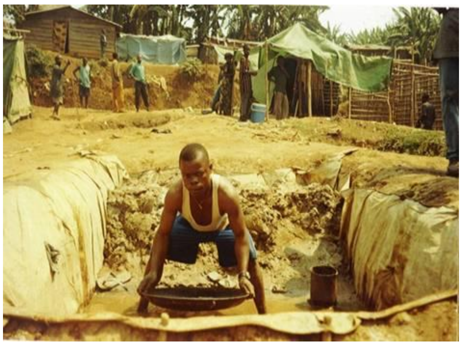
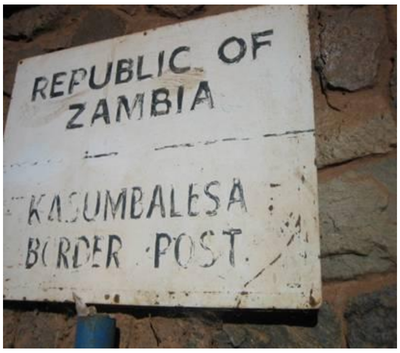
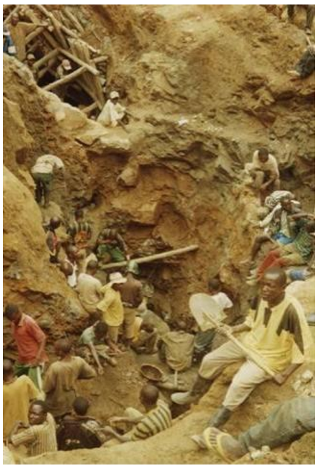
NATURAL RESOURCES AND TRADE FLOWS IN THE GREAT LAKES REGION

Phase 1 Report







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EXECUTIVE SUMMARY

The following report highlights the major findings of INICA's six month survey on natural resource exploitation and trade in the Great Lakes region. The study was carried out in the context of UK Department for International Development research and analysis on Natural Resources and Trade Flows in the Great Lakes Region with a view to building security and reducing poverty within the region. Part II of the report presents major policy objectives and deliverables for Phase II of the project. The aim of the study was to: (1) Review, analyze and quantify trade at four main border areas; (2) Analyze the mechanisms of exploitation in the hinterland of the border areas for cassiterite, coltan, gold, copper and cobalt and (3) Review regional transport and transit corridors and issues in the main transit countries (Burundi, Rwanda, Uganda and Zambia).

The study's main focus was the Democratic Republic of Congo's key natural resource exporting provinces, the Kivus and Katanga, and the regional and international trade corridors through which these resources are exported. In North and South Kivu the predominant configuration is the triad cassiterite-coltan-gold. In the Katanga, however, natural resource exploitation is dominated by the coupling of cobalt and copper. The Kivus are characterized by traditional ownership rights while in Katanga mineral ownership is dominated by large public and private companies. Transportation of natural resources in the Kivu combines road (porters and trucks) with air. Insecurity and the poor state of roads make air the most common type of transport. Katanga has a good road network which runs in parallel with the railroad track. Therefore, transportation costs are relatively low compared to the Kivus. Nevertheless, transport costs in the DRC are some of the highest in the world.

The many years of economic decline and conflict have led to a sharp decline in accumulated assets of households (tools, agricultural inputs, housing, livestock etc). The response seems to have been largely the same in all three areas: (1) a shift into activities that require very few assets and are risk adverse in terms of infrastructure (artisanal mining, forestry, petty commerce) and (2) a shift out of more complex activities requiring assets and infrastructure (agriculture/livestock). At USD 167 per month, the average income for a miner amounts to about three times that of a professional or civil servant in DRC. However, in view of the high costs of living near mining sites and the high physical risks involved in the activity it is not clear that this income is sufficient to permanently increase living standards for the miner and his household.

The DRC's New Mining code has had little impact on improving the livelihoods of artisanal miners. It is generally not accepted by traditional leaders (i.e. chefs de collines) and few are fully aware of their rights and obligations under the code. Provisions are often not adapted to artisanal mining. For example, in order to obtain a mining card, without which they cannot legally work, miners must pass a written test. Consequently, very few artisanal miners have the card. Thus providing opportunities for racketeering as those who have cards use them to assert their authority in the mine. Clauses for the protection of artisanal miners are not enforced by the government, as industrial mining contracts are much more lucrative.

In areas where industrial mining is practiced (Katanga), the degree of ethnic specialization tends to be smaller than where artisanal miners operate under customary rights (the Kivus). However, as the economic and security risks of engaging in natural resource exploitation and trade decline and barriers to entry are reduced, ethnic specialization is likely to diminish and new actors will emerge. A young generation of traders is also emerging that is more open to relationships outside of ethnic affinities and actively seeking regional/international business partners as a means of expanding their operations. Incentives for business relationships with foreigners are: (1) the absence a functioning banking sector means that traders cannot really function without a foreign link; (2) there is a lack of business information in country so co-operation with foreign business people gives traders access to information on international prices, potential clients, conditions, forecasts, etc.

Natural resources have provided a motivation and the means for perpetuating conflict in the Great Lakes. An institutionalized system for accumulating wealth developed, with the rationale for conflict focusing on accessing natural resources and controlling their production and trade in DRC around 2000. These systems of military commercialism comprised networks of businessmen, government officials and military actors, especially from Rwanda and Uganda, as well as the DRC. Many of the people who operated in Congolese minerals trades at the height of the conflict continue to operate today. The lack of substantial benefits from NR exploitation and trade to the grassroots level is a key risk factor for renewed conflict. Competition over scarce resources and especially land in certain areas of the Great Lakes Region has caused conflict and upheaval for decades. The time bomb is still ticking and new sectors need to be opened by expanding upstream and downstream service sectors to natural resource exploitation without the necessity of direct access to land.

The future potential of transforming natural resources exploitation and trade into revenue generation capable of bringing significant numbers of people out of poverty can only be realized if redistribution mechanisms are improved and producers at the bottom of the value chain receive a better share of the final sales price of their goods. Another important factor is attracting value-adding investments and pooling resources and capacities across the region. For mining activities to contribute more to the Congolese economy the DRC will have to sit down with its neighbours and work out fiscal and sector policies that do not encourage fraud and ideally that would encourage joint investments in minerals processing.

With the restoration of peace and state control over much of the Congolese territory, a priority should be given to negotiating with neighbours on how to cooperate in a way where value added from minerals is shared. This will require inter-governmental negotiations around production and export corridors. Despite recent improvements, particularly around the Northern and Southern corridors, these corridors are currently characterised by: major infrastructure gaps, numerous formal and informal check-points, and a lack of streamlined and automated customs clearance (except Southern Corridor).

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ACRONYMS

AU	African Union
BCC	Banque Centrale du Congo / Congo Central Bank
CBC	Canadian Broadcasting Corporation
CEEC	Centre d'Evaluation, d'Expertise et de Certification / in EN
CEPGL	Economic Community of the Great Lakes Countries
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistics Office, Zambia
DDR	Disarmament, Demobilisation, Reintegration
DRC	Democratic Republic of Congo
EAC	East African Community
EITI	Extractive Industries Transparency Initiative
EMAK	Exploitants Miniers Artisanaux du Katanga / Artisanal Miners' Association of Katanga
ENRA	Ecole Nationale de Recherche Agronomique / National School for Agronomic Research
EU	European Union
FDLR	Front Démocratique pour la Libération du Rwanda / Democratic Front for the Liberation of Rwanda
GECAMINES	General des Carrières et des Mines
GDP	Gross Domestic Product
IMF	International Monetary Fund
INICA	Initiative for Central Africa
NCTTA	Northern Corridor Transport and Transit Authority
NGO	Non-Governmental Organisation
NR	Natural Resources
OCC	Office de Contrôle Congolais/ Congolese Control? Office
OECD	Organisation for Economic Co-operation and Development
OFIDA	Office des Douanes et Accises/ Customs and (indirect) tax office
SADC	Southern Africa Development Community
SAKIMA	Société Aurifère du Kivu et Maniema/ Kivu and Maniema Gold Society
SDI	Spatial Development Initiative
SOMINIKI	Société Minière du Kivu/ Kivu Mining Society
TRC	Tanzanian Railways Corporation
UN	United Nations
UNECA	United Nations Economic Commission for Africa
ZRA	Zambian Revenue Authority

PART I – MAJOR FINDINGS AND WORKING HYPOTHESES

I. TRADE AT KEY BORDER POINTS

A. MAIN CHARACTERISTICS

1. DRC trade volumes

Despite decades of economic decline, the DRC remains a significant player in external and regional trade as an exporter of natural resources, and importer of substantial amounts of food and manufactured products[1]. With an urbanization rate of 35-40 % and a concentration of urban centres near border areas, the DRC is a significant market for basic food and consumer goods. The deterioration of domestic infrastructure (including rural access roads) and security problems during the conflict period has increased the country's dependency on international transport corridors, which are maintained essentially by its neighbours. On the other hand, the DRC is a globally significant producer of minerals and timber given the mammon of natural resources with which it is endowed.

a) *Main official exports and imports*[2]

In 2005, DRC's main official exports (in volume) were:

- Crude oil (1.2 million tons)
- Timber (146,000 tons and 37,800 cubic meters of timber-based products)
- Copper (26,400 tons of metal content)
- Zinc (15,100 tons)
- Palm oil (15,000 tons)

In 2005, DRC's main official exports (in value) were:

- Diamonds (USD 860 million) or 50 percent of total exports, of which 85 percent is produced artisanally
- Crude oil (USD 460 million)
- Cobalt (USD 60 million)
- Copper (USD 58 million)
- Timber (USD 32 million)

These products are exported to offshore markets. Together they account for about 75 percent of total exports.

In 2005, DRC's main official imports (in volume) were:

- Petroleum products (1 million tons)
- Foodstuffs (440,000 tons)
- Chemical/industrial products (83,000 tons)
- Machinery and metals (73,000 tons)
- Vehicles (42,000)
- Textiles/clothing (36,000 tons)

In 2005, DRC's main official imports (in value) were:

- Petroleum products (USD 432 million or 37 percent of recorded imports)
- Foodstuffs (USD 196 million or 17 percent)

[1] See Annex I, Table 1, p3.
[2] See Annex I, Table 16, p17.

- Machinery/metals (USD 187 million or 16 percent)
- Vehicles (USD 99 million or 8.5 percent)
- Chemical/cosmetic products (USD 99 million or 8.5 percent).

Together these five import categories account for 87 percent of recorded imports.

b) *Official trends in DRC's exports and imports 2002-2006*

Table 1: Evolution of DRC's Balance of Trade (Millions USD)

	2002	2003	2004	2005	June 2005	June 2006	Variation June 06/05
Exports	**1131.7**	**1374.1**	**1917.2**	**2069.4**	**986**	**1052.3**	**6.7%**
Gold	18.2	N/A	N/A	N/A	N/A	N/A	N/A
Diamonds	653.3	956.6	1009.1	1157.6	529.6	454.5	**-14.2%**
Gécamines Products	57.8	42.3	112.6	120.8	62.9	94.5	**50.2%**
Other mining corporations	N/A	N/A	356.8	250	131.7	126	**-4.3%**
Crude oil	204.6	250.9	359.8	452.7	219.3	325.1	**48.2%**
Coffee	14.2	12.4	18	8.1	4.2	4	**-4.8%**
Timber	N/A	N/A	29.3	45.4	22.4	18	**-19.6%**
Others	183.6	111.9	31.6	34.8	16	30.2	**88.8%**
Imports	**1080.9**	**1594.3**	**1975.1**	**2161**	**1000.1**	**1323.3**	**32.3%**
Consumer goods	176.4	220.3	312.4	510.2	243.3	285.6	**17.4%**
Raw materials	65.1	71.8	74.4	113.1	56	64.2	**14.6%**
Capital goods	88.6	76.6	98.8	150.1	69.7	85.1	**22.1%**
Energy	168.5	183.2	226.1	431	179.8	279.3	**55.3%**
Others	582.3	1042.4	1263.4	956.6	451.3	609.1	**35.0%**
Balance	**50.8**	**-220.2**	**-57.9**	**-91.6**	**-14.1**	**-271**	**1822.0%**

Source: *Banque Centrale du Congo*

Exports and imports doubled in value between 2002 and 2006 (see Table 1). In terms of exports, this is explained by increasing world prices and production levels for diamonds. For crude oil, the trend reflects increasing world prices (table 4) with production levels remaining constant. Imports of, consumer goods and finished petroleum products have tripled while equipment/machinery imports have doubled.

2. DRC's trade dynamics

The backbone of the trading system in the Great Lakes region is minerals and timber products, owing to the DRC's enormous amount of natural resources, the rising prices of raw materials on international markets and the proximity of certain natural resources to border areas. These minerals and timber products are exported to offshore markets that bring in revenue for the purchase of petroleum, food and basic manufactured goods from international and regional markets.

A decade of conflict and many years of economic decline have led to loss of infrastructure and agricultural extension services, and drops in stocks of agricultural inputs and plantation agriculture due to the pillaging of equipment and assets. This damage to the economy has all but eliminated short to medium term opportunities for Congolese farmers to sell agri-food products and export crops.

Consequently, many of the agri-food products consumed in Congolese border cities are in fact imported from neighbouring countries, most notably food stuffs from Zambia[3]. Despite the agricultural potential in Katanga (especially North Katanga), the DRC imported USD 15 million worth of food products from Zambia in 2005, comprising dried fish, maize, sugar, groundnuts, and tea, in decreasing order of importance (volume).

Like much of Africa, the DRC has benefited from the falling prices of key consumer and manufactured goods, such as vehicles, due to the rising importance of trade links through Dubai and the increasing penetration of cheaper consumer goods from the Far East. As the DRC does not have a developed manufacturing sector it has not suffered from direct competition with these cheap imports and indeed has benefited from falling prices. Cheaper vehicle imports from Asia have significantly affected trade by decreasing both cargo and passenger transport costs, especially in and around secondary cities on the borders with Burundi, Rwanda, Uganda and Zambia. The number of vehicles operating in the area has risen considerably despite security and other risks involved, especially in Eastern DRC.

