



POLICY BRIEF

Extractive industries, political settlements and conflict

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Could mining lead to inclusive development in Rwanda?

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Introduction

Rwanda is not as rich in natural resources as some of its neighbours, but has the advantage of relative stability and capacity to implement long-term, developmental policies. This is conducive to a more organised small-scale mining sector and greater domestic investment in industrialised mining, provided political and business incentives are aligned with official policy objectives. Despite the current stagnation of global commodity prices, there is value in preparing Rwandan miners and regulators to derive more from these non-renewable resources in the long-term.

- Rwanda has the political stability and governance capacity to get more out of its mining sector
- Development potential lies in growing small-scale mining cooperatives and private sector investment
- Commodity price decline and regional conflict dynamics pose risks to mining prospects

Approach

This policy brief is a summary of findings of a literature review paper on the prospects for harnessing mining for more inclusive development and conflict transformation in Rwanda. Comparative evidence from 20 resource-rich developing countries was reviewed to understand the relationship between extractive industries, political settlements and conflict. Implications for mining prospects in Rwanda were analysed drawing on secondary sources of evidence about the national and regional dynamics of mining, politics and conflict.

Diversifying the economy

Mining has an important place in the diversification strategy for Rwanda's economy. Historically, Rwanda's economy has relied on coffee, tea and foreign aid to boost development. The rise in the export value of minerals from around 2000 to 2013 helped shield the economy from commodity price shocks and foreign aid dependence. The subsequent decline in value of mining exports in 2014-15 on the overall export value has been mitigated by the export growth of tea (40%), coffee (4%) and re-export (mainly fuel products by 7.6%), as reported by the World Bank (2016). In addition, the sharp fall in the international oil price provided a balancing effect on the decline in mineral exports as Rwanda is a net importer of oil. What this implies is that Rwanda is far from being overly dependent on mineral exports as is the case in more resource-rich developing countries. Modestly increasing mining revenues in the current global economic context would reinforce, not undermine, the stabilising effect of economic development on Rwanda's political settlement to date. Diversification within the mining sector is also vital to ensure benefits trickle to the wider economy.

Promoting private sector investment

Regulatory reforms should orientate mining policy towards domestic small- and medium-sized companies, and not only to large-scale foreign investors. The potential for further domestic investment in partnership with foreign investors needs to be considered to address the financial and technical limitations to small-scale mining. Strategy to develop mining also needs readily available and transparent geological data. This is a political issue in other countries as much as a capacity issue, as public sector elites may guard geoscience data secrecy in their own business interests. Open access to data on mineral prospects has been shown to level the playing field for small and medium-sized exploration companies and domestic investors.

Building sustainable livelihoods for small-scale miners

Mining remains one of few livelihood options for the densely populated country, contributing to an estimated employment of more than 34,000 people. The traditionally labour-intensive model of subcontracted mining in Rwanda is an important aspect of these livelihoods. Formalisation of small-scale mining, whether in the form of cooperatives or small private companies, can provide a significant contribution to inclusive development in Rwanda. As part of the mining policy reform, small scale miners in Rwanda have been encouraged to organise into cooperatives to gain enhanced capacity enabling them to meet financial and technical requirements for productive mining. The approach is a step in the right direction, but needs more financial and human capital.

Gender dimensions of the Rwanda's mining sector are poorly understood. Women are estimated to make up 16% of the workforce across the sector, with most engaged in small-scale mining. Coupled with gender specific data on the mining sector, gender analysis of the political settlement could identify barriers and enabling factors for more organised women's mining co-operatives and investment in mining by female entrepreneurs.

Mitigating conflict

The risks associated with 'conflict minerals' remain for Rwanda's mining sector, given reports that uncertified minerals from the Eastern DRC are still making their way into Rwanda's supply chain (UNSC Group of Experts Report on the DRC, October 2015). But disengagement from Rwanda's mining sector to await a perfectly 'conflict-free' supply chain is likely to be counter-productive to all stakeholders, most particularly the local miners. An open, informed and politically engaged approach is needed in addition to technical solutions. Policymakers should openly address the underlying political dynamics of the problem in addition to supporting technical solutions.

The development of mining in Rwanda encounters intense competition for land with agriculture which remains the dominant sector occupying over three quarters of arable land. In most cases, mining and agriculture co-exist, entailing direct interactions between miners and farmers, a situation that could lead to conflict with the planned growth in mining production. This underscores the need for a well-designed, inclusive process of land reform that accounts for the costs and benefits of such changes to all concerned.

Delivering benefits to local communities

To date Rwanda has centralised management of mineral rents and tightly controlled sub-national levels of government. With the government's projected mining goals, however, it is important that policies and institutions are not left rigid to simply preserve the stability of the political coalition. The 'Imihigo' system of accountability by local authorities to central government and local communities merges formal and traditional governance. With this and other relatively strong institutions, Rwanda could implement more inclusive mining revenue-sharing with subnational actors.

Policy recommendations based on this research

Stakeholders in Rwanda's goals for development, political stability and continued peace include the government, private sector (foreign investors and local business associations), development partners, regional organisations and civil society organisations. These actors should:

Diversifying the economy

- Seek to develop mining as a pillar of Rwanda's economic diversification and development strategy, by supporting national dialogue to implement Rwanda's Country Mining Vision (CMV) in line with the Vision 2020
- Develop a diversification monitoring unit within the Rwanda Development Board that ensures equal opportunity for entrepreneurs in the extractive sector supply chain

Promoting private sector investment

- Build capacity and provide independent financial backing for local mining business associations to facilitate domestic investment in mining co-operatives
- Make mineral prospectivity maps and other mining information available at a 'one-stop-shop' to promote more competitive and inclusive mining investment
- Make geoscience data more accessible by adding Rwanda to the open access online Central African Geodata Information System

Building sustainable livelihoods for small-scale miners

- Conduct extensive awareness raising and knowledge transfer to inform artisanal and small-scale miners about the benefits of formalisation and the support they would receive to address the challenges of legal compliance including financial, technical and administrative support
- Support the Integrated Polytechnic Regional Centre (IPRC) to generate local training in mining skills and enhance locally owned mining cooperatives
- Undertake more nuanced, evidence-based gender analysis of the political and economic barriers and opportunities for women in mining
- Encourage advancement of women's mining co-operatives similar to those in other countries in the region

Mitigating conflict

- Pursue full compliance with mineral certification schemes to clear Rwanda's mineral exports of association with illicit cross-border trade from the DRC through informed and open dialogue about incentives for smuggling
- Foster greater transparency and openness to dialogue about 'conflict minerals' amongst Rwanda's mining stakeholders to continue progress towards credibly conflict-free mineral exports
- Support harmonisation of the 2005 Land Law, 2007 Expropriation Law, and 2014 Mining Law in relation to land scarcity and existing land-use
- Improve integrated land use planning tools to ensure peaceful co-existence of farmers, large-scale and small-scale mining

Delivering benefits to local communities

- Develop a mining revenue-sharing policy appropriate to Rwanda's mining sector and local government capacity, in consultation with local communities.



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