

# MINING COOPERATIVES IN SOUTH KIVU: SAVIOUR OR EXTORTIONIST?

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Looking at recent policy, ‘mining cooperatives’ appear to be the latest saviour for Congolese artisanal mineworkers. International donors and NGOs, national and provincial governments, local civil society organizations and even the private sector all have jumped on the bandwagon to promote and empower miners’ cooperatives. But do the latter really take the form of a saviour, or do they rather sustain extortion by the most powerful actors? On the basis of a field study in South Kivu province, this brief argues that mineworkers’ power positions and the distribution of wealth in artisanal mining have not been significantly altered, but that cooperatives are at risk of advancing capture and extortion by the most powerful actors.

## The emergence of mining cooperatives

Several authors have documented the vital importance of artisanal and small-scale mining (ASM) for individual livelihoods as well as regional development in the DRC (Geenen, 2015; World Bank, 2008). Nevertheless, ASM is also associated with negative health, environmental and social effects and particularly in South Kivu with ‘conflict minerals’. Concerns about such negative effects have triggered a range of policy interventions (due diligence, certification and traceability initiatives) at the international and the national level.

At the lifting of a six month ban on all artisanal mining activities, proclaimed by President Kabila in September 2010, miners were urged to organize in cooperatives (Geenen, 2012; Southern African Resource Watch, 2012). While the Congolese Mining Code (2002) recognizes individual miners (who need to buy a permit) and cooperatives<sup>1</sup>, a Ministerial Decree (2010) now required all miners to group into cooperatives<sup>2</sup>. Cooperatives can apply for a research permit<sup>3</sup> inside an ‘artisanal exploitation zone’ (AEZ)<sup>4</sup>. They should ideally evolve into semi-industrial operations in order to – in the words of the Ministry of Mines- “promote the emergence of a Congolese middle class”<sup>5</sup>. To be legally recognized, cooperatives need to introduce their file at the provincial Ministry of Mines<sup>6</sup>, who must give a ‘favourable advice’ before the file can be sent to the central administration in Kinshasa. Figures from 2012 indicated that 62 cooperatives

in South Kivu had submitted a file to the provincial Minister of Mines<sup>7</sup>, while about six had obtained an official license<sup>8</sup>. By 2015 a total of 99 had submitted a file, 76 had received a favourable advice and about six, still, had an official license (Bahala, forthcoming). In this study our aim is to examine to what extent the emergence of mining cooperatives has impacted on **power relations** and on the **distribution of wealth** within the artisanal mining sector.

The field study (July-August 2015) made use of qualitative research methods: 43 in-depth interviews and six group discussions, including an in-depth study of the two most important mining cooperatives in Walungu territory: ‘Coopérative Minière Des Exploitants Artisanaux’ (COMIDEA) and ‘Coopérative Minière et Agricole de Ngweshe’ (COMIANGWE).



Fig. 1. Mineworkers at COMIANGWE site

## Cooperatives as a mechanism of state control

Legally speaking, it is not clear whether cooperatives are considered to be civil society or business organizations (Bahala, forthcoming). Yet government representatives have presented a clear vision on cooperatives as

1 Mining Regulations, T.9, Ch. 2, Art. 235.

2 Ministère des Mines, Arrêté ministériel n°0706/CAB.MIN/MINES/01/2010 du 20 septembre 2010 portant mesures urgentes d’encadrement de la décision de suspension des activités minières dans les provinces du Maniema, Nord-Kivu et Sud-Kivu.

3 Mining Regulations, T.4, Ch. 1, Art. 103-110.

4 Mining Code, T. 4, Ch. 1, Art. 109.

5 Ministère des Mines, Vision pour la période 2010-2015.

6 The model statute (*Statuts-type pour une coopérative minière*) is inspired by a colonial example (*Décret du 24 mars 1956 relatif aux coopératives*) and is criticised for not being adapted to current realities.

7 Reports Provincial Mining Division.

8 Interview with cooperative leader, Bukavu, 26/05/2012.

businesses: their purpose is to move towards SCM, to commercialize as a business and to diminish the number of intermediate traders in the value chain by selling directly to export houses. Presidents of cooperatives subscribe to these goals, although they don't have a coherent vision or strategy on how to reach them. Moreover, this vision does not appear to incorporate the full interests enlisted by the government. Indeed, the Minister of Mines also mentioned that cooperatives make mineworkers "more manageable"<sup>9</sup>. Moreover, one president of a cooperative adjudicated the creation of cooperatives as a way to "increase the control by the state through taxation"<sup>10</sup>. It thus seems that the Congolese state pushes the creation of cooperatives as a mechanism to increase its control over the mineral sector, an argument that has been made before with respect to the promotion of large-scale mining (Geenen, 2015).