Most of the DRC's timber and mineral exports are sold with very little value added. These continue to be exported to OECD countries but Asia is quickly becoming an important destination.[4] There is virtually no processing in the DRC of the minerals from the Kivus (cassiterite, coltan and gold). With the upswing in industrial mining investments, a small percentage of Katangan copper and cobalt is processed locally with a larger share processed in Zambia.

The DRC is a very open economy. Even with undervalued official statistics, external trade amounts to about 56 percent of GDP.

3. Unrecorded versus recorded trade

Unrecorded trade (other than tax evasion by fraudulent border crossings) probably accounts for a much larger share of Congolese exports than imports. This is because much of the imports are shipped through ports with bills of lading and so are recorded as transit destined for DRC before reaching Congolese borders. Exports on the other hand, leave the country unrecorded and hence are only picked up in the statistics as exports/imports originating from a neighbouring country. Based on the list of principal exported and imported products for 2005 we estimate the following percentages of undervaluation:

[3] See Annex I, Table 3, p7.
[4] See Annex I, Table 9, p13.

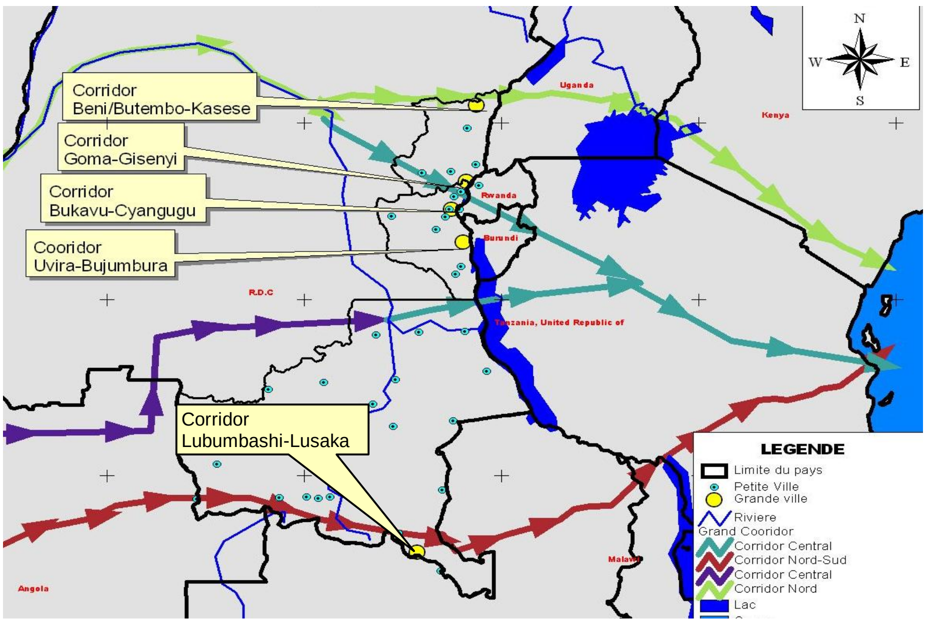
Table 2: Undervaluation of DRC Imports and Exports 2005

Exports	**Official value**	**Estimated % unrecorded**	**Sources**	**Probable Actual Value**
Diamonds	$ 870 million	30%	CBC	$1505 million
Crude oil	$ 460 million	marginal	CBC	--
Cobalt	$ 60 million	marginal	ZRA	--
Copper	$ 58 million	40%	ZRA	$81 million
Timber	$ 32 million	135%	ENRA/CBC	$107 million
Imports				
Petroleum products	$ 432 million	marginal	CBC	--
Foodstuffs	$ 196 million	30%	Cross-border observation	$255 million
Machinery/metals	$ 187 million	10 – 15%	Cross-border observation	$206-215 million
Vehicles	$ 99 million	10 - 15%	Cross-border observation	$109–114 million
Chemical/cosmetics	$ 99 million	40%	Cross-border observation	$139 million

Source: INICA

4. The role of the various corridors in regional exports

The focus of this section is on export goods. However, many of the corridors below generate activities also linked to imports (transport, wholesale, processing, retail, foreign exchange dealers etc.) which, according to official statistics, are about the same volume as exports. These regional corridors link up to the international trade corridors highlighted in section III.



Lubumbashi-Lusaka

The main trading corridor for eastern DRC is the Lubumbashi-Lusaka corridor accounting for 57 percent of official DRC exports and 25-30 percent of DRC imports. Virtually all exports are minerals (copper, cobalt), about 90% of which is unprocessed. Based on British Geological Survey numbers, Zambia is clearly processing DRC copper ore and exporting it as originated from Zambia[5]. Unlike the other corridors examined in this study, a good share of exports in the Katanga come from industrial operators organized in formal sector companies. Both Lubumbashi and Lusaka have populations of over 1 million. This corridor is likely to be critical in the future economic revival of the DRC as it is also the main link to the fast growing southern African economies.

Based on cross-border observation, export trade is dominated by companies and big traders. Ores are exported to big companies in Zambia such as Sable Zinc Kabwe Ltd., EC Mining, Shashi Enterprises, Buildelect Ltd., Chambishi Metals and Colwyn Ltd.

Import trade however, is mainly conducted by a large number of small to medium-scale traders. We are still collecting data for the DRC side but based on Zambian numbers it looks like about 950,000 such traders are involved.

According to official Zambian statistics the trade balance of the corridor is overwhelmingly in Zambia's favour (see Table 4: USD 75 million in 2006).

Goma-Gisenyi

The second largest corridor in the region is Goma – Gisenyi, fuelled by exports of natural resources from DRC (cassiterite, unrecorded coltan, wolframite, coffee and quinine bark)[6] and imports for the city of Goma, which has a population of about 550,000. This corridor accounts for 22 percent of DRC exports, most of which are handled by medium- to large-scale traders. A non-exhaustive list of actors includes PANJU, WMC, OLIVE and MUYEYE[7]. With the collapse of the banking sector in DRC and the high taxes and licensing fees for exporters, Congolese intermediaries are forced to team up with international or regional businesses to export. These export agents play a key role in compensating for the lack of a banking sector by advancing funds to the various intermediaries along the chain.

This corridor has the potential to become a much more economically integrated space during the DRC's post-conflict reconstruction. If a number of key roads linking Goma to its hinterland were resurfaced, there would be scope for significantly increasing trade flows. Already about 15,000 to 20,000 people cross the border each day. Relations in the corridor are structured by cooperation between the Banyarwanda (DRC) and the Rwandans[8].

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[5] In 2005 Zambia produced 435,500 tons of ore (metal content), smelted 244,800 tons and refined 445,600 tons.
[6] See Annex I, Table 5, p9.
[7] See list in Annex II.
[8] See Annex II.

Beni/Butembo - Kasese

The third largest corridor in the region is Beni/Butembo and Kasese. Trade is motivated by natural resources exports from DRC (timber, unrecorded gold) and the role of the Beni/Butembo area as a commercial centre serving the DRC urban centres of Bunia and Kisangani. Although Butembo was once a thriving centre for agricultural exports (coffee, quinine bark, papaine[9]) and trade in agricultural products still account for a significant share of corridor trade in NR- based products, this trade has been largely destabilized by the conflict. The corridor accounts for about 20 percent of total exports from DRC. Beni also has an airport, recently built by the UN. This airport most probably serves as a collection point and onward airport for mineral exports to either Kampala or Nairobi. Not one gram of gold appears to be exported through the sea-ports, implying that all is air-lifted. As Ituri is the major gold producing area, one can assume that a lot of gold passes through the airport of Beni.

The Nande network largely dominates trade here, in synergy with actors from the Northern corridor and linking up with the Ituri region. There are also strong trading links with Indo-Pakistani networks and Dubai, including a parallel foreign exchange market which fixes a USD-CDF rate independently from the Congolese Central Bank. The Nande network controls a number of foreign exchange bureaus in Kinshasa. They organize rotating group purchasing between the DRC and destinations such as Dubai and China.

There appears to be an integrated network of large traders operating with support from numerous small to medium-scale traders. (See the non-exhaustive list for the Goma-Gisenyi corridor.) The corridor is very active in the import of manufactured goods from Dubai and refined petroleum products through the Northern Corridor.

This corridor is characterized by an extended, integrated network linking the Nande (DRC side) and Kondjo (Uganda). About 3,000 people and 150 trucks/other vehicles cross the border each day.

Uvira-Bujumbura

The fourth largest corridor in the region is Uvira – Bujumbura fuelled by natural resources exports from the DRC (unrecorded gold, foodstuffs mainly palm oil, cement, two-way trade in wooden planks, wood products) and imports of consumer and food products from the region and further afield (i.e. Dubai, Far East). The corridor is also used substantially by small traders. There are no major minerals exporters based in Uvira. Roads are reasonably good and Bujumbura port links up traders with Kigoma and the Central corridor through to Dar es Salaam (see Table 19). With the return of relative stability in Burundi, the corridor is picking up steam. Between 12,000 and 15,000 people cross the borders during market days.

Much of the trade seems to take place on a barter basis and without a dominant system of extended networks. Security in the corridor has been problematic since the assassination of President Ndadaye in October 1993. With the conclusion of peace talks and elections in 2006 it may be stabilized shortly.

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[9] Papaya Extract used for medicinal purposes.

Bukavu-Cyangugu

The fifth largest corridor in the region is Bukavu-Cyangugu. Trade appears to be driven by natural resources exports from the DRC (i.e. unrecorded gold, cassiterite, coltan, tourmaline, diamonds, coffee, timber and palm oil) and food and consumer goods imported to satisfy the needs of Bukavu's 460,000 inhabitants. Fraud seems to be especially high in this corridor, especially when it comes to coffee and timber, 90-100 % of which involves illegal transactions of some kind. Relations on either side of the border are characterized by a high degree of mutual distrust. It is a double border crossing: Ruzizi 1 for pedestrians and Ruzizi 2 for goods. Traders can be retained for up to 2-4 days to complete all the formalities.

Given these abusive practices traders tend to resort to bribes to accelerate the process. Based on observation, a trader with a truck load of goods can be made to pay up to USD 1,100.

About 70 percent of the active traders in this corridor are women, mostly from Bukavu. Short distance trade in food stuffs is the main instigator of Ruzizi 1 crossings.

Researchers learned that the Congolese Republican Guard manages the Bukavu-Cyangugu border crossing after 6 p.m. at night when large trucks comprise the majority of traffic. In addition, there is a freight company based in Kigali airport with two major cargo aircraft. We assume that the trucks being let across at night go to Cyanagugu airport, and the goods are air-freighted to Kigali from there. This is probably a principal route for trafficking coltan. Based on analysis of statistics of sea-port exports and mineral production, it seems clear that at least 50% of coltan being exported from Kigali is of Congolese origin.

5. Informal border crossings and small traders

Informal crossings along the DRC borders are numerous. They appear to be a reaction to the large number of "officials" manning borders to obtain funds from traders and by the contraband nature of trade that developed during the conflict period. More recently very high taxes charged at the Rwandan borders has precipitated smuggling. Crossings take place by river and lake as well as over land, and are often at night when armed groups are involved.

Informal crossing points tend to shift regularly, notably to avoid discovery and are subject to periodic surveillance. They are thus located in isolated areas with poor infrastructure. To a certain extent, the number of informal crossings can be used as a barometer for the level of harassment, such as bribes, occurring at formal border points.

There are three types of informal border crossings:

- Land crossings that shift frequently: across Mount Ruwenzori between DRC and Uganda; Virunga Park between DRC and Uganda; the Ruzizi plain between DRC-Rwanda and DRC-Burundi. In the Katanga informal crossings take place by land, along the extensive border between DRC and Zambia.

- Lake crossings: Lakes Edward, Kivu and Tanganyika (the most frequented informal border crossings) between DRC, Burundi, Rwanda and Uganda. Along Lake Kivu between Goma and Bukavu there are about twenty non-official landing points from the DRC towards Rwanda. The islands are important for various informal trade connections (i.e. Idjwi).
- Air links: these are very difficult to assess due to the obstacles in obtaining data on the cargo transported between the main mining sites and airports in North and South Kivu (Beni, Butembo, Goma and Bukavu), Entebbe or Kigali. Officially there are no air links between DRC and Rwanda

B. THE GENERAL BUSINESS ENVIRONMENT IN THE GREAT LAKES REGION

1. Trading across borders and practices at and behind borders

Formal enterprise sector

An indication of the official business climate with respect to practices at the border can be obtained from the World Bank publication, ***Doing Business in 2007: How to reform***[10]***.*** In a ranking of 175 countries, the DRC came last in both the 2006 and 2007 reports. The business climate improves somewhat immediately on the other side of the borders (Burundi -166, Rwanda – 158, Uganda – 107 and Zambia – 102). In terms of trading across borders, importing seems to be more complex than exporting. Looking at the countries of the region, importing requires more documentation (between 9-20 documents), more days to complete the process (38-124) and costs more per container (USD 917-4,080) compared to most other countries. Imports are probably more costly and complex because they provide the bulk of external trade revenue to governments and are the drivers of the international transport corridor business. Shipping lines and agents expect to make more on imports. The lowest cost per container (imports and exports) is found in Tanzania with the highest costs per container in Rwanda.

