS, conducted in November 2011 by Caritas Développement Bunia.

<sup>187</sup> Ibid

<sup>188</sup> Ibid

<sup>189</sup> Interview IPIS with mining official and civil society representative, Bunia, October 2011.

<sup>190</sup> Research commissioned by IPIS, conducted in November 2011 by local researches in Watsa and Ariwara.

artisanal miners in Durba, who have now moved further into the jungle around Durba and spread to even more remote places such as Tora. Furthermore, artisanal miners in the area indicated that they witnessed the arrival of many newcomers from the Kivus, after artisanal mining had been prohibited there during a part of 2010.<sup>191</sup>

Besides artisanal mining activities, there is also a semi-industrial mining operation in the territory. The river Kibali, which separates Durba from Watsa and the operating area of Kibali from the zone where artisanal mining is permitted, is currently being exploited with a dredge by the Russian company La Conmet, which until mid-2010 operated on the Ituri river near Mambasa.<sup>192</sup> Besides La Conmet, there have been reports of two other dredges operated on the Kibali river, but those have not been confirmed by on-site visits.

According to statistics of the Mining Division in Kisangani, Watsa territory produced 17.3 kg of gold in 2010 (Annex 8.2., Table 4).<sup>193</sup> Interviews with numerous artisanal miners and AFM/PDGs at Moku, Wanga and around Watsa/Durba<sup>194</sup> provide a good basis for an estimate of real gold production of the territory. Artisanal miners confirmed that they, on average, find at a very minimum 2 grams per week (but often much more) during the rainy season. If one multiplies this bottom-level estimate by the number of artisanal miners (20,000), one arrives at a base estimate of 40 kilos per week. Miners indicate that it takes them only one week in the dry season to produce the amount of gold found during two or three weeks in the rainy season. This means that artisanal gold production at least doubles during the dry season, with quantities of 80 kilos per week for the whole of Watsa territory. On a yearly basis this would amount to more than 3 tons of gold. Data obtained through interviews with gold traders in Watsa, however, nuance this figure slightly. It is estimated that every Sunday, during the rainy season, 2 to 3 kg of artisanally mined gold arrives at the market of Tora<sup>195</sup>, the third mining area in Watsa in terms of numbers of *creuseurs* (see above), and around 10 kilos during the dry season.<sup>196</sup> Gold trade in Tora alone, apparently, does not exceed 400 kg per year, while its miners represents almost 25% of the estimated 20,000 artisanal miners within the territory. (Annex 8.2., Table 5)

Official statistics for semi-industrial mining also miss the mark.<sup>197</sup> Interviews with artisanal miners that have worked in the area of La Conmet's operations, lead to estimate that the company produces at least between 300 and 500 grams of gold per month.<sup>198</sup>

Although artisanal miners have been chased away from Durba in December 2010, it remains an important gold trade hub, where gold even arrives from Dungu, and an important gold supplier for Ariwara. According to local traders, Watsa is small compared to Durba. Furthermore, there is the market of Tora, which is only accessible by motorcycle or on foot, but which is nonetheless very important as it is located in one of the main gold producing areas of the territory. Many of the local gold traders in Watsa and Tora buy gold directly from *creuseurs*, sometimes bartering their merchandise for gold. Some resell gold to bigger traders in Durba; others are financed by bigger traders in Ariwara, and will travel to Ariwara periodically.

Most of Watsa's gold production is transported by road to Ariwara (Annex 8.2., Table 3). There are various reasons for this. First and foremost, it is the gold trade hub that is best accessible by road. Secondly, Ariwara is attractive because it is also a big merchandise trade centre. This means that gold traders can not only sell their gold but also directly buy or barter merchandise, which they sell back in Watsa. Thirdly,

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<sup>191</sup> Ibid

<sup>192</sup> IPIS/International Alert (November 2010a), op. cit., p. 48.

<sup>193</sup> Province Orientale. Division Provinciale des Mines, *Statistiques de production artisanale des substances minérales précieuses déclarées par les exploitants miniers jusqu'à décembre 2010*.

<sup>194</sup> Before artisanal miners were banned from Durba by Kibali Gold in December 2010, production in Durba was massive. By means of illustration, one PDG indicated that his team of 210 artisanal miners produced 33 kilos per month; per day, each digger would find at least half a gram. Since Durba got closed, however, artisanal miners had to move further out to less productive and less accessible sites.

<sup>195</sup> Over 100 traders are said to be present on the Sunday market in Tora, while artisanal miners come to the market from the nearby Giro and Ganga carrières.

<sup>196</sup> Research commissioned by IPIS, conducted in November 2011 by local researches in Watsa and Ariwara.

<sup>197</sup> SAESSCAM and the Mining Division presented the following production statistics for semi-industrial mining in Watsa territory: 67 grams in July 2011 and 7 grams in August 2011.

<sup>198</sup> Research commissioned by IPIS, conducted in November 2011 by local researches in Watsa.

despite the higher gold prices in Uganda, they prefer Ariwara to Arua (just over the border in Uganda) and other destinations in Uganda in order to avoid import taxes on merchandise.

However, while the lion's share of gold in Ariwara comes from Watsa, not all Watsa gold goes through Ariwara. A banker from Bunia frequently travelling to Watsa for business explains that he always picks up a few kilos on the way back; and at least a small part of Durba's gold traders travels to Kampala directly. Furthermore, a number of local traders (around 20 in Watsa) are Nande travelling back and forth to Butembo.

There are currently no rebels or militia active in Watsa territory. Police and FARDC are however very visibly engaged in the gold sector in Watsa. A mix of both is ever-present at Kibali Gold's premises and is allegedly equipped by, paid by and under the direction of the private security and logistics company employed by Kibali Gold.<sup>199</sup> The impact of Kibali Gold on local security dynamics is considerable. After Kibali had banned artisanal miners from its future mining site in Durba, a confrontation between protesting artisanal miners and Kibali's security forces in late 2010 resulted in the death of two artisanal miners, one child, and, after retaliation by disgruntled artisanal miners, one police agent.<sup>200</sup> Additionally, around Wanga, the FARDC and PNC are also involved in the gold sector. They protect Mineral Invest, a Swedish start-up mining company planning to use a dredge to finance further prospection just outside of Wanga.<sup>201</sup>

#### 4.2.2. Wamba territory

Wamba territory, located south of Isiro, is the second most important gold producing territory in Haut-Uele. *Négociants* in Isiro, who buy gold from mining sites in the area, said thousands of *creuseurs* are digging for gold in the territory. Their total number might amount to nearly 10,000.<sup>202</sup>

Most gold mining sites are located in the southern part of the territory, in the *secteur* Mabudu-Malika-Baberu. The most important sites are Mambati, Bolebole, Gatoa and Gbonzunzu.

Gold from Mambati, Bolebole and Gatoa is known for its high purity. It concerns especially alluvial gold. Bolebole is located on the banks of the 'Nepoko' river. According to Isiro's Mining Division, Bolebole and Gatoa together produced 5 kg of gold in September 2011.<sup>203</sup> Gold traders that were interviewed in Isiro, however, estimated the two sites supplied each at least produce 4 kg per month to Isiro. These figures might even still be a half or a third of what is actually produced, as a lot of the gold that is produced in the area leaves the territory without passing by Isiro.<sup>204</sup> Mambati is located some 150 km from Wamba town, on the road that leads to Bafwasende. Here, *creuseurs* enter the old mine shafts that date back to colonial times.<sup>205</sup> According to figures of the Mining Division, Mambati produced 2.1 kg of gold in September 2011, although *négociants* said it could supply Isiro of an average 6 kg per month. Matete is another site known for its high quality gold, although it produces smaller quantities.

Gbonzunzu is located some 100 km from the town of Wamba and is a bustling commercial centre. It is known to produce considerable amounts of gold, according to the Mining Division, more than 3 kg in September 2011. The purity of its ores, however, tends to be much less.

Together these mining sites, allegedly, supplied an estimated 20 kg per month to Isiro. As stated above, these figures half or a third of what is actually produced, as a lot of the gold that is produced in the area leaves the territory without passing by Isiro.<sup>206</sup> Annual production could thus amount to 600 kg of gold

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<sup>199</sup> Interview by one of the authors with a Kibali Gold security agent, Durba, November 2011

<sup>200</sup> Radio Okapi, Tensions à Watsa: 1 mort et 3 blessés dans un accrochage entre policiers et manifestants, 24 May 2010 (Note that the number of fatalities mentioned by interviewees differs from that reported by Radio Okapi.)

<sup>201</sup> Tegera, A., & Rudahigwa, P.P., Multinationals and the lure of gold in Ituri: the case of Mineral Invest, in: *Régards Croisés*, 30(bis), 2009, p. 43.

<sup>202</sup> Research commissioned by IPIS, conducted in November 2011 by OBERIUELE, Isiro.

<sup>203</sup> Bureau Minier Isolé de District de Bas-Uélé, *Tableau récapitulatif de répartition des carrières d'exploitation artisanale et production mensuelle de l'or par territoire dans le district du Haut-Uele en septembre 2011*.

<sup>204</sup> OBERIUELE (November 2011), op. cit., p. 3.

<sup>205</sup> Aybeka Kopikama J.D. (2010), op. cit.

<sup>206</sup> OBERIUELE (November 2011), op. cit., p. 3.

for the territory's biggest mining site. Consequently, total production could easily arrive at an estimated 700 kg per year. (Annex 8.2., Table 5)

*Creuseurs* and commissionaires complain about the level of militarisation at mining sites in the territory and on the roads leading to the commercial centres. Almost all mining sites suffer regular extortions from FARDC and PNC, and roadblocks erected by them are also regularly encountered on the roads to Isiro.

Isiro is an important trading centre for the commercialisation of Wamba territory's gold. The production is transported by bike or motorbike to the town. From Isiro, the gold is mostly flown to Butembo. (Annex 8.2., Table 3)

### 4.2.3. Dungu territory

Gold mining in Dungu chiefly occurs in the southeastern part of the territory. SAESSCAM reported of 1100 *exploitants* in the territory, but acknowledges that this hardly represents actual numbers.<sup>207</sup> According to the *Institut Congolais pour la Conservation de la Nature* (ICCN), over ten thousand artisanal miners are thought to operate around and in the Garamba National Park, which occupies most of Dungu territory.<sup>208</sup> This is corroborated by mining officials, who put the estimate at 20,000 artisanal miners, however, not all of them are engaged in gold mining.

In the southern part of Dungu, close to the border with Watsa, artisanal gold mines are strewn along the Tora-Ndedu road. Twelve kilometres from Tora, for example, lays Libombi, where allegedly 70% of the population is engaged in artisanal gold mining.<sup>209</sup> Reportedly, the gold produced there is of high quality.