### **The power paradox**

Cooperatives are ideologically meant to empower workers through political representation, with the aim of increasing their bargaining position vis-à-vis traders and the government (Cooperatives Europe, 2013). Paradoxically, the cooperatives under study seem to do the opposite. In many cases, mineworkers were not involved in the selection of their leaders, they barely participate in cooperative meetings and are deceived by the leaders' unfulfilled promises<sup>11</sup>. More problematically, many mineworkers are not aware of their right to be represented, as was illustrated by several respondents: "I did not know that I had the right to influence the cooperative"<sup>12</sup>. With respect to the cooperative leaders, their background is mixed. Some of them have extensive experience in mineral trade. Some of them were leaders of so-called 'mineworkers' committees', a kind of informal organizational structure that existed in most mining sites and that in many cases has (more) legitimacy in the eyes of mineworkers (than current cooperatives). Others were members of the political, customary, religious or economic elite, and have taken the creation of a cooperative as an opportunity to gain access to mining titles. In Walungu for example, the most powerful leader is the president of COMIANGWE, who is at the same time the wife of the king of Ngweshe, a chiefdom in Walungu territory. The king's power, which results from his customary position as manager of the land and levier

9 Interview at South Kivu's Ministry of Mines.  
10 Interview with cooperative leader.  
11 Interview with mineworker COMIANGWE.  
12 Interview with pit boss COMIDEA.

of taxes on land and artisanal production (OGP, 2002; Geenen, 2015), is thus perpetuated in the management of the mining cooperative.

A provincial federation of cooperatives exists in South Kivu: 'Générale des Coopératives Minières du Sud-Kivu' (GÉCOMISKI). Yet this federation seems to have been established through the president's personal network, rather than through democratic processes that involved all stakeholders. The federation has been described by some of our interviewees as "a federation of opportunists"<sup>13</sup> that want to maximize their benefits from cooperatives without delivering any substantial services in return. Indeed, it seems as if neither the cooperatives, nor the governmental services benefiting from the creation of cooperatives deliver substantial services to mineworkers. For mineworkers themselves, this is the most important reason for qualifying these organizations and services as extortionists (Geenen, 2015).

In brief, our research suggests that power has not been transferred to the mineworkers, but is – or has remained – in the hands of those who directly and indirectly rule cooperatives: a wide web of ambiguously interconnected elites that stem from economic, political or customary, and generally a mixture of all of these, backgrounds. This distribution of power is proportionate to the distribution of wealth.

### **The unchanged distribution of wealth**

The system of wealth distribution in artisanal mining has been described as a process in which production (extracted rocks or sand) is shared among the members of a mining team, a 'pit boss' and a range of external actors who benefit through (legal or illegal) levying of taxes (Geenen, 2015; for other African countries see Jønsson & Fold, 2009; Bryceson & Jønsson, 2014; Grätz, 2009). In some cases those three shares are equal; in other cases the mineworkers and the pit boss take 50% each, whereby the latter also pays for taxes and other production related costs. Individual mineworkers and pit bosses then sell their production to small local traders, who often work in collaboration with bigger traders based in provincial trade hubs. The latter sell to export houses or to master traders based in neighbouring countries, and they pay many of the same taxes that the pit bosses pay (i.e. customary taxes, Service d'Assistance et d'Encadrement du Small-Scale Mining). The introduction of cooperatives has not affected this system. The 'contribution' miners have to pay for being member of cooperatives (in many

13 Interview at South Kivu's Ministry of Mines; interview with civil society member.

cases amounting to 10% of the production), has just been incorporated as one of the taxes and fees that need to be paid. As has been said, very few services (access to credit, training, technical expertise, material assistance, etc.) are offered in return.

Mineworkers get only a small share and do not benefit in proportion to their added value. Moreover, their income is extremely volatile and they face financial constraints that inhibit upwards mobility. Most cooperatives do not (yet) sell on behalf of mineworkers. Power positions are also affected by the fact that traders and export houses invest financial capital in mining operations by pre-financing pit bosses and mineworkers. As a result, the latter are in weaker bargaining positions and traders often impose lower prices. Again, this system is not all that different from what existed before (Geenen, 2015), but the fact that traders start investing in cooperatives, may mean that their investments are higher; hence their relative power position becomes even stronger.