Another indication of the general business climate faced by the enterprise sector in the various countries of the region is the complexity of procedures needed to pay taxes and the rates applied to businesses. It may also be a proxy for formal enterprises' incentive to undervalue business transactions. The two highest tax rates as a percentage of profits are 287 percent for Burundi and 235 percent for DRC. The lowest are 22 percent for Zambia and 32 percent for Uganda. With such prohibitive tax rates, companies have a high incentive to do business fraudulently as operating in line with regulations can make it difficult to survive. In interviews with larger importers/exporters the general rule of thumb is that everyone pays something to keep trade running smoothly but that those with bulk shipment of perishable goods tend to pay more.

[10] See Annex I, Table 18, p20.

Informal sector

The DRC border crossings seem to break all records regarding the number of "official services" on the DRC side. This has been found to be true between Kinshasa and Brazzaville as well as in the border crossings included in the study. The record number found by INICA observers has been 26 services and the average appears to be about 10 to 15. The four services that are officially entitled to collect revenues at the border are OFIDA (customs), immigration, the hygiene service and the Office de Control Congolais (quality control of traders' products). Unofficial 'services' are related to different types of control and include, by way of example, vehicle control, economic police, information office, national information agency, the Mairie (town hall), provincial officials, the Ministry for External Trade and the special border police. Many of these have official responsibilities but no right to hold office or to collect revenue at the border.

The quality of official statistics from the DRC is very dubious particularly for agricultural and timber products, which do not appear to be systematically recorded. Mineral products are also underestimated but border crossing figures show that there is an attempt to capture some of them (coltan exports are an exception[11]). Statistics from neighbouring countries tend to be somewhat more reliable allowing estimates of volumes and values on which official taxes could theoretically be collected. Most exports from the DRC to their neighbours are "in-transit" which technically means that they should not pay taxes. However, the Government of Rwanda systematically charges taxes on goods coming into the country regardless of whether they are meant to be 'in-transit' or not. It also issues certificates of (Rwandan) origin, especially for minerals, thus allowing goods to be bona fide exports through to the Indian Ocean ports. At this point, then, goods smuggled out of DRC are made legitimate through payment of taxes to the Rwandan government. Agricultural goods also pay taxes which increases considerably the price of fuel and food in Rwanda. Despite agreements signed in the context of CEPGL and COMESA, official taxes on agricultural and manufactured goods coming into Rwanda are between 30 and 50 percent, comprised of customs duties, TVA and a 5% service charge.

Many taxes collected on the DRC border are non-existent in any of the books. The Goma Chapter of the Federation des Entreprises Congolaises counted 21 "false" taxes. Taking the example of a bag of wood charcoal originating from the Masisi and sold in Gisenyi, traders pay 32 percent of the initial purchase price in "taxes" at the DRC border and an additional 18 percent at the Rwandan border for a total of 50 percent of the initial purchase price. Of the 50 percent in taxes about one third (i.e. 17% of the initial purchase price) could be considered official if the CEPGL and COMESA tax rules were applied.

[11] Coltan exports have been taxed higher since the UN Security Council reports drew attention to the trade. As a result, people do not declare them at the point of export or else declare them as cassiterite, which has similar appearance and properties. In addition, up until 2001, when the rebel and occupying forces were controlling the minerals trade in the Kivus, there was a much tighter rein on minerals transportation from the mine site to the point of export because the rebellion had to be financed from mineral revenues. According to OFIDA, at this time the rebels literally escorted all aircraft moving from the mining sites to a special warehouse where the goods could be inspected, taxed and then sold. It is for this reason that the 2001 figures are held to be the most accurate for coltan exports from DRC. Since the rebellion collapsed, so did this system of monitoring and revenue collection. Without such a system, it is easier for coltan to be smuggled out of the country.

Incorrect use of trade nomenclature to calculate taxes is also another means of extracting more revenue than is actually due. On the DRC of the border if a trader is not part of a powerful redistribution network or even worse if he/she is threatening the interests of a powerful member of the network goods can be improperly classified in the highest tax categories. On the Rwandan side, palm oil from the DRC has been charged as a manufactured good rather than as a processed agricultural product.

Based on interviews at the borders the overwhelming majority of officials appear to be unaware of the agreements signed by their own governments in the context of COMESA, EAC and CEPGL. Especially on the Rwandan side, officials claim to apply the tax rates instructed by the Government of Rwanda. A number of traders interviewed referred to the high tax rates charged by the Rwandan authorities as being a major incentive for fraud and impediment to the development of regional markets.

There appears to be a link between informal taxes and the perishable nature of the produce, with those exporting perishable goods being victim to higher/more taxes. In addition, large traders using containers and official forwarding agents seem to have significantly fewer problems with informal taxes of all kinds than do the small-scale informal sector traders crossing the border with small quantities of goods primarily for markets just across the border. This is because larger traders pay protection money to the national, provincial and district officials, and the armed groups and local defence forces who are extorting money.

2. The role of different markets

Distribution chains

For small-scale, informal sector traders most of their goods appear to be resold fairly quickly once they are across the border, regardless of whether the final destination of the goods is in the region or to be shipped outside the region. For this category of traders the role of periodic and permanent markets or purchase points at the border or in the largest and closest urban centre is crucial to their income.

A major such market for natural resources trade is the Mpondwe timber market in Uganda largely covered by the Forests Monitor report and mentioned by our cross-border observer, which is a major collection point for DRC timber.

In Lubumbashi, Kasumbalesa, Likasi and Kipushi there is a substantial network of specialized markets dealing in transit consumer goods, for collecting and warehousing minerals and other exported goods en route for Zambia. As for the Kivus these markets are already run by intermediaries who in turn have purchased their goods from producers or miners. A characteristic of the distribution chain is the large number of intermediaries meaning that producers/miners are not in direct contact with their main "customers".

Parallel foreign exchange dealers

Parallel foreign exchange traders also tend to set up in market places and along borders thus facilitating the changing of money before returning to the home base of the trader. The market places are also a way of making contacts and keeping in touch with critical information of all types (security, prices, products etc.). At the border between Zambia and the DRC, traders, mainly of food products and basic consumer goods, have now established a permanent market place with extensive parallel dealers to serve the traders from Katanga.

In the absence of a structured banking sector to support cross border trade to and from the DRC, uninformed traders are reportedly cheated with respect to exchange rates, another reason why barter reduces risks for small traders. Cross rates between national currencies used in the region are not quoted thus necessitating an intermediate exchange through the dollar. Unlike other parts of the country, such as at the DRC – Congo-Brazzaville trading corridor, traders do not use the SMS messaging function of mobile phones to get up to date on external prices or markets. Nor are there databases available with such information.

Warehouses/refrigeration/packaging

North and South Kivu

Warehouse sales of goods occur when traders do not wish to be directly situated in a market in order to avoid being visible and thus taxed. Consequently they set up warehouses, usually not too far from the market places, and have an informal network of people who come to sell to them there. These warehouse sales are a more discrete means of trading and tend to be used by the larger volume informal traders and those that deal in illicit or illegal goods. However, they are generally close to marketplaces and not situated along the borders. Although for the moment they are mainly a conduit for underground trade, a system of warehousing could be envisaged to help facilitate the flow of goods in a trading corridor and in particular the interface between smaller scale and larger scale traders.

Packaging, refrigeration and preservation of food products is a major constraint to increasing the volume of this type of trade. It also increases the risks of trading in perishable products which explains why much of this trade is short distance coming from peri-urban areas where the principal markets are.

Lubumbashi-Lusaka

Goods cleared at Kasumbalesa are stored in warehouses before shipment to other parts of the country. There are also food storage and wholesale points where staples such as beans, cassava, groundnuts and maize are sold to wholesalers in various markets. There are also storage facilities at the Kibalongo railway station in Kasumbalesa for shipment of large quantities of agricultural produce by rail to the two Kasai provinces or directly from Tanzania or Zambia (dry, salted and smoked fish, groundnuts, beans, red onions, maize, and rice).

3. State of key infrastructure and implications for traders

North and South Kivu

For a detailed assessment of infrastructure and transportation in Walikale in North Kivu, see Annex V.

DRC traders are particularly handicapped by the poor state of infrastructure even in the micro-corridors that connect them to the major transport/transit corridors. Based on surveys, it appears that improved road connections between the DRC's urban centres in the Great Lakes Region and its potentially productive agricultural hinterlands could provide strong multiplier effects to the regional agri-food economy and draw people out of the mining sector.

Katanga

The infrastructure in Zambia is in excellent condition thus giving its traders a big competitive advantage. The rail line and main road connecting Kolwezi-Lukasi-Lubumbashi-Kasumbalesa are in good condition. However, rural access roads require urgent rehabilitation, placing DRC producers at a decisive disadvantage. For example, in the province of Katanga with an estimated population of 7.9 million and a rate of urbanization of about 40 percent food products are mainly imported from Zambia when substantial productive potential exists in Katanga itself. The main reason given by traders for not purchasing in Northern Katanga is the state of infrastructure.

Priority infrastructure improvements needed for traders

North and South Kivu

Of particular interest to traders would be to see all weather roads connecting: (1) Shabunda with Bukavu, (2) Bukavu with Uvira (without having to go through Rwanda), (3) Bukavu with Goma, (4) Bukavu with Kisangani, (5) Goma with Beni and (6) Goma with Kisangani.

Along the main transport corridor (the northern corridor) traders have particularly identified: (1) the Kasese – Kampala stretch and (2) the Jinja-Bugiri stretch of road. Other severe problems are the malfunctioning of the Rift Valley Railroad which brings freight to and from Mombasa to Kampala and of the Mombasa-Eldoret oil pipeline (outdated and running well below capacity).

In the medium-term, the road network connecting the region to the port of Dar Es Salaam needs major rehabilitation. At the moment despite its lower costs it is not a major option for importers and exporters concerned by time.

Katanga

Rural access roads are a priority for opening up production and trading opportunities, especially for perishable products. A weighbridge at the border to facilitate completion of formalities at the border and reduce opportunities for fraud was deemed necessary.

Construction of a trading centre near the border that would bring together produce and buyers from DRC, Angola and Zambia was also a necessary task.

4. Other aspects of the general business environment

Security – For DRC traders in the East security remains a serious impediment to increased export and import trade and especially for the small, informal sector traders who have very little means of protecting themselves in the event of attacks or mutinies by DRC security forces. Finding ways of integrating DRC policing functions under a regional umbrella could help local entrepreneurs. The question of proper collection of revenues and regular payment of security forces in the DRC was also viewed as a critical success factor.

The lack of a functioning banking sector in the DRC – Many entrepreneurs pointed to this problem as being one of the major impediments both to a return to security and to a revival of the DRC economy. The fact that many people "stash" cash and valuables in their homes is an incentive to continued theft and ransoming. The restoration of confidence in a domestic banking sector is likely to be a gradual process. Traders tend to rely on parallel and informal sector structures and the larger ones tend to bank outside the country (sometimes just across the border). Nonetheless the lack of access to credit to purchase minerals and other products means that neighbouring and foreign traders have a definite advantage.

Since 2005 the situation with respect to the formal banking sector in Katanga has evolved positively as a number of banks which already had headquarters in Kinshasa have opened branches in Katanga. Public banks are largely defunct, it seems. Private banks get their business from two sources: the big mining companies and donors. Companies are allowed to invest in private banks when they have a minimum deposit of $1,500,000. Investors are reluctant to use the banking system as the "Tiers payant" legislation allows people who claim you owe money to seize funds, so long as they have the approval of an administrative official; court proceedings are unnecessary. This is a huge vulnerability and disincentive for using the banking system. It also means that banks are extremely cautious about who they choose as clients.

High energy costs and unreliable energy supply

North and South Kivu

Traders, transporters and entrepreneurs (formal and informal) cite the high costs and unreliable supply of energy in the region as being a major impediment to increased business. At the moment, due to several years of drought in East Africa, hydro-electric power generation has declined at a time when demand has been increasing. The major hydro-electric facilities along the Ruzizi are also running well below capacity. In terms of potential the DRC could be a major energy exporter in the region but this would mean very significant investments in a country whose business climate leaves much scope for improvement.

In addition, the transport problem on the Northern corridor has contributed to increasing significantly the cost of thermal power generation and the costs of fuel for vehicles. Feedback from the cross-border observation process shows that small-scale processing plants are being forced to close down or shift to wood as a source of fuel. The use of alternative energy sources in the region is still very limited although there is considerable interest in developing certain sources such as solar, biogas, geo-thermal and methane gas.

Katanga

Traders did not spontaneously cite energy shortages as being a problem with the business environment.

The importance of the mining sector as a source of cash and a store of value – Many small scale informal miners pointed to the role of minerals and their easy conversion into cash as one of the main incentives for continuing in a rather dangerous and difficult line of work. Diggers in the Kivus and the Katanga appear to earn very little from mining, USD 1 to 2 per day in 2004 and USD 6 per day according to surveys carried out by INICA in 2006. In Katanga the average revenue from artisanal mining appears to be about USD 6 per day.

Market information on prices/volumes for products – Although larger traders are easily able to access information on prices of internationally traded products the smaller traders, especially those targeting regional markets for wood and agricultural products, note that market information is difficult to come by. Unlike the traders in the Kinshasa-Brazzaville corridor cell phones are not a key means of obtaining information and communicating with clients. It is not yet clear whether this is a cultural phenomenon or one linked to the energy shortages in the region.

Number of intermediaries/ level of organization of producers – Another feature of the business environment facing small scale producers or miners of traded goods is the relatively large numbers of intermediaries between them and the final clients of their goods. This was found to be the case in the Kinshasa-Brazzaville corridor as well. Producers/miners/foresters tend to be very poorly organized and tend to sell their produce to the closest trader/collection point. In many case this person is the local retailer of essential food and consumer goods with whom the producer may have run up a debt. This puts small producers in difficult bargaining positions to negotiate a fair price.

Limited access to key business services (truck repair, spare parts, forwarding agents, transporters) – The micro-corridors between main DRC urban areas and collection points for export and the entry into the main transport/transit corridor is generally very weak on key business services making the overall risk element in doing business much higher. Even in neighbouring transit countries such as Burundi and Rwanda (both of which are targeting a role as regional transit hubs) the quality of business services is very poor (with the exception of banking services in Rwanda).