The locality Gangala na Bodio is the most important mining area in Dungu. The LRA has repeatedly passed through and raided Gangala and its surroundings before and during 2010, as a result of which artisanal mining activities almost completely came to a halt.<sup>210</sup> While the LRA has launched attacks near Gangala as late as June 2011<sup>211</sup>, artisanal mining has reportedly resumed in the course of the year. According to gold traders in Ariwara, the artisanal mining population of Gangala is currently over 2000 (rising up to around 5000 during the dry season). A part of artisanal miners are reported to work on the Kibali river (9 km to the south). Gold from Gangala is partly traded at the market in Tora (and from there to Durba), and partly in Ariwara, where most locally traded manufactured goods come from.

In the east of the territory, Sambia is located on the border with Faradje. Until the LRA crisis in January 2009, artisanal mining there was just a secondary occupation, after agriculture. Because of continued insecurity and a high number of IDPs, however, artisanal mining has become the main livelihood strategy.<sup>212</sup> Around 3800 artisanal miners are thought to be active, according to *négociants* in Ariwara, where Sambia is said to be an important source of gold.

### 4.2.4. Faradje territory

There is little information available on gold mining in Faradje; besides Rambi, which is recognised by Ariwara traders as an important centre of production, Faradje is hardly mentioned by gold traders in Ariwara. According to the Mining Division, the territory produced 16.3 kg of gold in 2010.<sup>213</sup> SAESSCAM data include an estimate of about 1000 miners in Faradje, divided over 10 known *carrières*. Eight of these would be active, while the two others are in zones occupied by the LRA. Among those sites not currently occupied by the LRA, Makoro and Rambi are the most important. The latter holds around 3500 artisanal miners, according to *négociants* in Ariwara.

<sup>207</sup> Documents could however not be obtained.

<sup>208</sup> Confidential interview by one of the authors with ICCN staff, Mambasa, October 2011

<sup>209</sup> Solidarités International, *Diagnostic Multisectoriel Approfondi Libombi*, 2011, p. 28.

<sup>210</sup> Solidarités International, *Diagnostic Multisectoriel Approfondi Gangala na Bodio*, 2010, p. 27.

<sup>211</sup> Xinhua, Ugandan rebels kill six in northeastern DR Congo, 5 June 2011

<sup>212</sup> Solidarités International, *Diagnostic Multisectoriel Approfondi Sambia*, 2010, p. 9.

<sup>213</sup> Bureau Minier Isolé de District de Bas-Uélé, *Tableau récapitulatif de répartition des carrières d'exploitation artisanale et production mensuelle de l'or par territoire dans le district du Haut-Uele en septembre 2011*

Recent reports indicate that gold mining in Faradje is in some cases controlled by the LRA, but also by the police. According to Radio Okapi, since August this year, the PNC is forcing arrested artisanal miners - including children - to produce gold in the mines of Mabanga, Bogoro and Ogambi.<sup>214</sup>

### 4.3. Bas-Uele district

#### 4.3.1. Bondo territory

The territory of Bondo is by far the main mining area in Bas-Uele. According to SAESSCAM estimates, Bondo counts some 21,000 diggers, who are mostly active in gold mines.<sup>215</sup>

The most productive area is located in the northern part of the territory, around Baye. It counts some 15,000 miners that look for gold in approximately 60 mining sites.<sup>216</sup> The main sites are Lumbu and Séminaire. Other sites include those of Canan, Nzinzili, Gangu, Sambili Kpanga, Matali and Pusò. Artisanal exploitation occurs in all possible ways: open pit (in Séminaire and Matali), underground (in Canan, Pusò and Sambili Kpanga) and alluvial mining (on the Gangu and Lumbu rivers), in some cases with the use of *dragues*. The purity of the gold ores varies but tends to be below 90%.<sup>217</sup>

Besides the Baye gold mining sites, there are a few other gold mining areas, whose levels of production however tend to be considerably lower. On the Yakpa axis, to the east of Bondo town, there are an estimated 1500 gold miners.<sup>218</sup> Most of them are working in the mines of Kudjili, Buza, Mayi Moke I and II, Limbongo and Kinabolo.<sup>219</sup>

According to SAESSCAM, another 3000 *creuseurs* are active in the Monga area, in the northwestern part of the territory. It should, however, be noted that diamond production is quite important here, meaning that only part of these miners dig for gold.<sup>220</sup>

The number of gold miners in Bondo indicates that the territory accounts for an important part of Orientale Province's total gold production. This is reflected by the 2010 gold production figures of the Mining Division. According to these figures, Bondo territory produced 43.8 kg of gold in 2010, which represents a quarter of the provinces' total figures, minus those of Djugu, Mahagi and Aru, which are significant gold producing areas but for which the Mining Division has no figures.<sup>221</sup> (Annex 8.2., Table 4)

43.8 kg is however far below the territory's actual gold production. Rough estimates by mining officials put gold production in Bondo territory at minimum 30 kilos per week.<sup>222</sup> Visits of the most productive mining sites in the Baye area support this estimate. Multiplying the number of miners with the amount an average miner could produce per day at each site, leads up to a total estimated gold production of about 7 kg per day. The average production per day is probably a bit lower as the number of miners varies and they are not able to dig up this amount every single day.<sup>223</sup> (Annex 8.2., Table 5)

The section above on Kisangani explains that Bondo's gold represents more than half of the estimated minimum of 50 kg traded in the provincial capital. Almost all of Bondo's gold is transported by road to Kisangani, although transport by plane occurs. For security reasons, a trader might prefer air transport,

<sup>214</sup> Radio Okapi, Province Orientale: la police accusée de tortures et travaux forcés sur des habitants de Faradje, 21 September 2011

<sup>215</sup> SAESSCAM, Antenne de Kisangani, Monthly reports, May-July 2011.

<sup>216</sup> Ibid

<sup>217</sup> Research commissioned by IPIS, conducted in November 2011 by OCEAN Kisangani.

<sup>218</sup> SAESSCAM, Antenne de Kisangani, Monthly reports, May-July 2011.

<sup>219</sup> Research commissioned by IPIS, conducted in November 2011 by OCEAN Kisangani; SAESSCAM, Antenne de Kisangani, *Annexe III: Tableau synoptique des sites d'exploitation territoire de Bondo* (This document has been obtained from SAESSCAM as a separate document, there were no specifications to which document it belonged.)

<sup>220</sup> SAESSCAM, Antenne de Kisangani, Monthly report, May 2011.

<sup>221</sup> The Mining Division said this is caused by the inaccessibility of the (S)OKIMO concessions to the local agents of the Mining Division. (Source: Division Provinciale des Mines, *Statistiques de production artisanale des substances minérales précieuses déclarées par les exploitants miniers jusqu'à décembre 2010*)

<sup>222</sup> Interviews IPIS with mining officials, Kisangani, October 2011.

<sup>223</sup> The reasoning behind this statement can be found in the second paragraph of this chapter (Chapter 4).

which is the most expensive option, for larger quantities of gold. On the other hand, planes are not available every day of the week.<sup>224</sup> For road transport, motorbikes are the best suited vehicles, as the dilapidated state of the road network does not allow for other types of vehicles.<sup>225</sup> Gold ores are transported to Bondo town from the local *centres de négoce*, such as PK 40 and 56 on the Bondo-Baye road, Baye and Nungba. Afterwards the road runs from the town of Bondo to Buta and Banalia. From Banalia onwards, the road to Kisangani is in reasonably good condition.

Field research indicated that most of the *creuseurs* working in Bondo territory are not entirely free to sell to any *négociant*. In about three fourths of the mining sites that were visited, miners were obliged to sell their gold production to the AFM.

The security situation at the territory's mining sites seems to be quite stable. There was no mentioning of armed groups. However, at two mining sites, Sambili Pont and Matali, *creuseurs* complained about occasional extortions committed by FARDC and PNC.

#### 4.3.2. Buta, Poko and Bambesa territory

In terms of gold production and number of miners, Bondo is far more important than other territories of Bas-Uele. Nonetheless, it is worth mentioning that another 1900 *creuseurs* are estimated to be working in Buta territory, although some of them dig for diamonds.<sup>226</sup> Also in the mining areas of Poko, Niapu (in Poko territory) and Bambesa there is some diamond production, although gold mining still remains the main activity.<sup>227</sup>

Production figures of these territories are scarce, which makes it extremely difficult to develop accurate gold production estimates. Far behind Bondo, Buta territory is the second gold producer of the district. According to SAESSCAM statistics it produced no more than 213.4 grams of gold in 2010<sup>228</sup>, and 231.9 grams from April until June 2011.<sup>229</sup> These figures are clearly implausibly low.<sup>230</sup> SAESSCAM data received from Kisangani *comptoirs* ACD and KARMALI, showed that no more than 10% of their gold originated from Buta in June 2011.<sup>231</sup> If we extrapolate this 10% to the entire gold trade in Kisangani, 50 kg per week, it seems that Buta territory does not produce more than a few 100 kilograms of gold per year. (Annex 8.2., Table 5)

Gold produced in Buta territory is taken by road to Kisangani, through Banalia. Some quantities of gold from Poko territory's Niapu mining area, on the other hand, have reportedly been traded through Isiro.

### 4.4. Tshopo district

In terms of gold production, Tshopo is definitely the least important district of the province. The gold produced within the district originates mainly from the area northeast of Kisangani, especially Bafwasende territory and to a lesser extent Banalia.

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<sup>224</sup> Interviews IPIS with mining officials from the Division Provinciale des Mines de la Province Orientale, Kisangani, October 2011.

<sup>225</sup> According to the Ministry of Plan 234 km of the 425 km-long road between Ndou-Bondo and Buta is in a bad condition. The same goes for 147 km of the 196 km-long road between Buta and Banalia. (Source: Ministère du Plan de la RDC (March 2005), op. cit., pp. 184-185.)

<sup>226</sup> SAESSCAM, Antenne de Kisangani, *Statistiques et identification des exploitants artisanaux*, March 2011.

<sup>227</sup> See the 'Natural Resources map' of IPIS' web maps of Province Orientale: IPIS, *Mapping Conflict Motives: Province Orientale (DRC)*, March 2010: [http://www.ipisresearch.be/mapping\\_orientale.php](http://www.ipisresearch.be/mapping_orientale.php)

<sup>228</sup> SAESSCAM, Antenne de Kisangani, *Rapport Annuel 2010*.

<sup>229</sup> SAESSCAM, Antenne de Kisangani, Monthly reports, May-June 2011

<sup>230</sup> An analysis of the SAESSCAM documents shows significant gaps in the data underpinning these figures. This conclusion is supported by the fact that the Mining Division did not receive any statistics for Buta territory, neither for Bambesa and Poko territories.

