NRGI Impact
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Natural Resource Governance Institute

Mining Revenues Flow to Provinces and Communities in the DRC

THE CHALLENGE

In 2002, the Democratic Republic of Congo (DRC) adopted the country's first law to govern its mining sector. That first mining code offered generous terms to investors to attract them to the DRC's post-conflict environment, and in the following years investment indeed soared—according to the Initiative pour la Transparence des Industries Extractives-RDC, the sector has accounted for up to 95 percent of exports in recent years, and as much as 22 percent of GDP.

But government revenues—and therefore local benefits—have not risen to such levels. The ministry of finance revealed that the government only realized USD 1.57 billion in mining revenue in 2018, which represents a mere 10.5 percent of the overall $15 billion in revenues generated by the sector in the same year.

And so there has been an urgent need to reform the mining code so that the country in general and local communities specifically realized more benefits from the sector. A formal government review of the code began in 2012—including consultations with companies, civil society organizations (CSOs) and other stakeholders—but progress was halting.

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NRGI'S ROLE

NRGI began working to help reform the code in 2011, when it provided a grant to the Plateforme des Organisations de la société civile intervenant dans le secteur Minier (POM). The grant was paired with training and technical assistance to upgrade POM's advocacy efforts, including its push to improve sector transparency and obtain a share of mining profits for local communities.

Miners in DRC's Katanga province

POM went on to lead advocacy for a change in the code, specifically promoting a mechanism that would mandate that a fixed percentage of mining companies' revenues go directly to subnational governments and local communities. POM secured buy-in from more than 20 other CSOs and networks for this proposed change. In addition, POM successfully advocated for the code to mandate creation of a community development fund. (This recommendation stemmed from an assessment of a pilot project conducted by POM and another NRGI grantee, Action Contre l'Impunité et pour les Droits Humain.) This addition will obligate companies to allocate 0.3 percent of their DRC turnover to community development funds.

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IMPACT

After six years of intermittent progress, the country's parliament passed revisions to the mining code in March 2018. The regulation was published in June 2019, and shortly thereafter companies began paying the required revenue to communities.

According to conservative estimates by NRGI, the provincial governments of Haut-Katanga and Lualaba will receive between $75 million and $225 million in annual revenues from mining sector concerns (such as TFM, Kamoto Copper Company, Mumi and Commide Ruashi Mining), while communities will receive between $45 million and $157 million. They are already realizing some benefits. For example, the sector manager in Luilu territory stated that "With the first collections of our part of the mining royalty, we have already built some community facilities that we could never obtain with the old practices: a pediatric and a maternity ward at the Luilu Health Center, but also a well-equipped mortuary."

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Yet much work remains. Many communities lack the basic capacity to receive transfers, including bank accounts. And those communities that may have means of receiving money may not necessarily have the infrastructure to ensure that the money benefits citizens; many still lack local development plans.

NRGI is working with other CSOs to measure the impact of these transfers on communities, and is also in the process of developing a manual that will help local officials develop an understanding of budgeting and revenue management.