II. METHODS OF MINERAL EXPLOITATION IN THE DRC HINTERLAND AND THE POTENTIAL FOR MINERALS-BASED REGIONAL ECONOMIC INTEGRATION[12]

A. TYPOLOGY OF MINING SITES

1. Mineral ownership: comparison of the Kivus with Katanga

In both areas (the Kivus plus Katanga) the mining sites are predominantly for non-ferrous minerals rather than precious stones. In the North and South Kivus the predominant configuration is the triad cassiterite-coltan-gold. In the Katanga, however, it is dominated by the coupling of cobalt and copper. These two types of mineral associations are generally found together in the same site.

A comparison of the mineral ownership in the two areas shows that the Kivus are characterized by traditional ownership rights (i.e. the importance of the chef de colline) while in Katanga mineral ownership is dominated by large public and private companies. In the Kivus, this tendency for mineral ownership intensified with the bankruptcy in the 1990s of the parastatal company – SOMINKI (Societe Miniere du Kivu). In the Katanga the move towards artisanal mining was accelerated by the collapse of GECAMINES (public enterprise giant). With the gradual decline of industry and disappearance of GECAMINES' industrial plant the exploitation shifted by necessity to artisanal methods. Over the last 4-5 years due to the high level of uncertainty companies used daily labourers working in artisanal conditions and focused on ore extraction from tailings.

Artisanal mining accounts for 32 to 38 percent of mineral production in the Katanga in terms of quantity. Furthermore, the ore tends to be more concentrated in the deposits mined artisanally: between 17 and 35 percent of ore content as compared to between 4 and 7 percent for industrial mining. This is due to the fact that artisanal miners actively seek richer deposits, and manually process the ore, for example through crushing and sluicing, in order to concentrate the mineral and so receive a higher price per kilogram.

2. Modes of transportation from mining sites to border towns

North and South Kivu

In North Kivu, the largest sites are Masisi and Walikale which are connected to the towns of Goma, Beni and Bukavu from where the minerals are exported. Transportation combines road (porters and trucks) with air but it is air which is the most common type of transport due to the very poor state of roads and problems of insecurity[13]. The main transporters by air for South Kivu are – DELTA FORCE (for Mwenga), ZALYA EXPRESS (for Mwenga) and ACOSHA (Shabunda). For North Kivu, the main transporters are - TMK, SERVICES AIR, GOMA EXPRESS, CETRACA, BUTEMBO AIRLINES, AIR UHURU, and VAS.

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[13] See Annex I & III.

These small carriers do not agree to come out to the mining sites unless they have at least 1 ton of consumer goods for the site and have at least 1 ton of minerals to bring back. This type of transport makes it easier to control and estimate the amount of production leaving the mining sites. Transport costs are on average USD 1 per kilo meaning that for 1 ton of merchandise carried in each direction the company receives a minimum of USD 2,000 per round trip flight. The services of these carriers are available to anyone who can pay the USD 2,000 minimum.

For the longer distances such as Masisi-Beni and Walikale- Beni the cost of air freight is a relatively significant share of total marketing costs of the minerals, meaning that small scale miners could not become engaged directly in this type of trade.

Katanga

Contrary to North and South Kivu where roads are a problem, Katanga has a good road network which runs in parallel with the railroad track thus facilitating the transport of minerals to town at a cost that is relatively low compared to the Kivus. In Katanga transport costs are about USD 40 per ton as compared to USD 1,000 per ton in the Kivus when air freight is required.

Table 3: Links between mining sites and collection centres before exportation

Main mining sites	Starting cities for export	Distance between mining sites and starting cities for export (km)	Mode of transport for goods	Infrastructures conditions
Masisi	BENI	300	Plane	Mediocre
Walikale	BENI	410	Plane	Mediocre
Masisi	GOMA	60	Plane/Road	Mediocre/Mediocre
Walikale	GOMA	110	Plane/Road	Mediocre/In repair
Shabunda	BUKAVU	300	Plane/Road	Mediocre/Inexistent
Walikale	BUKAVU	250	Plane/Road	Mediocre/Bad
Mwenga	BUKAVU	90	Road	In repair
Fizi	UVIRA	100	Road	Very Mediocre
Baraka	UVIRA	70	Road	Very Mediocre
Lubumbashi	KASUMBALESA	108	Road/Train	Good/Good
Likasi	KASUMBALESA	229	Road/Train	Good/Good
Kambove	KASUMBALESA	250	Road/Train	Good/Good
Kolwezi	KASUMBALESA	360	Road/Train	Good/Good

Source: INICA, 2007

3. Modes of financing of artisanal mineral extraction and miners' income

North and South Kivu

The "negociants", or middle-men, pre-finance artisanal mineral extraction and in turn receive funding from a "comptoir". Each team of miners had to pay for a miners' card, which cost about USD 300 per year up until 2004. Following vigorous protests this was reduced to USD 5.00 which has to be presented by the head of the miners' team. SAESSCAM reported that the cards are providing opportunities for racketeering as miners use their cards to assert authority in the mine, so forcing those without cards to operate under them or sell their product to them. The cost of the miner's card is generally pre-financed by the negociant who also has to have a card costing about USD 300 annually. The cards are bought from the provincial branch of the Division des Mines. The head of the team must pay 10 percent of the minerals that are extracted (in-kind) to the chef de colline (mine manager) and in some places miners pay an 'entry fee' of $25-30 to be able to join a mining team. Miners also purchase their own tools. The terms and conditions required of the mining teams by the chef de colline are negotiated in relation to the mineral concentration of the deposits and the range of minerals available.

Table 4: Operating expenses for artisanal miners at Masisi in North Kivu, end 2006

Needs	***Costs***
Food	$ 0.80/day
Spade	$ 3.00 for 3 months
Plastic shoes	$ 6.00 for 2 months
Plastic basin	$ 1.00 for 1 month
Work clothes	$ 7.00/month
Fees and taxes	$ 5.00/month
Daily cost of operating	**$ 1.45/day**[14]

The miners are paid in-kind as a percentage of the day's production, meaning that income is variable. The unit of payment to the miner for coltan is a small package of 0.25 kg called "robo" in the Masisi which is valued at USD 1.00. On the same mining site this robo can be sold by the mine owner to the negociant for USD 2.00. This means that the mine owner can double his revenue without any additional cost. In order to ensure this type of windfall the mine owner hires armed police and civilian watchmen to "supervise" the miners. In addition the artisanal miner must provide his or her own equipment. In conclusion, a miner can earn between USD 2 and 10 per day depending on his or her performance and the concentration of the mineral deposits and even more if he or she is able to sell without being detected by the mine owner.

A mining survey in 2006 of 127 miners in the Masisi shows that a miner earns USD 167 per month or USD 6.4 per day.

Katanga

The operating costs of an artisanal miner in Katanga are about the same as for the Kivus. The miners are mainly working informally and so do not pay for the card. Based on estimates of approximately 150,000 artisanal miners only about 100 actually have the card. However, given the province's industrial tradition the miners tend to organize in unions led from the membership and not by local elites as in the Kivus. A notable exception is EMAK which is led by government representatives.

[14] Based on a 6 day working week.

4. Exporters

In many cases the exporters of Congolese minerals are foreigners. This may be related to the high costs of obtaining the necessary permits and licenses to operate. The cost of an export license for gold is US 50,000 plus USD 25,000 in a guarantee deposit. For coltan the cost is USD 6,000 and for cassiterite it is USD 3,000. In both geographic areas, exporters are located in major towns or cities. In addition, neighbouring countries have frequently intentionally attracted Congolese minerals to "comptoirs" on their territory through lower taxes and fees. With the restoration of peace and state control over much of the Congolese territory, a priority should be given to negotiating with neighbours on how to cooperate in a way where value added from minerals is shared. This will require inter-governmental negotiations around production and export corridors.

North and South Kivu

Some of the main minerals exporters are: PANJU, World Mining Company, OLIVE, Muyeye, MDM, Hiliside, METACHEM, SAKIMA and Metal Processing Company, BAKULIKIRA and KAFEREGE. They are also some of the main importers especially of petroleum and food products implying the imports finance exports and vice-versa. They also tend to deal in other export products such as coffee and timber. Many of these importers who are also members of the Federation des Entreprises Congolaises benefit from priority clearing of their goods (enlevement d'urgence).

Based on the British Geological Survey's production figures, it looks like DRC gold exports are now mainly recorded as originating from Burundi and, before international campaigns picked it up, were recorded as originating from Uganda.

A similar phenomenon can be observed for coltan from the Kivus which now seems to have completely disappeared from official figures but certainly continues to be exported fraudulently.

Katanga

Export companies in Katanga include the Congo Cobalt Company, R. ZHONG-HUA MINING, Chemaf, COMISA (Companie Minière de Sakania), Ruashi Mining, and MCK (Mining Compay Katanga).

The main problem identified is the illegal flow of unprocessed minerals to Zambia with the complicity of government officials and forwarding agents. There are two types of fraud: (1) where minerals cross the border without any documentation which constitutes a total loss of revenue for the state and (2) the undervaluation of mineral weights or concentration leading to a partial loss in state revenues.

A major risk for exporters is the uncertainty regarding the return on their investment in view of the prevailing insecurity, theft and administrative hassles. It is very hard for an exporter to know what his profit margin is going to be as costs are extremely unpredictable and often very high; transport costs in DRC are some of the highest in the world. Interviews with miners and negociants show the prevailing sentiment that exporters tend to intentionally undervalue the market price of minerals in order to increase their profit margins. On the other hand, importers suffer less uncertainty as they control the final cost for the consumer, unlike the exporter who is at the start of the international value chain. Furthermore, the absence of a banking sector means there are no import licences so price control of consumables is non-existent.

According to the 2002 Mining Code the exit taxes applied to exporters have been replaced by a payment of 1 percent of the value of exports. However, individual exporters as opposed to companies are required to pay exit taxes equivalent to 5 percent of the value of raw minerals and concentrates (tax band A, being 20-60% for copper or 8-25% for cobalt) and 10 percent of processed metals (tax band B, being 97% copper, otherwise known as copper lingot, or presumably above 25% cobalt).

The new mining code also prohibits exports of raw minerals without a special permit delivered by the Ministry of Mines. Consequently, the Governor of Katanga, who allegedly owns mineral concessions himself, has been pressuring exporters to process minerals in-country instead of exporting them to Zambia where the smelters are more developed than in Congo and have a larger capacity than local production can satisfy. Indeed, international companies owning Zambian smelters also own mining concessions in DRC. Demand for export of the raw minerals therefore still exists. Those who do want to export to Zambia, must either go through the governor for permission, or choose to smuggle their wares.

At the same time, China, a major buyer of raw minerals in the area has just declared a ban on imports of unprocessed ore in order to reduce pollution from smelting activities. It has also sold some of its minerals stockpile on the spot market.

Table 3: Exporters and Transporters in North and South Kivu

Exporters	Aviation Companies
North Kivu	
1. AMUR1 2. ALUREGEMICO 3. AYFAM 4. BULONGO 5. GAMA 6. HILISIDE 7. MUNSAD 8. MPC 9. MHI 10. PANJU 11. SODEX MINES 12. FMC 13. WMC 14. OLIVE 15. COMEFE 16. LAFM 17. METACHEM 18. OGANE 19. MUYEYE 20. SODEM 21. BAKULIKIRA	1. HEWA BORA AIR WAYS 2. WIMBI DIRA AIR WAYS 3. CAA (Compagnie Africaine d'Aviation) 4. BRAVO AIR CONGO 5. KIVU AIR SPRL 6. GLORIA AIR WAYS 7. AIR SERVICE 8. MALU EXPRESS 9. MANGO MAT 10. VICTORIA AIR 11. KIMA AIR 12. T.M.K. AIR COMMUTER
South Kivu	
1. PANJU 2. MUYEYE 3. KAFEREGE 4. BAKULIKIRA 5. MDM (Mudekereza-Defays-Mundenge) 6. WMC (World Mining Company) 7. MPC (Metal Processing Company) 8. OLIVE 9. SAKIMA (Société Aurifère du Kivu et du Maniema)	1. DELTA FORCE (for the zone of Mwenga) 2. ZAYLA EXPRESS (for the zone of Mwenga) 3. ACOSHA (for the zone of Shabunda)

Source: RVA Goma

B. TYPOLOGY OF MINERS-BASED LAND USE

North and South Kivu

Land use around the main mining sites in North and South Kivu (Masisi, Walikale, Shabunda) were originally agricultural and ranching areas that belonged to Tutsi farmers who for the most part returned to Rwanda before 1994. Some of these farms were purchased and attributed to former leaders of the RCD-Goma party. Since these areas are mined artisanally there are no problems of cohabitation with companies.

Competition for land with increasing population density has intensified and led a certain level of suspicion among the various ethnic groups (see Annex II).

Further south where the Kahuzi-Biega Park borders on the Shabunda mining area, conflicts exist between animal conservationists, the native pygmies living in the Park and the groups involved in artisanal mining. This remains a problematic area with activities of armed groups such as the FDLR who tend to evict the rightful owners. Since mining groups pay fees to landowners it does not appear to be a major bone of contention for farmers and ranchers, although it means the land will not be fit for such activities for many years to come.

Katanga

Most of the mining sites are situated in GECAMINES' domain. There are three major groups:

- Southern group which includes Lubumbashi and Kipushi where the principal mining sites are Ruashi (called pompage), the Kalukuluku site, Lupoto site and Luwishi site;
- Central group which includes Likasi and Kambove with the main sites being Lwishaa, Shinkolobwe (uranium site that is currently closed), Shamitunda, Kafunda and Kabolela;
- Western group which includes Kolwezi with the main mining sites being Mutoshi, Lualaba, Kawama, Luilu and Kapata.