<sup>231</sup> SAESSCAM, Antenne de Kisangani, Monthly report, June 2011.

#### 4.4.1. Bafwasende territory

According to SAESSCAM records, an estimated 19,000 individuals work in the mines of Bafwasende.<sup>232</sup> They do not all dig for gold, as artisanal diamond exploitation also occurs in the territory. However, since the beginning of the global financial crisis, a lot of diamond sites have been abandoned as *creuseurs* turned to the extraction of gold, of which the price is more stable.<sup>233</sup> On the basis of SAESSCAM figures of the beginning of 2011 (Annex 8.2., Table 6)<sup>234</sup> and observations from field research in 2010 by IPIS' local partners<sup>235</sup>, we estimate that there are about 11,000 artisanal gold diggers in Bafwasende territory (Annex 8.2., Table 5). The most important gold mining areas can be found around SAESSCAM's offices in Opienge, Bavasiba, Bavadili (or Bafwadili) and Avakubi.<sup>236</sup> Bomili and Bigbulu are well known gold mining areas.<sup>237</sup>

The Mining Division's statistics state Bafwasende territory produced 6.28 kg of gold in 2010 (Annex 8.2., Table 4).<sup>238</sup> According to SAESSCAM figures, Bafwasende produced an average of 20 kg per month from April until June 2011.<sup>239</sup> This would amount to a production of 200 kg per year, supposing there are 4 months in which production is halved because of the rainy season. This estimate, however, still seems to be far below actual production levels, knowing there are about 11,000 *orpailleurs* in the territory. Furthermore, SAESSCAM data show that 30% of the gold bought by Kisangani *comptoirs* originated from Bafwasende territory. Keeping in mind the estimated 50 kg of gold traded per week in Kisangani, this would come down to 15 kg per week. Caution, however, is needed as this figure is underpinned by rough estimates and uncertain statistics.<sup>240</sup> Besides, if the territory's number of gold miners, 11,000, is being multiplied with a production of 2 grams per week<sup>241</sup> Bafwasende's production level could reach more than 20 kg per week. Consequently, with estimates of 15 kg and 20 kg per week, it seems Bafwasende's level of production could be close to 1 tonne of gold per year (Annex 8.2., Table 5).

During field visits in 2010, the absence of cash circulating in the large majority of Bafwasende's mining areas was striking. An entrenched bartering system prevailed in the territory's mining sites between the *creuseurs* and the Nande traders from Butembo.<sup>242</sup>

Gold from Bafwasende's mines is mostly transported to Butembo, via Beni. There are two important trade routes. First is the road that passes through the chief town of Bafwasende, coming from Kisangani and leading to Nia-Nia, Mambasa and Komanda. Komanda is located at a crossing, with Bunia to the north and Beni-Butembo to the south. Most of the territory's gold reaches the road towards Komanda via side roads such as Opienge-Bafwabalinga, Bomili-Bafwasende and Bigbulu-Bafwanduo. Gold traders in Kisangani, however, reported that they regularly receive gold from Bafwasende territory. So, although, most of Bafwasende's gold goes straight to Butembo, some of its production makes the Kisangani detour.

Gold from the mines in the southeastern corner of the territory, south-east of Opienge, an area which is controlled by Mayi-Mayi Kumu of Major Luc Yabili, takes another road. It is transported on foot to

<sup>232</sup> SAESSCAM, Antenne de Kisangani, Monthly report, May 2011.

<sup>233</sup> IPIS/International Alert (November 2010a), op. cit., p. 43.

<sup>234</sup> SAESSCAM, Antenne de Kisangani, Monthly reports, May-July 2011.

<sup>235</sup> With an estimated 5,000 individuals working in the mines in the southern part of the territory. (Source: IPIS/International Alert (November 2010a), op. cit., p. 45.

<sup>236</sup> SAESSCAM, Antenne de Kisangani, Monthly report, May-July 2011; IPIS/International Alert (November 2010a), op. cit., p. 45.

<sup>237</sup> See the 'Natural Resources map' of IPIS' web maps of Province Orientale: IPIS (March 2010), op. cit., [http://www.ipisresearch.be/mapping\\_orientale.php](http://www.ipisresearch.be/mapping_orientale.php)

<sup>238</sup> Division Provinciale des Mines, *Statistiques de production artisanale des substances minérales précieuses déclarées par les exploitants miniers jusqu'à décembre 2010*.

<sup>239</sup> SAESSCAM, Antenne de Kisangani, Monthly report, May-July 2011.

<sup>240</sup> A 30%-share of Kisangani's gold seems too high, knowing that a lot of the territory's gold goes straight to the east. On the other hand, it could be argued that this production, which goes directly eastwards, represents also a considerable amount and is not included in the 15 kg estimate.

<sup>241</sup> Two grams per week seems to return all over the province as an average minimum of gold production per *orpailleur* per week.

<sup>242</sup> IPIS/International Alert (November 2010a), op. cit., p. 53.

Manguredjipa, an important trading town in North Kivu's *Grand Nord*. From there it is transported a further 99 km by truck or motorbike to Butembo.<sup>243</sup>

#### 4.4.2. Banalia territory

Gold production levels in Banalia territory are estimated to be below those of Bafwasende. According to Mining Division statistics, it produced 10 kg in 2010 and 23.2 kg in April-May 2011.<sup>244</sup> From SAESSCAM data, it appears there are about 4500 gold *creuseurs* spread over almost 90 mining sites.<sup>245</sup> Most sites are located in and around Panga, in the northeastern part of the territory, and on the Kole-Mangi axis in the north of the territory.<sup>246</sup>

A great number of small mines are spread over the Kole-Mangi axis, 74 according to SAESSCAM, hosting almost 3000 gold miners. In April and May 2011, these miners allegedly produced 11.2 kg.<sup>247</sup> This might however be an underestimation of the actual level of production. On the axis, Mangi represents an important *centre de négoce* and the principal mining site. Between 400 and 600 *orpailleurs* reportedly dig high quality gold at the site.<sup>248</sup>

The Panga area seems to be less important than the Kole-Mangi axis in terms of gold production. As Panga is located near the Aruwimi river, also alluvial exploitation occurs in the area. Two mining sites on the Banalia-Panga axis, Lolima I and II, on which local research teams gathered information, however produce gold of less than 75% purity. The most important *centres de négoce* are located in PK 43, 58 and 144 (Panga itself).<sup>249</sup>

The gold ores are transported to Kisangani via the road coming from Buta (Bas-Uele district) and passing by Kole and the chief town of Banalia. The road is in good condition from Banalia onwards. The 125 km from Banalia to Kisangani takes about three hours and a half by motorbike.<sup>250</sup>

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<sup>243</sup> Ibid, pp. 50-52.

<sup>244</sup> Province Orientale. Division Provinciale des Mines, *Statistiques de production artisanale des substances minérales précieuses déclarées par les exploitants miniers jusqu'à décembre 2010*; SAESSCAM, Antenne de Kisangani, Monthly report, May 2011.

<sup>245</sup> With diamond mines and diggers included, SAESSCAM documents report 9383 artisanal miners spread over 150 sites (Source: SAESSCAM, Antenne de Kisangani, Monthly report, May 2011).

<sup>246</sup> See the 'Natural Resources' map of IPIS' web maps of Province Orientale: IPIS (March 2010), op. cit., [http://www.ipisresearch.be/mapping\\_orientale.php](http://www.ipisresearch.be/mapping_orientale.php); SAESSCAM, Antenne de Kisangani, Monthly report, June 2011.

<sup>247</sup> SAESSCAM, Antenne de Kisangani, Monthly report, May 2011.

<sup>248</sup> Research commissioned by IPIS, conducted in November 2011 by OCEAN Kisangani.

<sup>249</sup> Interview IPIS with mining official, Kisangani, October 2011.

<sup>250</sup> Ibid



Artisanal gold mining at Bora Uzima, Bafwasende territory (Photo: IPIS/CENADEP, 2010)

## 5. Tax revenues, value of production and potential of the gold sector

The Congolese state earns very little from its gold sector, especially compared to what it might obtain from it should all gold be exported legally, and compared to the neighbouring countries' profits from the Congolese gold sector. Hereafter, we will give an estimate of potential earnings of the Congolese state, on the basis of the production estimates made above and the current tax regime in the gold sector. We will outline which taxes the Congolese state is allowed to levy on the production and export of artisanally mined gold. Next, we will make an estimate of the potential revenues of Orientale's artisanal gold sector for the Congolese state. Finally, the potential of industrial mining in the DRC's gold mining sector will be examined in the third part of the chapter.

It is very difficult to get a correct picture of actual state revenues derived from Province Orientale's gold mining sector. According to the Mining Division in Kisangani, the gold sector contributed \$45,016 to the Public Treasury last year. This amount can be broken down into 1% on export values (\$21,146), revenues from artisanal miner cards (\$4970) and revenues from the gold trader cards (\$18,900)<sup>251</sup>. The export taxes are levied by the Kisangani Mining Division.<sup>252</sup> The Mining Division in Bunia reports it contributed \$34,906 (1% transaction costs paid by *comptoirs*) and \$32,922 (artisanal miner and gold trader cards, exports of samples of mining companies, ...). It also mentions a few other taxes levied, but does not provide any further specifications.<sup>253</sup>

<sup>251</sup> The Mining Division only mentioned the revenues from the sales of the cards of the '*négociants catégorie B*'. It does not mention the revenues from the sales of the cards of the 4 '*négociants catégorie A*'. Four category A gold traders and \$500 per card makes another \$2000, which were not mentioned in annual report.

<sup>252</sup> Province Orientale. Division Provinciale des Mines, *Rapport Annuel 2010*.

<sup>253</sup> Bureau Minier Isolé de District de l'Ituri, *Rapport Annuel 2010*.

## 5.1. Taxation of artisanal mining

First there are the taxes that apply to the actors that are active in the Congolese artisanal gold sector, being the *creuseurs*, *négociants* and *comptoirs*. Before they can start their activities, they need to be registered at the Mining Division.

A *Carte d'exploitant artisanal* costs \$10 per year for a gold *creuseur*.