In general, formalisation leads to the centralisation of mineral production and trade in the hands of a few actors (licensed traders, export houses, processing facilities and international buyers), as the establishment of so-called 'closed pipelines' demonstrates (IPIS, 2012). This leads to market monopolies in which a few powerful actors now set the prices (Cuvelier et al, 2014). As we have said, cooperatives are being promoted out of a similar concern for centralisation, formalisation and traceability. They run similar risks of elite capture and extortion of mineworkers by actors higher up the value chain. Furthermore, if cooperatives evolve towards SCM and start selling to export houses as commercial enterprises, the associated capitalization may further perpetuate their powerless position.

### **Policy implications**

The findings from this case study corroborate results from other empirical studies that were conducted in Eastern DRC (Bashizi & Geenen, 2015; IKV Pax Christi, 2012). But as we have said, the emergence of cooperatives has not significantly changed the power and wealth distribution in the artisanal mining sector (Geenen, 2015). In other words, the extortionist nature of cooperatives is not a new phenomenon. It is rather the continued expression of power by traditional elites that have used cooperatives to maintain their power position and, as has been argued before (Bashizi & Geenen, 2015; Kelly, 2015), to legalize the exploitation of mineworkers. On the positive side, the cooperatives have facilitated minor improvements in

traceability and security, working conditions, registration of mineworkers and their accessibility to other services. Yet this is just a glimpse of their full potential as 'saviour' of Congolese mineworkers. In order to tackle mechanisms of exploitation and to realize cooperatives' full potential, this brief presents a list of policy recommendations which are grouped at three levels: 1) artisanal mining governance, 2) cooperatives' creation and legal recognition and 3) cooperatives' organization and functioning.

1) Policy makers should thoroughly reflect on their vision for mining cooperatives and include all relevant stakeholders in this reflection. The *ultimate* policy goal should be to improve the mineworkers' socio-economic position by increasing mineworkers' financial returns, in order to create a Congolese middle class which can contribute to local development. Without directly addressing this challenge, the policies seem to *imply* that such an improvement will *automatically* result from their effective implementation. Our research suggests that this is not the case. If the main goal is formalisation of the sector and hence a greater control, then one basic condition is the creation of more (and viable) AEZs where cooperatives can legally apply for permits (Kamundala, 2013; Geenen, 2015). This issue is being taken up at the policy level, but there still seems to be a lack of political will to invalidate so-called 'dormant' titles as well as insufficient capacity and resources to do thorough geological and feasibility studies. Moreover, incentives should be created for individual mineworkers to join a cooperative (in the form of service provision: access to credit, training, technical expertise, material assistance, etc.). If the main goal is the move towards SCM, then cooperatives must be assisted to obtain access to financial capital and credit, either from the cooperative presidents themselves, or from external investors. In any case this requires a business plan with a clear vision and supportive strategy, including specific investment targets. If the main goal is to improve mineworkers' socio-economic conditions, cooperatives *in their current form* may not be the best tool for policy implementation.

2) A first step would then be a radical restructuring of the current organizations, using a more democratic and bottom-up approach. We recommend GECOMISKI to drastically restructure its organization by appointing its staff members through votes from all stakeholders in the sector, or to create a new federation which is inclusive and representative of all stakeholders. The restructured federation can then serve as a tool to organize other artisanal miners who are not yet formally organized

into new cooperatives which are created according to cooperative principles from the start. As this would be a crucial step in the restructuring of the sector, international donors are invited to finance and supervise the (re)creation of this federation.

3) Cooperatives need to work on their organizational capacity building. Some international and local NGOs such as OGP and Heartland Alliance and CEGEMI ('Centre d'Expertise en Gestion Minière'), as well as the Ministry of Mines, have already organized short term training programmes for selected cooperative leaders. However, there is a need to organize more comprehensive trainings. NGOs and (semi) state services should also better coordinate their activities and join their – currently fragmented- efforts. Besides, trainings and meetings should not only target the cooperative leaders, but also individual mineworkers, with the aim of increasing their psychological commitment and political representation and their knowledge about the mineral trade. Private companies such as Banro, a multinational gold producing company with operations in South Kivu, have also taken the initiative to assist artisanal miners' cooperatives with geological expertise and through partnerships with international donors (Banro, 2014). They are invited to continue along this line of thinking and expand these activities to other mining sites where mineworkers face an insecure future. Once cooperatives have increased their organizational capacity, they may create central selling points and start selling on behalf of mineworkers in order to increase their bargaining position.

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This research will also result in a more detailed academic article which is expected to be finalized in 2016.



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