These sites have used artisanal and industrial exploitation (MMK-Forest Company) modes and have contributed to cross-border dynamics with Zambia.

C. CONTRIBUTION OF MINING TO THE DRC ECONOMY

Mining activities could clearly contribute more to the Congolese economy than they do today. In order for this to happen, the DRC will have to sit down with its neighbours and work out fiscal and sector policies that do not encourage fraud and ideally that would encourage joint investments in minerals processing as a means of transforming certain corridors into mining corridors. Based on a regional analysis completed recently, countries such as Tanzania and Uganda also have considerable untapped minerals resources. Like DRC, Zambia is a major minerals exporter and, in view of proven reserves and recent new investments, is likely to remain so.

1. Tax revenues

According to OFIDA data for 2005, taxes on natural resources contributed USD 12 million to the public treasury or 4 percent of overall revenue.

2. Foreign exchange

About 75 percent of the DRC's foreign exchange earnings come from natural resources exports, particularly diamonds.[15] Minerals from Katanga continue to provide official foreign exchange while contributions from minerals exported from North and South Kivu are marginal.

3. Employment

The sector employs a very large proportion of youth ranging from 17 to 30 years old. In the Masisi area artisanal mining employs more than 3,000 youth many of whom come from other regions including urban areas. Many are students who work during the dry season (June to September) which also corresponds with their vacation period. In North and South Kivu about 4-5 percent of the active population is engaged in mining activities at least on a seasonal basis. This amounts to about 12,000 miners.

In Katanga there are about 150,000 artisanal miners and 2,000 labourers employed in industrial mining for a total of 152,000.

Indirectly more people are involved through the provision of goods and services to the mining communities and in other capacities along the value chain. In the Kivus this could amount to another 5,000.

4. Income at the household level

At USD 167 per month, the average income for a miner amounts to about three times that of a professional or civil servant in DRC. On the surface it looks like a reasonably lucrative occupation. However, in view of the high costs of living near mining sites and the high physical risks involved in the activity it is not clear whether or not this income is sufficient to permanently increase living standards for the miner and his household. The household members may be engaged in a variety of activities (farming, livestock or petty commerce) but this only operates on a seasonal basis. Also during the initial mineral find the household can migrate to the site and then move back to other activities as the profitability of the mine declines.

D. THE NATURAL-RESOURCE BASED INFORMAL ECONOMY IN KATANGA AND THE KIVUS

1. Assets/risk management and the role in poverty reduction

The many years of economic decline and the conflict period have had a devastating impact on the assets and risk profile faced by households in the Kivus and Katanga. On the one hand, the progressive loss of employment and/or self-employment, the de-industrialization of the country, the impact of migration in response to conflict or loss of livelihoods have led to a sharp decline in accumulated assets of households

[15] See list of DRC's main official exports and imports, p4.

(tools, agricultural inputs, housing, livestock etc). The response seems to have been largely the same in all three areas: (1) a shift into activities that require very few assets and are risk adverse in terms of infrastructure (artisanal mining, forestry, petty commerce) and (2) a shift out of more complex activities requiring assets and infrastructure (agriculture/livestock).

Other types of shifts in the production and marketing strategies of households seem to be as follows:

- Large reversion to barter trade to compensate for the lack of banking infrastructure, security problems at the border and the lack of cash.

- A shift towards petty commerce as a means of "recycling" cash or in-kind income in the face of high risks in other stores of value (i.e. livestock, housing, tools and equipment).

Degree of ethnic/geographic concentration – in areas where industrial mining is practiced and where there has been a "boom town" phenomenon attracting migrants from all over, the degree of ethnic specialization tends to be less than where artisanal miners are operating under customary rights with a chef d'équipe selected by the chef de colline. On the trading end of the chain, especially in Katanga and the two Kivus, there is a fairly high degree of ethnic specialization. This tends to exacerbate mutual suspicion along the value or distribution chains and to make it more difficult to establish relations based on mutual business interests. Many producers and small traders claim to be more interested in a business relationship with a foreigner than with a competing ethnic group from within the country. The reasons for this seem to be firstly, the absence a functioning banking sector means that traders cannot really function without a foreign link; secondly, there is a lack of business information in country so co-operation with foreign business people gives them access to information on international prices, potential clients, conditions, forecasts and so on; and thirdly, there is a lot of ethnic tension creating a problem of trust.

Economic diversity of network members – ethnic-based networks tend to include economically diverse members running from very small operators to very large operators. Nonetheless, certain dominant groups such as the Nande in North Kivu and the Bashi in South Kivu are more likely to be able to extract substantial margins from the value chains for exports and the distribution chains for imports. A young generation of traders is emerging that is more open to relationships outside of ethnic affinities and actively seeking regional/international business partners as a means of expanding their operations. They tend to be more educated than their elders and reject the way the previous generations have handled business relationships, saying that these people were "adventurers" and "speculators" and were irresponsible with their money, spending it on ostentatious consumption rather than on developing local businesses.

Types of products, degree of processing, final destination – natural resources exploitation and trade have proven to be largely a survival activity of the grassroots level. The collapse of regional and international agricultural export markets, the impact of repeated pillaging on assets and deteriorated infrastructure have forced some households to shift into mining and perhaps to a lesser extent forestry to maintain livelihoods. The future potential of transforming some of these activities into revenue generation capable of bringing significant numbers of people out of poverty can only be realized if redistribution mechanisms are improved and producers at the bottom of the value chain receive a better share of the final sales price of their goods. The other important aspect is attracting value-adding investments to the region and pooling resources and capacities across the region. If this takes place then an increasing number of people are likely to turn to agriculture and agriculture-based processing.

2. Impact of conflict and role in conflict mitigation

Natural resources and war – Tensions in eastern DRC first began to mount with the influx of Hutu refugees from Rwanda in June 1994. In 1995 parliament passed a resolution stripping Congolese of Rwandan origin of their rights. The deputy governor of South Kivu ordered the Kinyarwanda-speaking groups to leave in late 1996. Rwanda responded by supporting Kabila's rebellion against Kinshasa, and so the conflict began in the East, ending in mid-1997. In 1998, an anti-Kablia rebellion began with backing from Uganda and Rwanda. This ended in 2002, when a peace accord was signed in Sun City on April 19th. Turmoil continues, however and certain actors continue to use violence to protect their interests. Uganda and Rwanda continue to control natural resource trades through commercial networks.

The conflict since the late 90s has been motivated by ethnic hatred and profiteering in the context of a collapsing state, regional instability and a wealth of natural resources. The hot spots have been in the provinces of the Kivus and Ituri, especially where there have been settlements of refugees from neighbouring countries, most significantly Rwandan Hutus and the Ugandan Lord's Resistance Army. The escalation of conflict in North Kivu in recent months is principally credited to Laurent Nkunda, who claims to be protecting the Banyamulenge, Congolese Tutsis, from persecution, though groups of Maji-Maji continue to rampage, committing abuses such as rape, theft and murder in local communities.

In all cases natural resources have provided a motivation and the means for perpetuating conflict, with minerals in particular financing the violence and providing profits for the individuals and groups concerned. As the conflict matured at the turn of the Millennium, the war became more economic in motivation, means and scope. An institutionalized system for accumulating wealth developed, with the rationale for conflict focusing on accessing natural resources and controlling their production and trade. These systems of military commercialism comprised networks of businessmen, government officials and military actors, especially from Rwanda and Uganda, as well as the DRC. Their aim appears to have been to generate personal and state income, though noticeably not for the state of DRC. The political economy of the war economy has been well documented by scholars, NGOs and official reports (see bibliography). Many of the people who operated in Congolese minerals trades at the height of the conflict continue to operate today. Though the level of conflict is lower than it was five years ago, the reliance of armed groups on natural resources perpetuates instability in the region and prevents meaningful progress towards peace.

Natural resources and survival – One of the most devastating consequences of the war has been the level of displacement it has produced. At the same time as providing the means and motivation for violence, natural resources have provided the means of survival for displaced people and those caught up in the midst of conflict. Along with prostitution and petty trading, artisanal mining, forestry, foraging and hunting are typical livelihoods for extremely vulnerable people. At the base of this strategy is the desire to earn money or food quickly and daily by investing in assets that are quick to accumulate and easy to transform. Agriculture is less desirable in this context owing to the time it takes for an investment to mature, i.e. for a crop to be harvestable, or owing to the equipment necessary to do it efficaciously.

War and forest conservation – an inevitable consequence of the conflict has been an increased threat to biodiversity and indigenous peoples. The Congo Basin is one of the most important forest ecosystems in the world in terms of species conservation; it comprises one fifth of the world's remaining closed canopy tropical forest. A decline in the local natural resource base is a serious global concern. A recent World Bank report highlighted "the nature of the Congolese forest as a public good, with critical values for the global environment and for millions of forest-dependent people, who are among the poorest in the world." DRC National parks, including UNESCO World Heritage Sites, are used as refuges for internally displaced people, refugees and armed forces.[16] They also contain significant mineral deposits and, as in the case of the Kahuzi-Biéga National Park, old industrial mining sites so attracting economic migrants, who then deplete forest quality through hunting, habitat destruction and needless shooting of large mammals. Flagship species, such as the eastern lowland gorilla and the bush elephant, have consequently suffered serious population collapses. At the human scale, the Batwa, otherwise known as "pygmies" and categorized as a forest people, are considered to be on the point of extinction in the face of social marginalization and discrimination and loss of access to their traditional lands. The war has worsened their position as they have suffered shocking human rights abuses at the hands of armed forces.

Ethnic specialization along the trading chain – where a conflict has ethnic dimensions, and where that conflict is funded by natural resource extraction and trade, ethnic specialization along the trading chain is inevitable – though not necessarily universal - where the trading chain is part of the war economy. For those not directly involved in the conflict, ethnic specialization is a form of risk management as trust becomes even more paramount in business relations given the context of insecurity and instability. However, over-specialization may lead to ethnic based competition for land, which can be a major cause of conflict and should be discouraged to the extent that it is possible. As the economic and security risks of engaging in NR exploitation and trade decline and barriers to entry are reduced, ethnic specialization is likely to diminish and new actors will emerge. Already there is reason to believe that in areas where conflict led to large scale population movements and the subsequent return of refugees, new groups with a wider network of relations are coming to the fore.

Concentration of the benefits of NR exploitation and trade – The lack of substantial benefits from NR exploitation and trade to the grassroots level is a key risk factor for renewed conflict. Competition over scarce resources and especially land in certain areas of the Great Lakes Region has caused conflict and upheaval for decades. The time bomb is still ticking and new sectors need to be opened by expanding upstream and downstream service sectors to NR exploitation without the necessity of direct access to land. Given that the Congo-Nile ridge has the highest population density in Africa, special attention is required in this area. Experience elsewhere where there is weak governance is not very encouraging in terms of the poverty reduction potential of mining. It seems that mining only brings development where tax proceeds from the activity are used to promote economic diversification or to improve public services and infrastructure, such as in Botswana or South Africa.

[16] CIFOR 2007; see also Barume 2000.

This level of economic planning is largely absent in the DRC, whilst actual revenue collection is far below potential levels. Instead profits are exported to neighbouring countries or trickle down in such a way as to ensure people's survival, perhaps, but not their development.

Role of military/armed groups in the trading chain – DRC is in transition from a war to a peace economy but it is not a linear process and involves ups and downs. The two Kivus and Ituri are subject to more uncertainty due to the active role that minerals have played during the conflict. The DDR process in the Kivus also has its challenges. The DRC Government has shown its willingness to negotiate to try to bring these armed groups to surrender. A key success factor will be the capacity of the Governments of DRC, Burundi, Rwanda and Uganda to mount joint military operations to make it increasingly difficult for these groups to operate with impunity. Without coordinated military action it is unlikely that certain areas of the DRC will be brought under government control. However, measures can increasingly be taken to make it more difficult for these groups to export their NR products.

The situation in the Katanga is quite different and is unlikely to directly involve armed groups in NR exploitation in the future. This stronger civilian footing for the NR sector is likely to mean that economic recovery will come first to the Katanga. Nonetheless, the risk of low-level conflict and human rights abuses remains owing to ongoing disputes between corporations and artisanal miners.

Role and composition of international actors in the trade – International buyers are key to the exploitation of NR in DRC. As reports from Global Witness, Human Rights Watch, the UN inspection panel of experts and others have shown many international actors are motivated exclusively by potential profits irrespective of the ethical aspects of the NR trade. As Asian buyers of minerals become increasingly present it is important to see to what extent corporate social responsibility concerns and fair trade marketing channels can be developed with them. Meanwhile Europe is still the main destination of NR exports and so there is scope for attempting to use some of the new instruments (PWYP, EITI, Kimberley process, the OECD and AU Conventions to combat corruption etc.) to encourage more responsible behaviour. This would be a key role for international donors interested in pursuing the second phase of the program.

Use of the proceeds of the trade (reinvestment, investment in parallel foreign exchange markets, other types of imports) – Based on information collected in 2005, parallel foreign exchange dealers were systematically very active on the DRC side of the corridors studied ranging from over 350 in Goma to a low of 220 in Uvira. This is due to the informal nature of trade out of the DRC and the absence of organized banking. These dealers were most frequently supplied with proceeds mainly from the minerals trade which were reinvested in the foreign exchange business. The practice appears to have been an effective means of "laundering" cash but it also appears to be a very lucrative way of investing excess cash. Another outlet for proceeds from the minerals trade seems to be investing in trucks. Virtually none of the profits seem to be reinvested in developing the minerals sector, e.g. by improving the efficiency of mining operations. It is clear that commercial priorities take precedence over economic ones in the DRC, owing to the absence of a functional state. Economic planning is therefore largely absent, except where it coincides with business interests.