A *Carte de négociant* costs \$500 per year for a gold trader of category A and \$150 for a gold trader of category B.<sup>254</sup>

An official *comptoir* has to pay an annual registration tax and a deposit. The first tax, the *Redevance pour agrément des comptoirs*, costs \$5000, to be paid every year when the *comptoir* renews its *agrément*. The deposit or '*Caution des comptoirs*' has to be paid only once, when the trading house registers for the first time, and amounts to \$2500.<sup>255</sup>

Next to the registration taxes, the Congolese state levies taxes on gold exports, often said to be 3.25% of export value. This is however not entirely correct, as one of the taxes is not levied on the value of the exports. The total tax rate is thus slightly below 3.25%. The taxes include a 1% *Droit de sortie* for the Public Treasury and a 1.25% *Taxe rémunératoire*. Furthermore, there is a 1% *Taxe administrative d'intérêt commun*, or common interest tax. It is levied by SAESSCAM on the *comptoir's* purchase price and divided among several provincial state services, such as the mayor or local authority, Bureau des Mines, SAESSCAM, cooperatives and the *Fonds de Promotion des Petites Mines* (FPPM).<sup>256</sup>

The *Taxe rémunératoire* is divided among the state services that are involved in the gold sector. The redistribution is as follows:<sup>257</sup>

- 65% for CEEC, the *Centre d'Evaluation, d'Expertise et de Certification des substances minérales*. It is one of the technical services of the Ministry of Mines, responsible for the certification of precious and semi-precious minerals.<sup>258</sup>
- 5% for DGDA, *Direction Générale des Douanes et Accises*. This is the former OFIDA, the customs agency.
- 4% for DGRAD, *Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participation*. It is responsible for the collection of several taxes, including the fees for the *négociants'* and *creuseurs'* registration cards.<sup>259</sup>
- 2% for OCC, *Office Congolais de Contrôle*. It controls the quantity and quality of all imports and exports in the DRC.
- 24% for the 'other services' of the Ministry of Mines, excluding the CEEC (the figures below are percentages of the full remuneration tax, not of the 24%):
  - 4% for CTCPM, the *Cellule Technique de Coordination et de Planification Minière*. It has been created to coordinate all the various ministries and organisations involved in the mining sector.
  - 7% for SAESSCAM, the *Service d'Assistance et d'Encadrement du Small-Scale Mining*. It is the Ministry of Mines' technical service responsible for supervising and organising the artisanal mining sector.
  - 4% for COM. KIMB.
  - 9% for COM. ENC.

A few examples might help to clarify the redistribution of the taxes levied on gold exports. The first example concerns a gold export from Bunia, effected by OKIMO last May.<sup>260</sup> OKIMO exported 12.04 kg of gold ores with a purity of 87%. At a gold price of \$1521 per ounce, the CEEC calculated the value of

<sup>254</sup> *Catégorie A* traders are those who are established within the large trading towns, while *Catégorie B* traders operate in local trading centres and mining sites (see Section 2.2.2).

<sup>255</sup> Arrêté Interministériel n° 0249/CAB.MIN/MINES/01/2010 et n° 042/CAB/MIN/FINANCES/2010, op. cit.

<sup>256</sup> CEEC gold export certificates 2011; Pact (June 2010), op. cit. pp. 84-86.

<sup>257</sup> CEEC gold export certificates 2011.

<sup>258</sup> Pact (June 2010), op. cit., pp. 35-37.

<sup>259</sup> Berke C., Pulkowski J., Martin N., Vasters J. and Wagner M., *Les ressources naturelles en République démocratique du Congo – Un potentiel de développement?*, BGR and Kfw Entwicklungsbank, April 2007, p. 50.

<sup>260</sup> CEEC gold export certificates, May 2011.

the export as \$514,069. The 1% *Droit de sortie* amounts to \$5141. The *Taxe rémunératoire*, amounting to \$6426, is redistributed as follows:

- CEEC: \$4177 (64%)
- Other services: \$1542 (24%)
  - CTCPM: \$257 (4%)
  - SAESSCAM: \$450 (7%)
  - COM. KIMB.: \$257 (4%)
  - COM. ENC.: \$578 (9%)
- DGDA: \$321 (5%)
- DGRAD: \$257 (4%)
- OCC: \$129 (2%)

The following example concerns a gold export from the *comptoir* GLORY MINERALS in Butembo.<sup>261</sup> Last April, it exported 3 gold bars to Dubai. The gold bars had a total weight of 2.332 kg and were 80% pure. CEEC reported the purchase price to be \$74,782 and determined the value of the export to be \$88,382. Consequently, the taxes GLORY MINERALS had to pay were the following:

- \$884 *Droit de sortie* (1%) to the Public Treasury
- \$748 Administrative Common Interest Tax (1% of the value of the purchase price) to SAESSCAM
- \$1105 *Taxe rémunératoire* (1.25%)
  - \$718 to CEEC (65% of \$1105)
  - \$22 to OCC (2% of \$1105)
  - \$55 to DGDA (5% of \$1105)
  - \$44 to DGRAD (4% of \$1105)
  - \$265 to 'other services' (24% of \$1105)

Furthermore, CEEC Butembo levies another small 'provincial tax', being 7% of 1% of the value of the export (\$88,382), amounting to \$62 in this case.

A lot of stakeholders complain that these tax levels are too high. Uganda, for instance, only levies an export tax of 0.5% on gold. One of the main causes is that the Congolese state wishes to compensate for its poor domestic revenues, through an over-reliance on international trade taxes.<sup>262</sup> On the other hand, the DRC cannot be blamed for its neighbours' low export taxes, as the latter try to profit from the Congolese natural resources. Several stakeholders, however, did recommend that the Congolese government should consider to lower the export tax to somewhere between 1% and 2%. They are convinced that the small profit margin that remains when exporting illegally to Kampala's gold traders, will not counterbalance the (security) risks of exporting secretly and fraudulently. The trader's fear of the bad security situation on the road and the chances of being caught when exporting illegally will convince them start operating legally, when tax differences are so small. Other sources, however, argued that the DRC's neighbouring countries have got nothing to loose as they hardly have any gold in their subsoil. In order to continue to attract international gold buyers, they might lower their export taxes to nearly 0%. So instead of entering into a race to the bottom between neighbouring countries, a concerted approach is desirable.

We have shown above that next to artisanal mining, semi-industrial mining also produces considerable amounts of gold. Owners of *dragues* are to pay \$2000 annually to the Public Treasury, although for the moment it is agreed that the province is allowed to levy this tax.<sup>263</sup> The *drague* companies are additionally required to hand over 10% of monthly production to the Mining Division.<sup>264</sup> SAESSCAM however reports that it has hitherto been impossible to recover these taxes. In recent monthly reports, they give two reasons for this: first, as DRPO already levies taxes on dredges, dredge owners do not perceive this additional tax as legitimate. Second, other dredge owners simply refuse mining authorities access to their sites of operation.<sup>265</sup> Owners of dredges explain that they operate under agreement with

<sup>261</sup> CEEC gold export certificates, April 2011.

<sup>262</sup> Pact (June 2010), op. cit., p. 87.

<sup>263</sup> Province Orientale. Division Provinciale des Mines, *Rapport Annuel 2010*.

<sup>264</sup> Note Circulaire No. 322/271/BUR/A.T/Msa/011, p. 3

<sup>265</sup> SAESSCAM Mambasa, Monthly report, July 2011, pp. 3-4

provincial authorities, and refer competing authorities to the provincial government in Kisangani.<sup>266</sup> For the moment, consequently, except of the \$2000 registration, levied by the provincial authority, the Congolese state earns nearly nothing from the semi-industrial gold exploitation.

On the SOKIMO concessions the situation for the *drague* companies is different. They have to pay fees to SOKIMO for the right to mine, a fixed sum of \$15,000 plus 20% of their production.<sup>267</sup> Although it is rumoured that they are allowed to sell the gold they produce to whomever they like,<sup>268</sup> the contracts clearly stipulate they are obliged to sell to a registered *négociant* or *comptoir*.<sup>269</sup>

Because gold is such a high-value commodity, taxes on the importation of liquidities could also be quite remunerative for the Congolese Public Treasury should the country manage to legalise a larger percentage of the trade. *Comptoirs* are obliged to deposit sums for gold purchases into a Congolese account. The bank charges an alleged 1.2% on the imported sum. The Congolese state, thereupon, charges a tax of somewhere between 1.5 and 1.8% on the bank's 1.2%.<sup>270</sup> So for example, Glory Minerals exported 3 gold bars in June 2011, which weighed 2135.68g in total and were 86% pure. It spent \$75,848 to purchase the gold ores to fuse these bars.<sup>271</sup> Because the company is obliged to deposit this sum with a Congolese bank, the bank charged \$910 and the Congolese state charged the bank at least \$13.65.

Finally, when talking about taxation in the Congolese artisanal mining sector, it is important to bring up illegal taxation. This is not just an occasional phenomenon, but rather an ingrained custom. Along the entire gold chain, unofficial taxes are regularly levied, even by official authorities. Among others, there are taxes to enter the mines, to register the extracted gold, to pass by a road barrier, or they just raise regular taxes. Next to taxes levied by the official authorities, customary chiefs usually also ask for their part of the profits. Furthermore, there are the state security services, such as PNC and FARDC, who are present along the entire gold chain, from mining site, through trading route, to the market. Moreover, armed rebel groups also appear to earn quite a lot from illegal taxation. It is thus clear that (gold) trade in eastern DRC suffers from the heavy burden from illegal taxation.

## 5.2. Potential revenues of Orientale's artisanal mining sector

Estimating the Congolese state's potential revenues from artisanal mining, is a perilous undertaking as it requires one to start from uncertain assumptions. Prudence is therefore in order when considering the following line of reasoning.

The taxable volume of gold that is produced in Orientale Province could be estimated by aggregating the volumes traded in the province's three main gold trading centres, namely Bunia, Butembo and Ariwara. Kisangani and Isiro are not included in this calculation as most gold from there passes by Butembo before it leaves the country. (See Annex 8.2., Table 3) The volume of gold that is traded through Bunia is estimated between 9 and 10 tonnes a year, of which 15% is not directly exported but transported to Butembo. Estimates for Butembo range between 2 and 8 tonnes, so assume 6 tonnes<sup>272</sup>, of which 20% to 30% originates from mines in North Kivu. Volumes traded at Ariwara are estimated at a minimum of 4 tonnes. Assuming that Bunia exports 8 tonnes (85% of 9.5 tonnes), Ariwara 4 tonnes and Butembo 4.5 tonnes of Orientale gold (75% of 6 tonnes), this would amount to 16.5 tonnes. This estimate of exports originating from Orientale Province alone, contrasts sharply with the total annual production figure of 220 kg for the entire country, as was recorded by the *Cellule Technique de Coordination et de Planification*

<sup>266</sup> Confidential interviews with dredge operators in Nia-Nia, October 2011, and Nizi, November 2011.

<sup>267</sup> *Contrat de partenariat relatif à l'exploitation de l'or alluvionnaire dans le lit de la rivière Shari, entre l'Office des Mines d'Or de Kilo-Moto et L'Etablissement DKCS.*

<sup>268</sup> IPIS/International Alert (November 2010b), op. cit., pp. 19-20.