E. DRC MINING CODE – OPPORTUNITIES AND CONSTRAINTS FOR ARTISANAL MINERS[17]

1. What rights and obligations are provided for artisanal miners under the 2002 Mining Code?

While other countries' mining codes are more favourable to artisanal miners (e.g. the Tanzanian code), the 2002 DRC Mining Code still theoretically provides for some rights to artisanal miners both in terms of providing for designated areas "reserved" for artisanal miners and providing for annual permits that give some claim to registered perimeters. Nonetheless, the level of security of claims is for only one year after which the permit can lapse if the Congolese Government receives a better offer from a mining company. The Government has yet to designate the areas reserved for artisanal mining in the Kivus despite repeated requests from both artisanal and small-scale miners. A big constraint to more economic security for artisanal miners is that technically they must pass a written test in order to be registered, an obvious barrier to entry. An area of future uncertainty is how the provisions of the code will be administered under the decentralization provisions in the DRC's new constitution. Many of the mining regulations required for the code to be operational have yet to be formulated.

2. How aware are miners, chefs de colline and local authorities of these rights and obligations?

There is a good deal of disinformation circulating about the DRC Mining Code. The document itself is sold for about USD 80 per copy which severely limits its dissemination. Artisanal miners in the Kivus have already stated that they are prepared to defend their rights through all necessary means including force.

Relations between the officials from the Department of Mines and miners leave much to be desired. In North Kivu in particular some of the officials are viewed as having abetted Rwandan exploitation of Congolese minerals. Chefs de colline consider that their customary rights take precedence over anything that is in a government-promulgated code. The stakes are high and so it is unlikely that they will change this view without substantial compensation from mining companies or coercion from the authorities. Some local NGOs have tried to play a mediating role between the authorities and artisanal miners regarding mining rights but the role has proven to be a difficult one.

3. To what extent have the rights and obligations for artisanal miners under the 2002 Mining Code and Mining regulations actually been applied in North and South Kivus and Katanga?

The situation is very different between the Kivus and Katanga for a number of reasons. First, the Kivus have principally artisanal mining operations with very little corporate involvement; second, the security situation in the Kivus has been much more precarious than in the Katanga; and third, many of the companies that have concluded contracts with the Government in Katanga have at least attempted to demonstrate compliance with the 2002 mining code. Nonetheless, the Government has shown very little interest to date in applying the clauses that protect artisanal miners. This is probably due to the potentially much more lucrative business of concluding industrial mining contracts. Research done in the DRC and abroad has

[17] See Annex IV.

shown the "proceeds" from mining contracts have financed campaigns of various factions/parties during the 2006 elections.

4. **What are the best practices elsewhere in terms of the rights and obligations for artisanal miners that are most relevant to the DRC?**

Some of the most encouraging impacts on the protection of artisanal mining rights have been in South America (Brazil, Colombia and Peru). In all three cases the respective governments demonstrated little initial interest in protecting artisanal mining rights but through the miners' lobbying efforts and in the case of Peru, the role of the Swiss Development Co-operation, strong artisanal mining cooperatives have emerged protected by law. The key to success in all three cases has been the emergence of cohesive, well-organized cooperative movements capable of taking on opposing interests. The leadership qualities of the heads of artisanal mining cooperatives have also been critical. The Peru case is particularly relevant to the DRC situation because the miners' movement emerged in an area previously ridden by armed conflict, where there had been many small arms available and widespread insecurity.

F. THE POTENTIAL OF BORDER POINTS TO BECOME ECONOMIC INTEGRATION CORRIDORS

1. Main trading corridors with economic integration potential

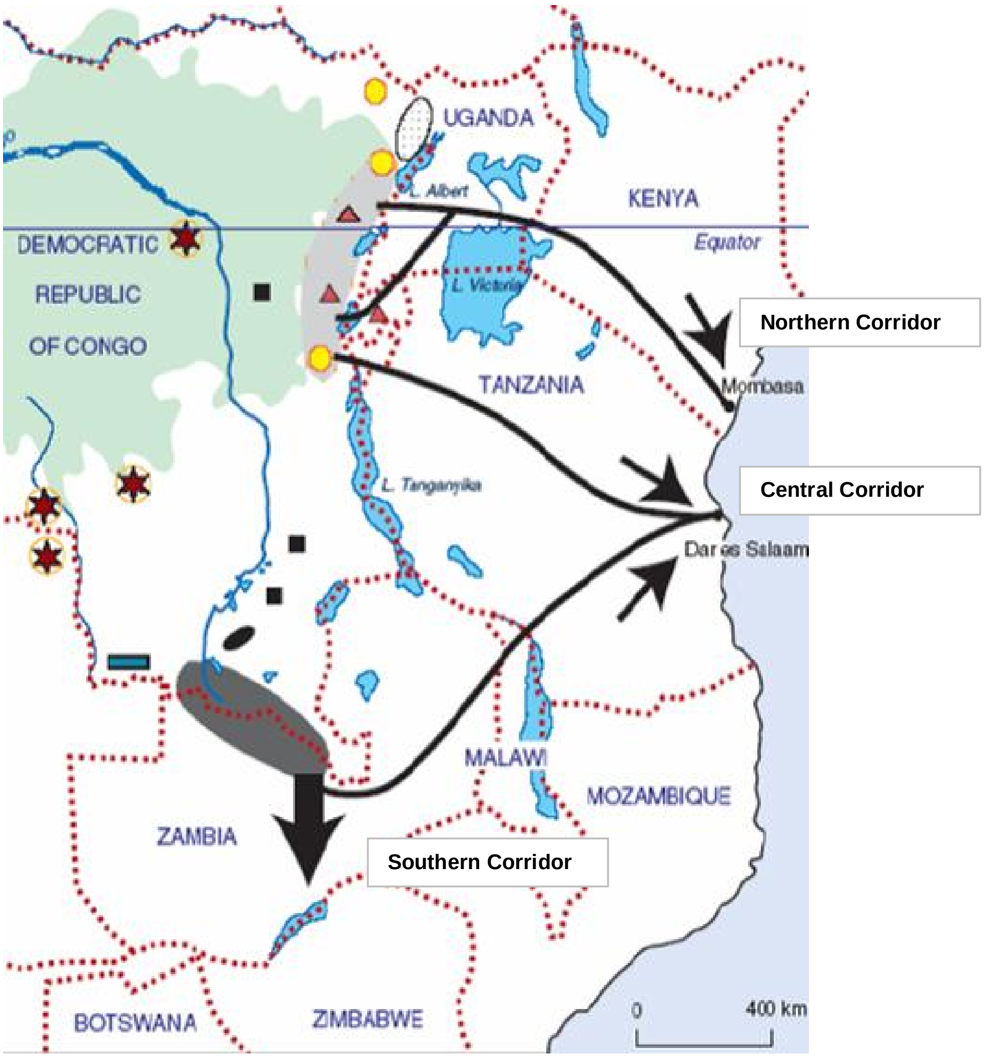
Lubumbashi-Kasumbalesa-Lusaka – This corridor has high potential to become an economic integration corridor on the major condition that close political cooperation at the provincial and national levels can be established. Both sides of the border are being pulled by high prices for copper and to a lesser extent cobalt. Both areas have attracted substantial foreign investment and both have very significant mineral deposits. The Zambia side has attracted more investment due to its relative political stability and more attractive business environment. Zambia is a major source of food and consumer goods for the Katanga. If the political conditions are right then the national and decentralized authorities should meet to set out a vision and plan for the "balanced" development of both sides of the corridor with an acceptable sharing of the proceeds.

Uvira – Bujumbura – The potential of this corridor is closely linked to the productivity and the number of investors that can be attracted to the Fizi-Baraka-Kalemie area and the competitiveness of transport along the central corridor through to Dar es Salaam. Tanzania has already announced its intention to establish an integrated minerals processing corridor based on its own mineral extraction. There may be scope for closer cooperation between the DRC and Tanzanian authorities on how they could proceed together in this vital area. Tanzania's current problem with port congestion and a relatively poor road network has caused it to lose mining shipments to Beira (Mozambique) and Mombasa.

Goma-Gisenyi – While probably not destined to become one of the main regional economic arteries, this corridor has potential to intensify its economic relations to the mutual benefit of the DRC and Rwanda. DRC is the main source of minerals but Rwanda also has a modest mining sector around cassiterite and coltan. The foundry in Gisenyi has been privatized and internationally recognized firms of Alex Stewart and Knight provide minerals testing and certification for export. Rwanda's infrastructure is also good but, except for air-freight, it is dependent on the quality of the two main export transit/transportation corridors (northern and central). There are generally close business and ethnic ties between people on either side of this border.

Beni/Butembo-Kasese - This region was particularly affected by the regional conflict and so has suffered considerable destruction and dismantling of lucrative economic activities especially those linked to agriculture. The minerals-based activities have proven to be more resilient probably because they were an integral part of the war economy. In this post-conflict period there is renewed interest by international investors in exploiting gold deposits. Kasese (Uganda) is also a traditional mining centre for copper and cobalt. These mines have been privatized and production is being exported, primarily through Mombasa. In terms of poverty reduction the potential seems to be mostly in agriculture with revival of export crops, food crops and processed foods for the urban areas along the corridor (assuming the necessary infrastructure connecting the area to the northern corridor is completed).

III. REGIONAL TRANSPORT AND TRANSIT CORRIDORS



Source: INICA

A. NORTHERN CORRIDOR

This corridor accounts for approximately 75 percent of Eastern DRC export/regional freight and is one of the most vital corridors for the COMESA trading bloc (Tanzania is not a member of COMESA). It has been the object of public-private sector consultations and cooperation since the early 1990s under an EU-IMF-World Bank-funded program known as the Cross-border Initiative. Mombasa has a total annual cargo throughput of 1.44 million tons which is more than twice that of Dar Es Salaam and 35 percent higher than the Mozambican ports.

Regulatory framework – the corridor is managed by the Northern Corridor Transport and Transit Authority (NCTTA) and has been the object of much discussion, regulatory reform and investment in order to improve its efficiency. Nonetheless, the corridor has experienced major disruptions due to the poor state of much of the infrastructure and the rapidly rising demand for moving goods, due partly to the spectacular recent success of the COMESA trading block. Members of the NCTTA are: Burundi, DRC, Kenya, Rwanda and Uganda. It runs from the port of Mombasa through Kampala and onto Rwanda and Burundi, on one hand, and the Eastern DRC through Beni/Butembo, on the other. The corridor provides multi-modal transport with road, rail and lake ferries. COMESA has been supporting major improvements along the corridor including: (1) the testing of an integrated cross-border information technology system to expedite customs' clearance at borders, (2) institutions such as a COMESA clearing house and a COMESA re-insurance company, (3) a cargo tracking scheme, (4) a yellow card (insurance for vehicles) circulating in the region and (5) a customs payment guarantee scheme for transit traffic.

Formal and informal checkpoints between entry and exit points – Despite reforms and continued dialogue, the northern corridor still is subject to a large number of formal and informal check points both at the borders and along domestic parts of the route. Enforcement of weight per axle standards has been quite lax leading to rapid deterioration of paved roads. In contrast to the lack of compliance with these standards is the general complaint among traders from the DRC, Uganda, Rwanda and Burundi that there are too many weighbridge checkpoints, especially in Uganda and Kenya. Other complaints refer to the high costs of various visas for truck drivers/traders (Kenya and Uganda) and regulations in Kenya which prohibit trucks bringing transit goods to Mombasa to return with goods purchased in Kenya.

Infrastructure gaps (multi-modal, state of roads, railroads, ferries on Lake Victoria). With major improvements in the Mombasa port it could be expected that the corridor would operate more efficiently; however, demand for imports is growing rapidly (in response to increased demand for petroleum products and other goods in the post-conflict areas of Burundi, Eastern DRC and Southern Sudan). There are problems with the rail system which is antiquated and in a state of disrepair, key stretches of road and the breakdown of most of the ferries operating on Lake Victoria. There are also complaints regarding the failure or delayed/partial reimbursement of container deposit charges by shipping lines which adds to the costs of transport. In 2006 the Uganda and Kenyan Railway networks were merged and a private operation selected to run the network (a South African investor). There are likely to be many problems on the tracks until a proposed medium-term investment plan can be implemented.

Main actors – exporters, transporters, forwarding agents, shipping agents – There is considerable tension among the main actors in the corridor as each one blames delays on the other. In addition, there are tensions between revenue authorities and forwarding agents with the former blaming the latter of abetting tax evasion and bribing relevant authorities. The accumulated problems are then felt in the congestion of the port of Mombasa and threats to impose a vessel delay surcharge of USD 15,000 per day. Already the port authorities have waived charges for extra storage days due to congestion. The Northern Corridor Authority promotes dialogue and transparency of information among the various actors.

Stakeholders' groups – The corridor has a stakeholders' group which meets regularly (twice a year) to provide the NCTTA with regular feedback on the problems in the corridor and propose changes designed to improve the situation. There have been complaints that monitoring of compliance with agreed actions is lax and the 6-monthly interval between meetings is too short to allow for adequate implementation.

B. CENTRAL CORRIDOR

The Central corridor accounts for approximately 25 percent of Eastern and DRC export/regional freight and about 10 percent of Katanga export freight which links up to Dar es Salaam through what is known as "the north-south corridor." Zambia/Malawi/DRC account for about 47 percent of throughput tonnage for the port of Dar es Salaam. In 2006 total tonnage was estimated at 6.3 million. The central corridor has just recently introduced a coordinating authority similar to the one managing the northern corridor. The corridor runs from Uvira to Bujumbura to Kigoma overland (rail, road) to the port of Dar es Salaam which has about one-half the capacity of Mombasa. Dar es Salaam is also plagued by congestion and delays especially at the container port.

Regulatory framework – It is too early to say how effective the new multi-national management body will be in facilitating transport along the corridor. At the moment, the corridor is accused of having a very high level of corruption and the state of Tanzanian roads is poor. Competition between the northern and central corridors for the region's freight is a given and has probably helped spur the recent investments to improve performance. The corridor is not identified with a regime of a specific regional economic community like the northern corridor. The Tanzanian Entrepreneurship Promotion and Information Centre is involved in providing bonds for transit cargo and cargo destined for the Tanzanian market. There have been repeated attempts to crack down on weight per axle limits but they have proven to be mostly temporary.

Formal and informal checkpoints between entry and exit points – As with the northern corridor, the central corridor also has many formal and informal checkpoints at border areas and all along the corridor. There have yet to be any concerted efforts to reduce these checkpoints and punish those involved in manning illegal checkpoints for the sole purpose of collecting "revenue" from users.

Infrastructure gaps (multi-modal, state of roads, railroads, ferries on Lake Victoria) – There are severe gaps due to the poor state of the various types of infrastructure and the lack of ferries to ensure service from Mwanza to Entebbe. The Tanzanian railway does link up with the Zambian rail system at Kapiri Mposhi thus providing an alternative route for goods coming out of the Lubumbashi-Lusaka corridor. This rail link transports primarily copper and cobalt exports from Zambia to the port of Dar Es Salaam (the lowest cost port in the region). There is also a link up with the Rift Valley Rail system through a wagon ferry but this does not appear to be very operational due to the lack of ferries. The Tanzanian Railways Corporation is in the process of being privatized. An Indian Company, Rites, in a consortium with Unit Trust of India has been selected for a 25-year concession agreement to operate TRC and rehabilitate and modernize the railway. Poor port equipment and the lack of wagon availability are other issues needing urgent attention.

Main actors – exporters, transporters, forwarding agents, shipping agents – There are also tensions between the main actors on the central corridor. Most of them tend to operate on both the northern and the central corridors. One of the reasons behind the recent creation of a central corridor authority is to improve the level of consultation among the main actors. There has been a relative decline of the Central corridor as a viable option for freight from the Great Lakes region, despite the fact that in terms of distance it is a significantly shorter route. The issues are as follows:

- The Tanzanian Railway Corporation, which has the rail line going towards Burundi-Rwanda and Uganda across Lake Victoria, is in a desperate state of disrepair. There has been no investment in nearly a decade as the World Bank has taken almost 8 years to privatize the railway.
- A wagon ferry that goes from Port Bell to Entebbe sank in [when?]. Consequently, all the others have been pulled out of circulation pending certification by Lloyds, which is unlikely to happen. There are no more wagon ferries operating on Lake Victoria, which eliminates the Uganda route altogether.
- The railway goes in two different directions. One is to Kigoma on Lake Tanganyika, where minerals and produce could theoretically get loaded onto a boat to go to or from Kalemi in Maniema and Uvira at Bujumbura. However, the railway is not working well. Furthermore, the ports are in poor condition due to lack of maintenance, falling water levels and silting up, making access to ports dangerous and increasingly difficult. Kalemi in particular suffers from a lack of maintenance as there is no dredging to clear the ports.
- As a result of these challenges, goods to be imported in DRC follow the following route: they go by railway from Dar Es Salaam to the Lake border; the wagons cannot board the ferry so the goods must be unloaded and put on barges to cross the lake; the goods are then loaded onto trucks. This becomes extremely expensive.
- The collapse of this Central corridor has given the northern corridor a monopoly on exports from this part of DRC, so there is no bargaining power to control transport costs which are sky-rocketing.

State of ICT, computerized customs clearance, centralized or clearance at border points – there is as yet no concerted effort to streamline and automate customs clearance along the corridor. Tanzania's withdrawal from COMESA which has been a driving force for computerized customs clearance along the Northern corridor may be one of the reasons why more progress has not been made.

Stakeholders' groups – the new management authority has expressed its intention of organizing consultations among stakeholders. The Dar es Salaam port authorities are meeting with business communities from the region to try to attract business to the corridor. A major problem is the long period of time required to clear cargo (estimated to be 20 days).

C. SOUTHERN CORRIDOR(S)

The Southern corridor accounts for approximately 90 percent of southern DRC export/regional freight. Exporters and importers in Katanga have a variety of options open to them for transporting goods. As described above they can link up with the central corridor and the port of Dar es Salaam or take a variety of routes to Nacala, Beira, Maputo (Mozambique) or through to the port of Durban (South Africa).

Regulatory framework – transport corridors in this region are mainly being transformed into integrated economic corridors through the Spatial Development Initiative (SDI). There has been considerably more investment including private sector investment to meet the objectives set by the SDI, including cargo tracking, tax guarantees which are used on most of the corridors and there is high percentage of containerization of freight. In the context of SADC of which the DRC is a member there have been considerable efforts to adopt a harmonized regulatory framework.

Formal and informal checkpoints between entry and exit points – We have no specific information on the level of bribes and the numbers of formal and informal checkpoints on corridors to the Mozambican and South African ports.

Infrastructure gaps (multi-modal, state of roads, railroads) – As would be expected given the relatively developed economies of southern Africa the state of infrastructure is better than along the northern and central corridors. Nonetheless, there is scope for improvement especially in the infrastructure at the Mozambican ports and some of the roads between the Katanga and South Africa. Railroads are generally in better condition than those in East Africa as well. South Africa produces its own rolling stock and has embarked on a major program to upgrade its rail infrastructure.

Main actors – exporters, transporters, forwarding agents, shipping agents – given the better general state of infrastructure and the wider choice of various routes to bring cargo in and out, the level of tension among the main actors in the various corridors appears to be much lower. There is also more competition between Tazara Rail and the road, which is paved the whole way from Lubumbashi to Dar Es Salaam, which produces less oligopolistic behaviour.

State of ICT, computerized customs clearance – along most arteries of the corridor there is already a fully automated customs clearance process.

Stakeholders' groups – One of the most dynamic examples of a stakeholders' group comes from the Maputo corridor. Following the construction of a privately financed toll road linking up the Johannesburg area of South Africa with the Mozambican port, the stakeholders organized to pressure the Mozambican Government to expand the opening hours of the border and accelerate the customs' clearance process for trucks coming from South Africa. The group has been very effective in ensuring that its positions are both known and frequently adopted.

PART II – THE WAY FORWARD
POLICIES AND PROGRAMS TO BE DELIVERED IN PHASE 2

A. TRADE

1. Policy Objectives

a) Improve the flow of goods and people across key border points between the DRC and its neighbours.

b) Enhance the capacity of small producers and traders, especially from the DRC, to participate efficiently in production and trade of natural resources-based products.

c) Progressively transform the more dynamic trading corridors into economic corridors through spatial integration and harmonized regulations and quality standards.

2. Program Activities

a) Develop and deliver policies and mechanisms to facilitate trade and the movement of people and goods between the DRC and its neighbours linked through the main international transport corridors.

b) Develop cross-border observatories to monitor trade flows, practices at the border and the impact of policy reforms on actual flows and practice at key DRC border crossings.

c) Reduce barriers to entry for small-scale traders in key corridors through streamlined regulation aimed at reducing the control of monopolistic trading networks. Reinforce official efforts to combat illicit practices.

d) Promote the establishment of "fair-trade" style marketing arrangements for agricultural, timber and mineral exports of small producers.

B. ECONOMICS AND FINANCE

1. Policy Objectives

a) Progressively transform the more dynamic trading corridors into economic corridors through spatial integration and harmonized regulations and quality standards.

b) Improve accessibility to affordable business services including banking/financial services to the informal and small-scale traders and producers.

c) Improve regional harmonization of tax rates on trade, royalties, income and dividend withholding and coordinate their collection.

2. Program Activities

a) Map out spatially some of the value chains around production, processing and export of natural resources-based commodities and identify potential opportunities for integrated investments.

b) Encourage a cluster approach to corridor development through lead investors and appropriate fiscal incentives for value-adding businesses

c) Financial deepening in selected dynamic corridors particularly on the DRC side.

d) Attract business development services to the corridor.

e) Establish a regional coordinating body of revenue and customs' officials involving the DRC, Burundi, Rwanda, Uganda and Zambia and adding Kenya, Tanzania and Mozambique.

f) Develop regional trade tax collection systems and cargo tracking along major trading corridors.

C. LIVELIHOODS AND SUSTAINABILITY

1. Policy Objectives

a) Build on the vitality of the informal sector to create revenue and employment opportunities around natural resources-based commodities.

b) Limit negative environmental and social impacts related to natural resources exploitation and trade especially on grassroots communities.

2. Program Activities

a) Develop transition mechanisms building on what already exists to improve the business environment and opportunities for grassroots producers, traders and other entrepreneurs, especially those operating from the DRC.

b) Identify opportunities for diversification of activities outside of non-renewable resources and opportunities for more efficient exploitation of non-renewable resources.

c) Develop minimum environmental standards and damage repair requirements for artisanal and industrial mining and forestry.

d) Improve the social well-being of miners/foresters and their communities.

D. GOVERNANCE

1. Policy Objectives

a) Improve physical and economic security in the region for economic actors, especially grassroots actors unable to afford private security.

b) Strengthen local cross-border cooperation through effective decentralization of the region's national governments especially in the DRC but also in neighbouring countries.

c) Promote regional sharing of experiences with respect to decentralization in order to support the recently adopted DRC reform with extensive delegated powers to provinces.

2. Program Activities

a) Reinforce joint border patrols and coordinated security actions in key border flash points.

b) Strengthen economic security especially for grassroots actors involved in short-distance cross-border trade.

c) Formulate cross-border local economic development plans involving sharing of key infrastructure, promotion of economic relations and business linkages, measures to improve the business environment.

d) Establish a regional peer learning group around good practice on decentralized government to support North and South Kivu and Katanga with their initial steps towards introducing the reforms set out in the country's new constitution.

E. Deliverables

Program Area	Policy Objectives	Program Activities	Deliverables: Short Term (within 1 year)	Deliverables: Medium Term (1 to 3 years)
TRADE	***Improve the flow of goods and people across key border points between the DRC and its neighbours***	**I.** Develop and deliver policies and mechanisms to facilitate trade and the movement of people between the DRC and its neighbours linked to the main international transport corridors	1. Draft information pamphlets regarding current trade regulations (national and regional) especially as they apply to small scale traders of agricultural, timber and minerals products 2. Draft information pamphlets regarding current visa/entry regulations applicable to traders and entrepreneurs 3. Organize local media campaigns and community level and sector based dissemination forums for trade related regulations 3. Create incentives for existing private sector organizations to open membership to informal sector traders and producers 4. Support existing informal sector traders' associations and assess the needs for their expansion to cover the Great Lakes region (i.e. COMESA Cross Border Traders' Association) 5. Reduce the number of unauthorized official services collecting fees at the DRC borders	1. Establish trade points specializing in informal sector and small formal sector traders (i.e. market information through cell phones, licensed intermediaries in major markets) 2. Simplify registration and licensing requirements and fee structures for small-scale producers and traders of agricultural, timber and minerals products 3. Harmonize local practices and national legislation regarding the movement of traders/entrepreneurs in the region to correspond to agreements reached in the context of Regional Economic Communities (CEPGL, COMESA, EAC) 4. Harmonize agreements on the movement of goods and people among the 3 major regional economic communities 5. Eliminate all unauthorized officials at border points and introduce sanctions for collecting non-existent taxes/fees 6. Effective application of compensatory revenue mechanisms linked to customs' unions (i.e. COMESA)

Program Area	Policy Objectives	Program Activities	Deliverables Short Term (within 1 year)	Medium Term (1 to 3 years)
TRADE	***See above.***	**II.** Develop cross-border observatories to monitor trade flows, practices and the impact of policy reforms on actual flows and practice at key DRC border crossings	1. Reinforce and place on a sustainable financial and organizational footing INICA's cross-border observatory 2. Link-up the observatory to the national customs and statistical offices of the countries in the region and appoint designated focal points 3. Organize regular meetings between customs officials and security officials manning border points on either side of a border crossing to discuss results of the observatory process and possible joint corrective action 4. Monitor the use by traders of informal border crossings and examine the reasons behind them (i.e. to avoid illicit taxation, smuggling of illegal goods, to avoid legitimate taxation) 5. Establish public-private-civil society partnerships between shipping agents, forwarding agents, private companies and national statistical offices and universities to improve the quality of trade data to and from the DRC	1. Disseminate information on illegal or illicit practices throughout the DR Congo and assess the impact 2. Rank order the border crossings in terms of compliance with existing rules and regulations governing taxes and movement of goods and people 3. Provide bonuses for officials working at border points that have complied with existing rules and regulations 4. Reduce incentives for traders to use informal sector crossings by more effective enforcement and reduction of dysfunctions that make them necessary 5. Set up cost recovery mechanisms whereby users of trade data can contribute to the necessary capacity building in the sector
TRADE	***Enhance the capacity of small producers and traders especially from the DRC to participate efficiently in production and trade of natural resources-based products.***	**I.** Reduce barriers to entry for small scale traders in key corridors through streamlined regulation aimed at reducing the control of monopolistic trading networks. Reinforce official efforts to combat illicit practices	1. Explore the main barriers faced by small-scale traders from the DRC and identify a limited number that could be dealt with in the short term 2. Reinforce the capacity of small traders to access the information needed to identify the best marketing channels along the corridor 3. Help establish intermediary marketing points (i.e. border markets) where small scale traders can sell goods at a reasonable share of the final sales price 4. Regular information campaigns designed for border officials to sensitize them to the potential benefits of increased participation in the trading system	1. Discuss proposals with groups of small traders and implement agreed reforms to improve their competitiveness 2. Alleviate the main infrastructure constraints faced by small-scale traders from the DRC and its neighbours 3. Organize forums for infrastructure needs assessment and development strategy 4. Promote business relationships between small scale traders and the wholesalers/retailers active in the upstream marketing