<sup>269</sup> *Contrat de partenariat relatif à l'exploitation de l'or alluvionnaire dans le lit de la rivière Shari, entre l'Office des Mines d'Or de Kilo-Moto et L'Etablissement DKCS.*

<sup>270</sup> The interviewees could not precise the exact rate of the Congolese state's tax, but assured it was somewhere between 1.5 and 1.8%. (Source: Interviews IPIS with *comptoir* ACD and CEEC representative, Kisangani, October 2011.)

<sup>271</sup> CEEC gold export certificate, June 2011.

<sup>272</sup> An average between 2 and 8 tonnes would result in 5 tonnes. However, the estimate between 2 and 8 tonnes concerns the seven major Butembo traders. In order to include the export of the smaller traders we assume an export volume of 6 tonnes.

*Minière* (CTCPM) in 2009<sup>273</sup>, as well as with Orientale's 130 kg official gold export of 2010 (see Annex 8.2., Table 1).

Besides an annual production volume of 16.5 tonnes, we factor in the following estimates to calculate potential revenues from Orientale Province's gold sector under the current Congolese tax regime: a price level of \$51.6 per gram<sup>274</sup>, an average purity of 85%<sup>275</sup>, an estimated number of 150,000 *creuseurs*, an estimated number of 165 *négociants de 'Catégorie A'* (Annex 8.2., Table 3), an estimated number of 30 dredges, an estimated total production of 160 kg per year by these 30 dredges<sup>276</sup>, a 1.5% tax on bank charges on *comptoirs'* dollar imports.

- \$7,236,900 (1% *Droit de sortie*) for the Public Treasury
- \$9,046,125 (1.25% *Taxe rémunératoire*), distributed among the state services involved in the gold sector (see Section 5.1).
- \$6,296,103 (1% *Taxe administrative d'intérêt commun* on the purchase price<sup>277</sup>), distributed among several provincial state services.
- \$60,000 (registration of dredges) for the DRPO, or Public Treasury (see Section 5.1.).
- \$710,532 Taxation of dredges
- \$1,500,000 (*Cartes d'exploitant artisanal*) for DGRAD.
- \$82,500 (*Cartes de négociants 'Catégorie A'*) for DGRAD.
- Revenues from the registration of *comptoirs* and *négociants 'Catégorie B'*. These were not calculated as it is impossible to know the number of the Category B traders. It is also extremely hard to estimate the number of *comptoirs* in case a large proportion of the trade would be formalised.
- \$113,330 (1.5% tax on bank charges on *comptoirs'* dollar imports).

All together, the DRC could earn at least more than \$25,045,490 per year from Orientale's gold sector, in case the entire chain would be formalised and all gold would be exported legally. This is enormous amount compared to the \$45,016 that the Kisangani Mining Division contributed to the Public Treasury last year (see above). In order to contextualise the potential revenues, it is interesting to note that the value of Orientale's gold export, being \$723,690,000, represents almost 10% of the Congolese total export value for 2010, which was \$7.5 billion.<sup>278</sup>

### 5.3. Industrial mining

Taxes discussed above concern artisanal gold production. Different taxes apply to industrial gold mining. The tax regime has been elaborated under chapter IX of the *Code Minier* and was supplemented by a list of 46 fees and expenses in an inter-ministerial decree of August 2007. The World Bank advised the DRC to simplify the tax regime, but stated that it is "internationally competitive and reflects current best practice".<sup>279</sup>

The Mining Code stipulates that 40 percent of commercial royalties paid by mining companies to the Public Treasury must be reimbursed to the town and the provincial administration where the taxed activity takes place. These revenues could be earmarked for development of the regions.<sup>280</sup> However, industrial exploitation currently is nearly inexistent and as almost all industrial mining projects are still in the exploration phase, companies involved do not pay royalties or direct taxes to the Congolese

<sup>273</sup> Radio Okapi, Banro relance la production industrielle d'or en RDC, 9 November 2011.

<sup>274</sup> In 2011, the gold price fluctuated between \$42.39 and \$60.76 per gram. In the first half of the year, the price never exceeded the average of \$51.6, while the price in the second year half until the time of writing has not been less than this average.

<sup>275</sup> This average is based on the purities of the official gold exports that were carried out from Butembo and Bunia between January and October 2011. (Source: CEEC gold export certificates, 2011.)

<sup>276</sup> We estimated 30 *dragues* for the entire province who produced an average 450 grams of gold per month. (See Section 4.1.2.)

<sup>277</sup> The purchase price was only specified on the CEEC gold export certificates for the two official Butembo exports in 2011. These purchase prices were 84% and 85% of the value of the export. The author also consulted purchase prices of OKIMO's 2009 and 2010 exports. The average percentage of purchase to export prices is 87%. This figure is the basis for our calculation.

<sup>278</sup> US State Department, Background Note: Democratic Republic of the Congo, last update 30 September 2011, <http://www.state.gov/r/pa/ei/bgn/2823.htm>

<sup>279</sup> The World Bank, *Democratic Republic of Congo: Growth with governance in the mining sector*, May 2008, pp. 19-20.

<sup>280</sup> CAFOD (January 2010), op. cit., p. 19.

state. They are however required to pay a monthly 'amodiation' (lease) fee to the government in return for access to the areas that they are exploring, unless maybe other agreements have been concluded during the national contract review.<sup>281</sup>

It is very difficult to assess the Congolese gold sector's industrial potential, as it is nearly impossible to make an accurate assessment of the country's gold reserves. In the past, there was very little investment in exploration, and modern prospecting techniques were not applied.<sup>282</sup> Subsequently, industrial exploitation did not take off. In recent years, however, there have been some thorough explorations by international companies. These explorations support the general view that Congolese gold reserves have enormous potential and represent the world's largest untapped gold deposits.<sup>283</sup>

Reportedly, OKIMO's old concessions in Orientale Province hold about 20 million ounces, or 567 tonnes of gold.<sup>284</sup> The companies Loncor and Kilo Gold expect to find over 2 million ounces (or 57 tonnes) of gold, while Mineral Invest is also estimated to sit on 2 million ounces.<sup>285</sup> Early indications from AGK's exploration in Mongbwalu suggest there could be around 2.93 million ounces (or 83,5 tonnes) of gold.<sup>286</sup> Since 2005, AGK has been conducting exploration and feasibility studies around Mongbwalu. The initial resource area is centred on the Adidi and Socumoto sectors.<sup>287</sup> Randgold Resources, one of the partners of the Kibali Gold project in Watsa territory, which is a joint venture with AngloGold Ashanti and SOKIMO, estimates the reserves of the project at 13.5 million ounces, or roughly 383.7 tonnes of gold.<sup>288</sup>

While Orientale Province still waits for industrial exploitation to take off, Banro Corporation in October 2011 started production at its open pit gold mine in Twangiza, South Kivu. On the basis of the reserves that Banro has defined so far, the company plans to produce about 120,000 ounces (3.4 tonnes) of gold per year over the next seven to eight years.<sup>289</sup>

While it is clear that industrial mining holds great potential for development, artisanal miners' clandestine occupation of industrial mining sites causes conflicts and deters foreign investors. Both types of exploitation however are complementary and can co-exist. Industrial mining is required for large, profound deposits, which call for significant investments. Artisanal mining is opportune in case of reasonably accessible deposits that are too dispersed to justify the investments of mechanical recovery.<sup>290</sup> Also, it can absorb a large amount of less qualified workers.

According to Congolese law, artisanal mining can only occur in specially designated zones, which, in theory, cover mineral deposits unsuitable for industrial or semi-industrial exploitation. In reality, however, artisanal mining on industrial concessions is a widespread practice and often a cause of conflict.

The Mongbwalu area, for example, hosted artisanal miners since decades. The mining site's rich subsoil, however, also attracted international mining companies. In 2003, AngloGold signed a joint venture agreement with OKIMO for the exploitation of the old Concession 40, which includes Mongbwalu. As a consequence, the Adidi mine, where a lot of *orpailleurs* were active, was closed down. The closure of the mine created suspicion among local mining communities. While the Governor closed it officially for safety reasons, it appeared AGK had requested the closure.<sup>291</sup>

Another example concerns Kibali Gold, a joint venture between Randgold Resources, AngloGold Ashanti and SOKIMO. It banned artisanal miners from its future mining site in Durba in 2010. More than 7500 *creuseurs* were digging for gold in Durba. The expulsion of artisanal miners had a considerable impact on local security dynamics. A confrontation between protesting miners and Kibali's security forces late 2010

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<sup>281</sup> Ibid

<sup>282</sup> Berke C., Pulkowski J., Martin N., Vasters J. and Wagner M. (April 2007), op. cit., p. 24.

<sup>283</sup> Pact (June 2010), op. cit., p. 19.

<sup>284</sup> Berke C., Pulkowski J., Martin N., Vasters J. and Wagner M. (April 2007), op. cit., p. 34.

<sup>285</sup> Confidential interviews by one of the authors with representatives of mining companies, October 2011.

<sup>286</sup> CAFOD (January 2010), op. cit., p. 10.

<sup>287</sup> Fahey D. (2007-2008), op. cit., p. 378.

<sup>288</sup> Randgold Resources, *Annual resource and reserve declaration*, last update on 31 December 2010, <http://www.randgoldresources.com/randgold/content/en/2009/Reserves-and-Resources>.

<sup>289</sup> Banro Corporation, *Twangiza Project*, consulted on 25 November 2011, <http://www.banro.com/s/Twangiza.asp?ReportID=307249>

<sup>290</sup> Pact (June 2010), op. cit., pp. 22-23.

<sup>291</sup> Fahey D. (2007-2008), op. cit., p. 378.

resulted in the death of two artisanal miners, one child, and a police agent.<sup>292</sup> Kibali has already relocated one village, and 13 more will follow. In total 15,000 people will be moved.<sup>293</sup>

In order to address these tensions between artisanal mining communities and industrial mining projects, Corporate Social Responsibility (CSR) programs are essential. There is however less agreement on the content of such programs than on the recognition of the need of them. Current mining enterprises' CSR policies are generally judged unsatisfactory by the local communities, who still remember policies of colonial companies. These may have been paternalistic, but did result in tangible benefits such as houses, schools, hospitals, and formal jobs.<sup>294</sup>

Article 69 of the DRC Mining Code requires local authorities and community representatives to be consulted about mining projects, but companies are not obliged to obtain community consent.<sup>295</sup> In practice however, it is necessary to seek consent from local communities that neighbour industrial projects, in order to prevent or mitigate harmful effects. Communication with local communities affected by the project, will also help to diminish local communities' distrust of industrial mining projects. Local people who live near the AGK project in Mongbwalu, for example, complained that AGK failed to do this in the past. Furthermore, the 'Forums' it organised to consult the population were unsatisfactory.<sup>296</sup>

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<sup>292</sup> Radio Okapi, Tensions à Watsa: 1 mort et 3 blessés dans un accrochage entre policiers et manifestants, 24 May 2010.