Program Area	Policy Objectives	Program Activities	Deliverables Short Term (within 1 year)	Medium Term (1 to 3 years)
TRADE	***See above.***	**II.** Stimulate the establishment of "fair-trade" style marketing arrangements for agricultural, timber and mineral exports of small producers	1. Identify products most amenable to fair trade style marketing arrangements and where possible those already being established in the region (i.e. coffee) 2. Assess prospects for building these arrangements from successful neighbouring countries to the appropriate DRC production areas/trading points 3.Help broker more equitable purchasing agreements between local/regional businesses and small scale producers/traders	1. Explore the feasibility of regional branding of exports around the Great Lakes label and/or "peace generating" products 2. Attract interested corporate buyers already active in the region to extend their interest to the DRC (i.e. Starbucks for upscale coffee, international jewellers for gold, Stark for coltan) 3. Develop an advertising campaign for regional labelling and marketing of products exported to developing countries (i.e. coffee, tea, gold, diamonds, non-traditional exports)
ECONOMICS AND FINANCE	***Progressively transform the more dynamic trading corridors into economic corridors through spatial integration and harmonized regulations and quality standards***	**I.** Map out spatially some of the value chains around production, processing and export of natural resources-based commodities and identify potential opportunities for integrated investments	1. Establish business linkages programs within the selected trading corridors based on contacts management data bases and regular product based forums along the corridor 2. Organize corridor-based meetings around specific value chains to determine how to improve opportunities and reduce constraints 3. Identify the key infrastructure investments necessary to improve the business environment within the corridor	1. Promote investments in transformation capacity along the corridors (e.g. trans national EPZs) and multi-national shareholding among the appropriate public and private sector entities 2. Develop regional stock markets and brokers' associations to help attract capital into the corridors through attractive returns (i.e. East African Securities Exchange Association) 3. Put in place stakeholders' and lobbying groups to propose reforms and marketing programs needed to improve the attractiveness of the economic corridor along the lines of what has been done for the Maputo corridor

Program Area	Policy Objectives	Program Activities	Deliverables Short Term (within 1 year)	Medium Term (1 to 3 years)
ECONOMICS AND FINANCE	***See above.***	**II.** Encourage a cluster approach to corridor development through lead investors and appropriate fiscal incentives for value-adding businesses	1. Map out the types of lead investors needed to stimulate the cluster approach to mining, timber and agricultural processing for short, medium or long distance export 2. Designate areas for small-scale miners and forestry permits so as to ensure complementarity with industrial developments while preserving protected areas	1. Work with existing industries and or attract new industries based on potential for upstream (supplier/input industries etc.) and downstream activities (beneficiation, transformation, packaging etc.) 2. Harmonize corridor development land use to ensure an appropriate mix of SMEs and larger-scale operations 3. Develop linkages among sectors to promote multiplier effects through upstream/backstream/side stream activities 4. Develop training and technology dissemination programs to promote progressive improvement in the transformation techniques used in the selected corridors 5. Use corporate social responsibility programs of large multinationals active in the region to systematically develop upstream and downstream opportunities for SMEs
ECONOMICS AND FINANCE	***Improve accessibility to affordable business services including banking/financial services to the informal and small scale traders and producers***	**I.** Financial deepening in selected dynamic corridors	1. Adopt creative solutions to the lack of a viable banking sector in the DRC that involves mobile banking units, cell phone banking, networking along the corridor with micro-finance and banking institutions, independent oversight mechanisms etc.	1. Develop regional trade financing, effective regional clearing-house mechanisms and banking/foreign exchange services adapted to informal and small and medium-scale entrepreneurs 2. Harmonize prudential and banking sector regulations in the region including protection of bank deposits and possibility of maintaining bank accounts in foreign exchange

Program Area	Policy Objectives	Program Activities	Deliverables: Short Term (within 1 year)	Deliverables: Medium Term (1 to 3 years)
ECONOMICS AND FINANCE	***See above.***	**II.** Attracting business development services to the corridor	1. Assess need for business development services including mechanisms that combine business handholding for small, informal sector entrepreneurs with access to appropriate financing mechanisms 2.Assess the prospects for attracting successful business service providers including entrepreneur incubation programs into the corridor 3. Assess the prospects for a regional dispute settlement system run by the private sector	1. Attract business development services to the region through training, promotional schemes and the gradual building up of the demand side. 2. Based on successful experience with managed venture capital funds in the region (ie Shell Foundation/Gro Fin) progressively expand them across the border to DRC 3. If the assessment is positive establish a dispute resolution mechanism under OHADA which provides for arbitration through regional business organizations (ie GICAM in Cameroon)
ECONOMICS AND FINANCE	***Improved regional harmonization and coordination of trade tax, royalties, income tax rates, dividend withholding and coordinate their collection.***	**I.** Establish a regional coordinating body of revenue and customs' officials involving the DRC, Burundi, Rwanda, Uganda, Zambia and add Kenya and Tanzania	1. Based on existing coordination mechanisms explore how such a coordinating body could function and which tax regulations would need to be harmonized as a matter of priority 2. Regularly share information among revenue authorities regarding the amount of trade, income tax and royalties collected from the main trading corridors 3. Based on improved trade monitoring through the trade observatory regularly assess the amount of revenue leakage due to illicit practices along the major trading corridors	1. Improve enforcement mechanisms through a regional oversight body that ranks the effectiveness of revenue collection and repression of illegal practices (demanding bribes, smuggling, tax evasion) with appropriate penalties for lax enforcement 2. Negotiate revenue sharing arrangements by product and by corridor based on harmonized regulations and services rendered
ECONOMICS AND FINANCE	***See above.***	**II.** Develop regional trade collection systems and cargo tracking along major trading corridors	1. Assess the strengths and weaknesses of the current tax guarantee scheme being tested along the northern corridor 2. Assess the strengths and weaknesses of the current cargo tracking system being tested along the northern corridor 3. Regularly publish for the general public and corridor stakeholders information on the revenues collected and how they are utilized	1. Establish effective revenue guarantee schemes along the major trading corridors through better tracking of the movement of goods 2. Introduce effective cargo tracking in collaboration with the shipping lines and forwarding agents 3. Establish joint customs' clearance and tax collection points between the DRC borders and neighbours through computerized systems and sharing of electric power sources

Program Area	Policy Objectives	Program Activities	Deliverables Short Term (within 1 year)	Medium Term (1 to 3 years)
LIVELIHOODS AND SUSTAINABILITY	***Build on the vitality of the informal sector to create revenue and employment opportunities around natural resources-based commodities***	**I.** Develop transition mechanism building on what already exists to improve the business environment and opportunities for grassroots producers, traders and other entrepreneurs, especially those operating from the DRC	1. Assess opportunities for increased revenue to small producers in the DRC and immediate neighbours from short distance cross-border trade in agri-food products and other petty commerce (wood charcoal, wood for construction) 2. Build on existing marketing channels (i.e. permanent and periodic markets, warehouses) to facilitate market outlets for the production of agri-food and timber products for consumption in secondary towns in the region 3. Assess the most immediate constraints (security, roads, bribes, price information) that prevents informal sector operators from obtaining higher prices for their produce and for scaling-up the volume of their activities 4. Monitor the level of bribes paid by informal sector traders, especially on perishable food products along the corridors	1. Establish grassroots professional organizations and provide support for them to effectively promote the introduction of technical and organizational reforms essential for increasing revenue from regional trade in agri-food products 2. Identify and conclude agreements with NGOs and local business services already operating in the corridors to work with informal sector traders and producers to improve the quality of their products and the marketing channels used 3. Facilitate agreements between producers and traders in the final market for the goods so as to reduce the number of intermediaries in the supply chain 4. Help informal sector traders to organize and defend their interests against security/customs officials' predatory behaviour (i.e. rapid appeal mechanisms against abuses of officials on transport corridors)
LIVELIHOODS AND SUSTAINABILITY	***See above.***	**II.** Identify opportunities for diversification of activities outside of non-renewable resources and opportunities for more efficient exploitation of non-renewable resources	1. Examine prospects for introducing high value, low volume products such as fruit juices, medicinal and aromatic plants, nuts etc. 2. Examine prospects for introducing non-traditional mining products and improving the quality of geological information available to diggers (SEAMIC) and opportunities for introducing minerals beneficiation technologies 3. Examine prospects for developing integrated cross-border mining corridors between DRC and its immediate neighbours 4. Develop new legislation or regulations that provide a direct incentive for grassroots economic actors to organize themselves into professional organizations and cooperatives (ie access to credit, access to exploitation rights)	1. Attract lead investors interested in working with small producers to develop these new agricultural products through provision of quality inputs and the needed extension services 2. Work through CASM and other appropriate networks to support the introduction of improved techniques for traditional mineral products and new techniques to process non-tradition mineral products 3. Draft and implement local cross-border development plans for developing integrated mining corridors where this approach is feasible 4. Improve the functioning of regional agri-food markets in order to offer diversification opportunities to households interested in reducing dependency on mining revenues 5. Protect mining, forestry and land rights of grassroots actors in the face of rising demand for industrial exploitation purposes 6. Develop arbitration mechanisms between customary rights and right provided for under the DRC Forestry and Mining Codes (ie per the experience in Tanzania)

Program Area	Policy Objectives	Program Activities	Deliverables Short Term (within 1 year)	Medium Term (1 to 3 years)
LIVELIHOODS AND SUSTAINABILITY	***Limit negative environmental and social impacts related to natural resources exploitation and trade especially on grassroots communities.***	**I.** Improve the social well being of miners/foresters and their communities	1. Assess feasibility of improving health and safety standards for miners/foresters in the artisanal and industrial sectors 2. Assess the feasibility of enforcing minimum levels of social investments and safety requirements to be financed by industrial mining and forestry companies 3. Provide pamphlets with environmental and social standards for artisanal and industrial mining and forestry to local communities in local languages 4. Assess the feasibility of introducing savings schemes for artisanal miners/foresters to ensure that some of the proceeds are available to purchase essential safety equipment and cover health care and injuries	1. Implement the security plan beginning with border areas handling the bulk of regional trade between the Kivus, Katanga and the Indian Ocean ports 2. Implement a regional plan for coordinated security along the main transport corridors 3. If feasible introduce integrated corridor police forces

Program Area	Policy Objectives	Program Activities	Deliverables Short Term (within 1 year)	 Medium Term (1 to 3 years)
GOVERNANCE	***Improve physical and economic security in the region for economic actors, especially grassroots actors unable to afford private security***	**I.** Reinforce joint border patrols and coordinated security actions in key border flash points	1. Work with the appropriate regional economic communities, the tripartite plus mechanism and ICGLR's Security, Stability and Development pact to formulate a plan for joint security along the DRC borders with neighbours (ie agreement among East African states to jointly patrol Lake Victoria) 2. Assess the feasibility of introducing "corridor security" which would interface with national security forces and monitor the state of security along the corridor, trouble shoot problems and investigate complaints of improper conduct	1. Establish an effective forwarding service for informal sector traders engaging in shorter distance trade especially in agri-food products 2. As part of INICA's cross border observatory, train truck drivers to provide regular information on the bribes they pay to cross borders and move along transport corridors. (ie already introduced in West Africa) 3. Consult with officials from the member countries of the main international transport corridors and/or of regional economic communities regarding the abnormal practices along the corridors
GOVERNANCE	***See above.***	**II.** Strengthen economic security especially for grassroots actors involved in short-distance cross-border trade	1. Post signs and make information pamphlets available at the border areas informing people of their rights and obligations for crossing the borders 2. Set up hot lines for traders/transporters crossing borders that are available to provide information and advice in the event of problems 3. Professionalize forwarding agents through training courses (already begun in Kenya) and provide opportunities for regular consultations between customs' officials and forwarding agents 4. Examine the feasibility of introducing low-cost forwarding services for shorter-distance cross-border trade primarily conducted by informal sector traders	1. Formulate cross-border investment programs designed to increase the competitiveness of selected cross-border areas and develop new market opportunities for the areas' producers and entrepreneurs (sharing of infrastructure, pooling of energy sources, internet services, linking up market, transport infrastructure) 2. Periodic reviews of the status of implementation of agreed plans with the areas' municipal officials, their technical staff, security forces and provincial/district authorities

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Program Area	Policy Objectives	Program Activities	Deliverables Short Term (within 1 year)	Medium Term (1 to 3 years)
GOVERNANCE	***Strengthen local cross-border cooperation through effective decentralization of the region's national governments especially in the DRC but also in neighbouring countries***	**I.** Formulate cross-border local economic development plans involving sharing of key infrastructure, promotion of economic relations and business linkages, measures to improve the business environment	1. Organize exchange programs between certain West African municipalities (ie Burkina Faso and Mali) that have already concluded cross-border agreements to promote joint economic development 2. Map out existing twinning relationships between municipalities on either side of key border areas in order to determine scope for inter-city cooperation supported by technical assistance from more developed cities/towns 3. Examine the scope for conducting a "light" local economy study in one or two interested border areas that would lead to a joint development program (ie through the ECOLOC program of the Cotonou-based MDP) 4. Examine ways of building on existing bilateral agreements between the states sharing borders to help provide a more secure framework for cross-border cooperation (ie Recent agreement between Uganda and Tanzania on management of illegal immigration including a provision for regular consultation with the private sector)	
GOVERNANCE	***Regional sharing of experiences with respect to decentralization in order to support the recently adopted DRC reform***	**I.** Establish a regional peer learning group around good practice on decentralized government to support the Kivus and Katanga with their initial steps towards introducing the reforms set out in the country's new constitution	1. Building on existing organizations establish a centre for disseminating good practices, (legislation, public expenditure management and organization of decentralized government) 2. Organize exchanges between established provincial/district assemblies in the region and the newly created DRC provincial assemblies 3. Assess the utility and feasibility of developing a regional code of conduct for decentralized legislators	