<sup>293</sup> Mining Weekly, Randgold starts relocations to make way for new Kibali gold mine, 30 June 2011

<sup>294</sup> Fahey D. (2007-2008), *op. cit.*, p. 380; CAFOD (January 2010), *op. cit.*, p. 22.

<sup>295</sup> CAFOD (January 2010), *op. cit.*, p. 12.

<sup>296</sup> *Ibid*



Artisanal gold mining on the Ituri river, Camp Masiki, Mambasa territory (Photo: IPIS/OCEAN, 2010)

## **6. The implications of the findings for the International Conference on the Great Lakes Region's Regional Initiative against the illegal exploitation of Natural Resources**

In December 2010, the Heads of State of the member countries of the International Conference of the Great Lakes Region (ICGLR) adopted the Six Tools that form the Regional Initiative against the Illegal Exploitation of Natural Resources (RINR), with a view to combat the illegal exploitation of selected natural resources, namely tin, tungsten, tantalum and gold. The Six Tools, designed by the ICCGLR with assistance from the GIZ, are: (1) *Regional Certification Mechanism*, (2) *Harmonisation of National Legislation*, (3) *Regional Database on Mineral Flows*, (4) *Formalisation of the Artisanal Mining Sector*, (5) *Promotion of the Extractive Industry Transparency Initiative (EITI)* and (6) *the Whistle Blowing Mechanism*.

In the Lusaka Declaration of December 2010, the heads of state of the ICGLR countries reaffirmed their commitments to put in place a Regional Certification Mechanism (RCM) (Tool one). During the fifth meeting of the ICGLR Steering Committee held in Bujumbura from 7 to 9 November 2011, the ICGLR certification manual was adopted.

While the progress achieved regarding the RCM is positive and should be encouraged, two objections remain. A full certification scheme is costly in terms of both time and money. From a financial perspective, it threatens to be unsustainable for the local government once donor money dries up. Secondly, the ICGLR should continue to implement the other five tools of the RINR. Without the implementation of the other tools, the RCM will have little chance of succeeding. Tool three, for example, is inevitably linked to

the RCM. Without a regional database, imbalances in production and sales, or purchases and exports, could pass by unnoted.

Furthermore, certification alone will not stimulate local actors to operate fully within the legal/official sphere. There are several motives to act within the informal gold sector that should be addressed. The study clearly shows that differences in fiscal gold export regimes constitute an incentive for smuggling, because of the higher price that traders receive in the DRC's neighbouring countries.<sup>297</sup> Lowering the level of DRC export taxes does not seem to be an effective solution, as it will probably cause a race to the bottom. A concerted approach seems to be more desirable, which highlights the importance of the second tool, being harmonisation of national legislation

While awaiting the full implementation of the ICGLR certification manual, the fourth tool, the formalisation of the artisanal mining sector should receive the highest priority. The aim of formalising the artisanal mining sector is to canalize the flow of gold into the official circuit, allowing the DRC state to collect the significant revenues it is due and to diminish the opportunities for extortion committed by state (security) agencies and armed groups.

In order to successfully formalise the artisanal mining sector, the pressing need to enforce the capacity of local state agencies will need to be addressed. Agencies such as the CEEC, SAESSCAM and the Mining Division have to supervise the artisanal mining sector in a vast area with an insufficient number of personnel, hardly any vehicles and hardly any technical training. A stronger presence of the appropriate state agencies at mining sites and along the trading chain is essential for a formalised mining sector.

Furthermore, the reinforcement of these local government agencies is an important prerequisite for the RCM. Certification and chain of custody tracking in the DRC will not work as long as the country's local government agencies, which have to implement the system, lack credibility. Given their current limited capacity, Congolese state agencies are unable to implement an effective certification mechanism on a large scale.

The study shows that the vast majority of the DRC's gold is exported illegally, and estimates how many tax revenues the DRC government loses from this every year, revenues that the Congolese government direly needs. Another important potential source of revenues is the industrial gold sector. Tool five, promotion of EITI, addresses this type of mining. It is clear that industrial gold exploitation has an important development potential for the DRC and that creation of an *enabling environment* is needed.

When developing and implementing a RCM, it is imperative to be aware of the importance of the artisanal mining sector for the livelihoods and coping strategies of the Congolese population. Previous initiatives that were developed to fight the conflict minerals phenomenon, have produced an adverse impact on local populations and their livelihoods as they resulted in the current disruption of the minerals trade in the Kivus and Maniema. These unintended side effects should be taken into account, as they can seriously impact local communities.

To conclude, it should be stressed that the RINR must be considered as complementary with other initiatives that aim to formalise the trading chain (i.e. the OECD Due Diligence Guidance and the OECD Supplement on Gold). These initiatives address the developed countries' desire to have a verifiable trading chain from mines to market, but they do not always factor in the livelihoods element of the populations that depend on the gold trade.

### **Recommendations to the DRC's national coordinating mechanism:**

#### **Increase efforts to stimulate actors involved in the gold sector to start operating in the formal sphere (Tool 4).**

State agencies overseeing the mining sector, such as SAESSCAM, CEEC, and the local government services within the Ministry of Mines should urgently be reinforced, in order to enable them to adequately perform their tasks.

A larger number of ZEAs or artisanal mining zones, where artisanal miners can work legally, should be created. These ZEAs should be installed in less remote areas where artisanal mining is viable.

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<sup>297</sup> See Section 2.2.2., fifth paragraph.

**Create a gold task force** within the Ministry of Mines. Its tasks would consist in coordinating activities with key gold centres (Butembo, Bunia, ...) and steering political, operational and strategic interventions with the aim of rationalising the gold sector and monitoring progress.

Two main actors within the Ministry of Mines are critical to strengthening the gold sector, CEEC and SAESSCAM. They are essential because they have the geographical coverage and the expertise to decisively act in rationalising the gold sector.

**Involvement of the CEEC as a market maker**, buying and selling gold. This recommendation is underpinned by the mandate of the CEEC, which clearly states that the organisation has within its authority "the possibility to buy and sell precious metals and semi precious metals in order to guarantee its price value ratio". The rationale behind this recommendation is that elsewhere in the world governments (through their central banks) buy a substantial amount of gold and then sell a portion of it for a profit.

In our view this recommendation is the one that potentially can create a new dynamic in the DRC's artisanal mining sector. The DRC government can increase its revenues if it buys gold from artisanal miners at fair market prices, then reselling it to the international market or at gold auctions for a substantial profit. It does however require a considerable capital.

The deployment at key gold trade centres, through CEEC, of **gold assaying material** in order to ascertain the true purity of gold and accelerate the administrative process of export authorisation.

#### **Recommendations to the ICGLR:**

The ICGLR should **facilitate bilateral discussions between countries** most affected by the illegal trade of gold. The ICGLR is ideally poised to undertake those facilitations. They can take place at various levels, starting from the provincial level i.e. between governors of bordering provinces such as Province Orientale in the DRC and the Western administrative region in Uganda. Harmonisation of national legislation and tax levels (Tool 2), are issues that should be considered.

**Deliberate and initiate a regional gold policy.** As an organisation composed of regional actors, the ICGLR is well suited to anticipate the unintended consequences of policies drafted without regard to the beneficiaries and to guard the livelihoods element of the local populations.

Certification has an inevitable need for **up-to-date information**. An exercise like this study provides the information necessary to assess whether artisanal mining and gold trade at certain sites and routes occur in decent conditions and free from militarisation and human rights violations. A regional body, like the ICGLR, is the right entity to steer towards on-the-ground information, it should commission regular field missions to chart which mining sites are occupied by armed groups, which areas currently seem to produce well, ....



Manufacture of explosives for extracting bedrock gold at Central, Mambasa territory (Photo: IPIS/OCEAN, 2010)

## 7. Conclusion

The illegal exploitation and trade of the DRC's natural resources is associated with numerous negative phenomena, such as violent conflict, human rights violations and tax evasion. Recognising this problem, the ICGLR, with assistance from GIZ, developed the Regional Initiative against the Illegal Exploitation of Natural Resources (RINR) and its six tools, focussing on four selected minerals (tin, tantalum, tungsten and gold). To date, however, insufficient data on gold production and trade is available. In order to tackle this information gap, the present study provides a detailed and exhaustive analysis of Orientale Province's gold sector.

Orientale's gold sector is characterised by its informal and opaque nature. The organisation of production and trade is however quite structured. More than 150,000 artisanal miners dig up the gold with rudimentary tools and supply the traders who commute between production sites and trading towns. Within the large trading towns near the border, trading houses purchase the gold originating from all over the province. Subsequently, they export it, for the most part fraudulently, to the international market through the DRC's neighbouring countries, especially Uganda.

A characteristic feature of the Congolese informal gold chain is the fraudulent involvement of state officials, army units and armed groups. They are known to make considerable profits from the gold trade, often through illegal taxation in and around the mines, and along the routes to the trading centres. These criminal networks are an important obstacle to the formalisation of the Congolese mining sector.

Considering the DRC's largely untapped gold reserves, there is an enormous potential for industrial gold mining. However, a lot remains to be done to stimulate industrial miners to start up exploitation, and

to ensure that their activities contribute to the development of the country. Additionally, considerable efforts are required to enable the coexistence of industrial and artisanal mining.

On the basis of the information gathered during this study, it is estimated that Orientale Province produces at least 16.5 tonnes of gold per year. This is in sharp contrast with the Province's official 2010 gold export figure of 130 kg. The annual production of 16.5 tonnes would earn the Congolese governments, national and provincial, more than \$25 million per year in tax revenues, if the entire gold chain could be formalised.

These figures only concern Orientale's production and trade. The DRC as a whole might produce several times this amount. North Kivu officially exported 11.4 kg of gold from March until August 2011 and South Kivu 8.6 kg between March and June. In 2009, Maniema officially produced 17 kg of gold. However, the situation in these provinces is entirely different, which makes accurate or reliable extrapolation nearly impossible. The province of Maniema, for example, does not have a single gold *comptoir*, which reduces the accuracy of official gold statistics even more. South Kivu's gold sector is considerably affected by rebel activity. FDLR and other armed groups may earn several million dollars from the trade each year.<sup>298</sup> Extrapolation is further hampered by the effects of the presidential ban on mining in the Kivu provinces and Maniema, from September 2010 to March 2011. Consequently, further research is necessary to establish an informed overview of the other provinces' gold sector and to be able to make reliable estimates for their annual production and trade.

The results of the study clearly demonstrate the importance of initiatives to address illegal exploitation and trade of natural resources, especially gold. The RINR contains some valuable tools to address critical issues along the gold chain. Certification of the gold trade is an essential instrument to tackle several problems linked to the Congolese gold sector. However, the narrow focus on certification should be reassessed. Certification should be considered one of the six tools that are all equally important and interdependent. Formalisation, for example, constitutes a crucial element to effectively address the gold sector's opacity. Previous initiatives failed to acknowledge this and had therefore only a limited impact on the gold sector.

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<sup>298</sup> More information on the FDLR profiteering from South Kivu's gold can be found in: Spittaels S. and Hilgert F. (August 2009), op. cit.; various reports of the UN Group of Experts on the DRC; Observatoire Gouvernance et Paix (OGP), *L'économie des groupes armés au Sud-Kivu, R.D. Congo*, February 2010.



Young shopkeeper/gold trader in Mambasa town, bartering consumer goods for gold (Photo: IPIS/OCEAN,2010)

## 8. Annexes

### 8.1. Abbreviations

- 3Ts Tin, tantalum and tungsten
- ACD Abner Congo Diamant
- AFM Administrateur de Foyer Minier
- AGK Ashanti Goldfields Kilo
- CEEC Centre d'Evaluation, d'Expertise et de Certification
- COPED Congo Performance Développement
- CTCPM Cellule Technique de Coordination et de Planification Minière
- DGDA Direction Générale des Douanes et Accises
- DGRAD Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participation
- CSR Corporate Social Responsibility
- DKCS David Kim Cho Soo
- DRC Democratic Republic of the Congo

- DRPO Direction des Recettes de Province Orientale
- FARDC Forces armées de la République démocratique du Congo
- FDLR Forces Democratiques de Liberation du Rwanda
- FEC Fédération des Entreprises du Congo
- FPPM Fonds de Promotion des Petites Mines
- FRPI Forces de Résistance Patriotique de l'Ituri
- ICCN Institut Congolais pour la Conservation de la Nature
- ICGLR International Conference on the Great Lakes Region
- OCC Office Congolais de Contrôle
- OECD Organisation for Economic Co-operation and Development
- OKIMO Office des Mines d'Or de Kilo Moto
- PDG Président-Directeur Général
- PNC Police nationale congolaise
- RCM Regional Certification Mechanism
- RINR Regional Initiative against the Illegal Exploitation of Natural Resources
- SAESSCAM Service d'Assistance et d'Encadrement d'Artisanal et Small Scale Mining
- SEC US Securities and Exchange Commission
- SOEs State Owned Enterprises
- SOKIMO Société Minière de Kilo-Moto
- ZEA Zone d'Exploitation Artisanale

## 8.2. Tables

**Table 1: Official gold export statistics for Orientale Province\*, 2009-2010 (grams)**

Town	2009	2010	2011 (until September)
Kisangani	0	13,495.77	49,050.16
Bunia	83,805.02	114,965.00	50,294.00
Butembo	3,056.00	2,582.00	9,182.16

\* Remark: Part of the gold that is exported through Butembo originates from North Kivu, so adding up the figures does not give an exact export figure for Orientale Province.

Sources: CEEC Kisangani, OCC Butembo, Division des Mines Butembo, CEEC Butembo.

**Table 2: Official gold purchase and export figures per gold comptoir, 2009-2011 (grams)**

Comptoir	Town of registry.	2009	2010	2011 (until September)
Jan Mangal	Kisangani (since September 2010, before in Butembo)	/	6,222.49 <sup>b,c</sup>	?
CUT Congo Mining	Kisangani	/	2,296.06 <sup>a</sup>	/
ACD	Kisangani	/	/	5,353.91 <sup>h</sup>
DIVAS	Kisangani	/	9,888.17 <sup>a,b</sup>	/
GAMA	Kisangani	/	6,361.10 <sup>b</sup>	/
COPED	Bunia	60,643.02 <sup>e</sup>	9,267.38 <sup>b</sup>	12,096 <sup>e</sup>
OKIMO	Bunia	23,162.00 <sup>e</sup>	105,486.00 <sup>f</sup>	28,872 <sup>f,e</sup>
KARMALI	Bunia (since July 2011, before in Kisangani)	/	/	11,273.78 <sup>e,h</sup>
Glory Minerals	Butembo	/	0	9,182.16 <sup>g</sup>
Galaxy Kavatsi	Butembo	/	0	0
Ar Golden	Butembo	/	/	0
Northern Goldline	Butembo	3,056 <sup>d</sup>	0	/

Remark: Kisangani export figures per *comptoir* for 2011 were not yet available at the time the research was carried out, apart from June. Figures did show however that the Kisangani *comptoirs*, ACD, Jan Mangal and KARMALI, exported altogether 49,050.16 grams from January until September 2011.

Sources:

a: Province Orientale. Division Provinciale des Mines, *Rapport Annuel 2010*.

b: CEEC Kisangani, Export figures 2009-2011.

c: Bureau Minier Isolé de District de l'Ituri, *Rapport Annuel 2010*.

d: CEEC Butembo, Monthly purchases 2009

e: CEEC Bunia, Export statistics 2009-2011

f: OKIMO, Exports figures 2009-2011

g: OCC, Export statistics 2011

h: SAESSCAM, Antenne de Kisangani, Monthly report June 2011

**Table 3: Estimates of trade and export of Orientale Province's gold**

Trading towns	Sources from most to least important (Territories and towns)	Estimated number of gold traders in town	Volume of Trade (Tons)	Destination from most to least important	Volume of Export (Tons)
Bunia	Djugu, Irumu, Mambasa and Bafwasende	50 to 60	9 to 10	Kampala and Butembo	8
Butembo	Kisangani, Mambasa, Bunia, Isiro, Bafwasende, Irumu and Watsa (and North Kivu)	50	6 (between 2 and 8)	Kampala	6
Ariwara	Watsa, Mahagi, Dungu, Isiro	48	4	Kampala, and to a lesser extent South Sudan	4
Kisangani	Bondo, Bafwasende, Banalia and Buta	unknown	2.6	Mainly Butembo and to smaller extent Bunia.	/
Isiro	Wamba, Mambasa and Watsa	12	0.7	Butembo, and sometimes Kampala and Ariwara	/

Remark: These figures are rough estimates, which should be handled with care. Within the text it is specified how each figure has been calculated.

**Table 4: Official artisanal gold production figures in Orientale Province, 2010**

District	Territory	Volume (grams)	Value (\$)
Tshopo	Bafwasende	6,277.10	223,524.00
	Banalia	10,056.00	348,316.00
	Ubundu	548.00	15,440.00
<b>Subtotal</b>		<b>16,881.10</b>	<b>587,280.00</b>
Haut-Uele	Wamba	61,423.14	2,203,823.38
	Rungu	260.00	8,567.50
	Niangara	470.00	15,505.00
	Dungu	1,464.20	50,553.40
	Faradje	16,337.00	549,024.50
	Watsa	17,381.30	577,836.70
<b>Subtotal</b>		<b>97,335.64</b>	<b>3,225,310.48</b>
Ituri	Mambasa	12,616.00	494,050.00
	Irumu	280.00	11,460.00
<b>Subtotal</b>		<b>12,896.00</b>	<b>505,510.00</b>
Bas-Uele	Bondo	43,811.00	1,470,560.00
<b>Subtotal</b>		<b>43,811.00</b>	<b>1,470,560.00</b>
<b>Total</b>		<b>170,923.74</b>	<b>5,788,660.48</b>

Remark: The inaccessibility of the OKIMO concessions for the agents of the mining administration, caused that the statistics of three Ituri territories (Mahagi, Aru and Djugu) are not included in the table.

Source: Province Orientale. Division Provinciale des Mines, *Statistiques de production artisanale des substances minérales précieuses déclarées par les exploitants miniers jusqu'à décembre 2010*.

**Table 5: Estimated number of artisanal gold miners and gold production per territory in Orientale Province**

District	Territory	Number of artisanal gold miners	Gold production (kg)
Ituri	Djugu	100,000	7,000 to 8,000
	Mambasa	10,000	850
	Irumu	6,000	X
	Mahagi	4,000	500
	Aru	3,000	X
Haut Uele	Watsa	20,000	2,000 to 3,400
	Wamba	10,000	700
	Dungu	X	X
	Faradje	3,000	X
Bas-Uele	Bondo	17,500	1,500
	Buta	1,900	200
	Poko	X	X
	Bambesa	X	X
Tshopo	Bafwasende	11,000	1,000
	Banalia	4,500	X

Remark: These figures are rough estimates, which should be handled with care. Within the text it is specified how each figure has been calculated. Each figure could be considerably higher or lower.

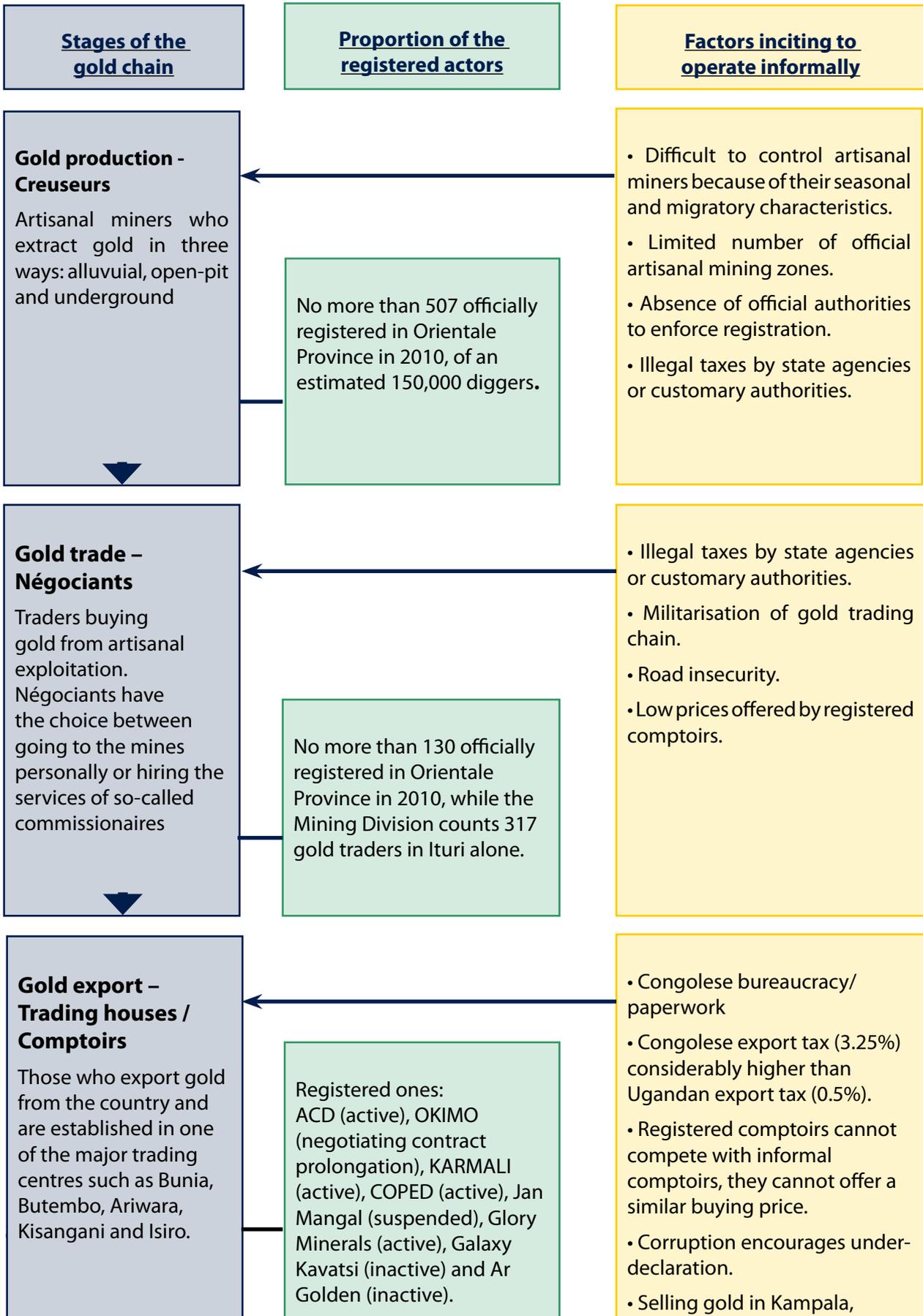
The study did not develop estimates of levels of production or numbers of miners for the cells that have been marked with an 'X'. For these territories, there was a lack of reliable information that would permit sound calculations and estimates. For some territories, only an estimate for the number of miners was feasible, this enables the reader to get an idea of the importance of the artisanal gold mining sector in that territory.

**Table 6: Production of gold and diamonds, and estimated numbers of artisanal miners per SAESSCAM bureaux in Bafwasende territory, April-May 2011**

Bureaux	Gold (grams)	Diamonds (carats)	Number of creuseurs
Bafwasende periphery	914.80	4,135.81	2,453
Avakubi	10,772.90	1,553.20	1,552
Batama	/	4,991.52	1,784
Bafwakage	/	3,900.41	933
Bavadili	8,709.50	165.58	3,505
Bavasiba	6,426.88	3,047.42	3,945
N'Kondolole	/	6,467.25	1,963
Opienge	17,215.60	660.69	2,951
<b>Total</b>	<b>44,039.68</b>	<b>24,921.88</b>	<b>19,076</b>

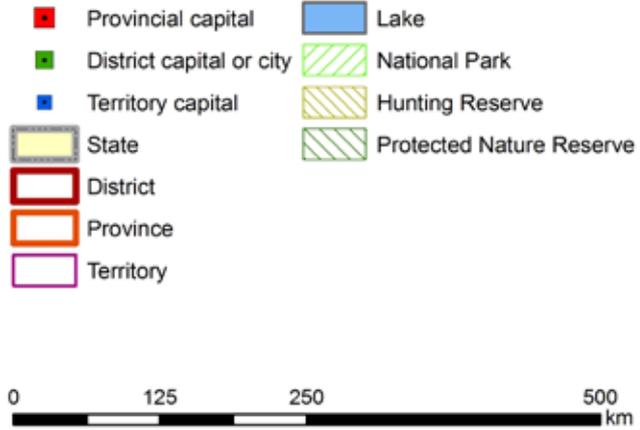
Source: SAESSCAM, Antenne de Kisangani, Monthly report, May 2011

### 8.3. Visual Schema: Incentives to informal activity in the course of the gold chain



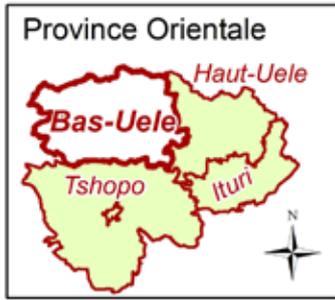
## 8.4. Maps of Orientale Province

### Province Orientale

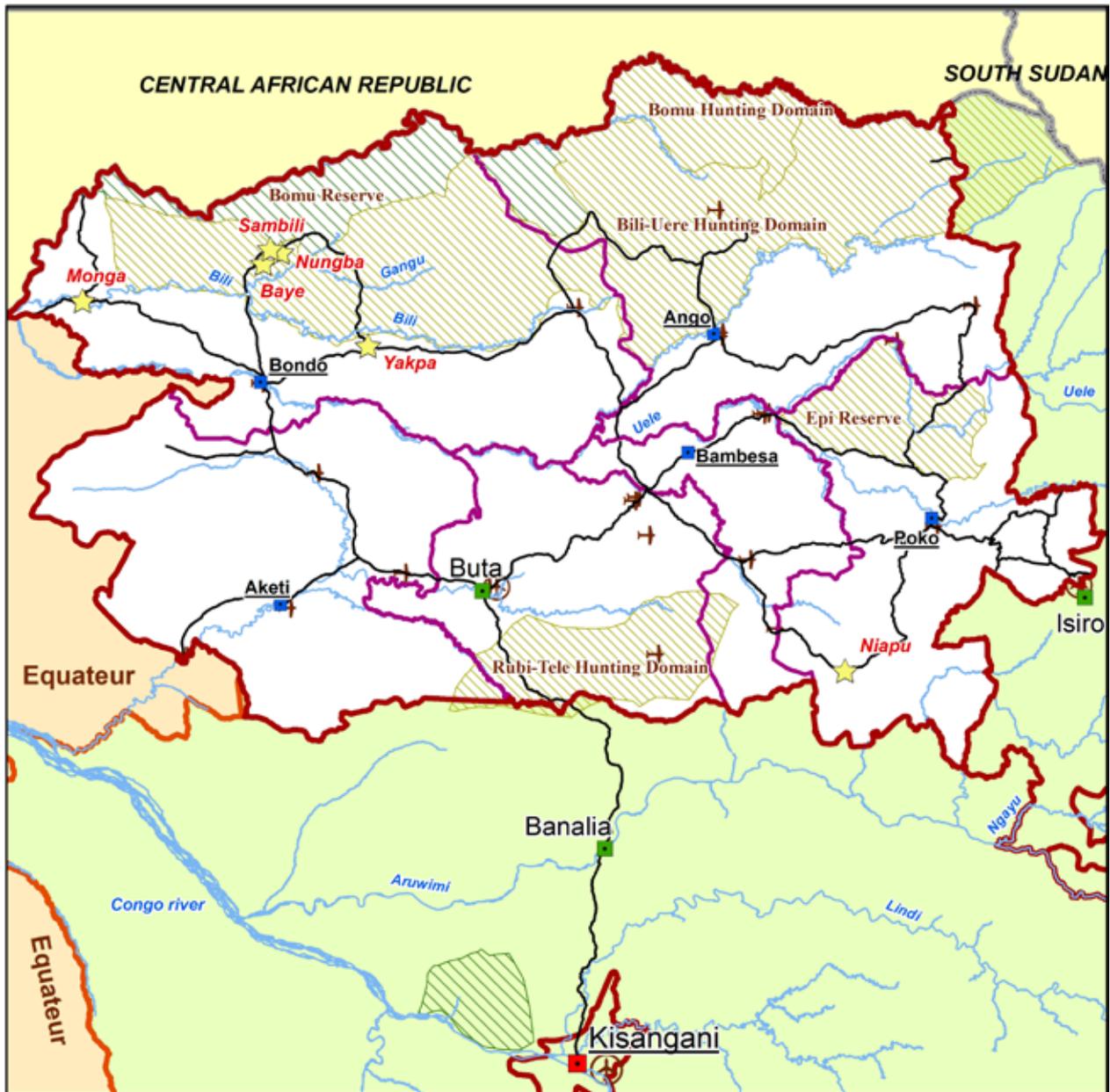


IPIS 2011

# Bas-Uele



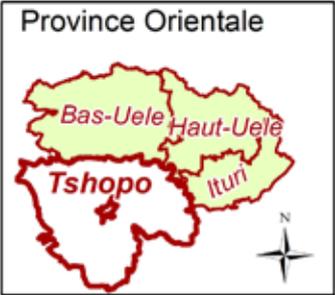
- ★ Gold mining area
- Provincial capital
- District capital or city
- Territory capital
- ✈ International Airport
- ✈ First Class National Airport
- ✈ Airstrip
- Road (track)
- River
- State
- Province
- District
- Territory
- ▨ Hunting Reserve
- ▨ Protected Nature Reserve



IPIS 2011



# Tshopo



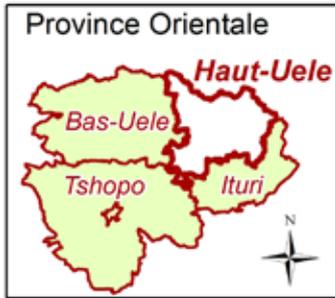
- ★ Gold mining area
- Provincial capital
- District capital or city
- Territory capital
- ✈ International Airport
- ✈ Airstrip
- Asphalt road
- Track
- Lane
- River
- ▭ Province
- ▭ District
- ▭ Territory
- ▨ National Park
- ▨ Hunting Reserve
- ▨ Protected Nature Reserve



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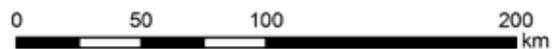
# Haut-Uele



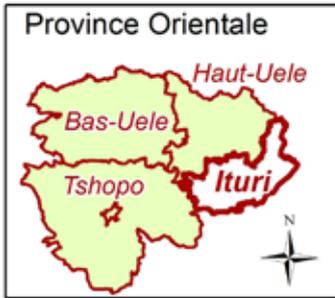
- |                     |                            |                            |
|---------------------|----------------------------|----------------------------|
| ★ Gold mining area  | ■ District capital or city | ■ Lake                     |
| ■ Territory capital | ○ Town                     | ■ State                    |
| ✈ Airstrip          | ✈ Lane                     | ■ Province                 |
| — Track             | — River                    | ■ District                 |
|                     |                            | ■ Territory                |
|                     |                            | ■ National Park            |
|                     |                            | ■ Hunting Reserve          |
|                     |                            | ■ Protected Nature Reserve |



IPIS 2011



# Ituri



- ★ Gold mining area
- District capital or city
- Territory capital
- Town or village
- ✈ First Class National Airport
- ✈ Airstrip
- Track
- Lane
- River
- Lake
- State
- Province
- District
- Territory
- National Park
- Hunting Reserve
- Protected Nature Reserve

