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Letter dated 12 April 2001 from the Secretary-General to the President of the Security Council

I wish to refer to the presidential statement dated 2 June 2000 (S/PRST/2000/20) in which the Security Council requested me to establish a Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth in the Democratic Republic of the Congo for a period of six months. The Council also requested that the expert panel, once established, submit to the Council, through me, its final report at the end of the mandate.

Further to my letter dated 2 April 2001, I have the honour to transmit to you the report of the Panel, submitted to me by the Chairperson of the Panel. I should be grateful if you would bring the report to the attention of the members of the Security Council.

(*Signed*) Kofi A. **Annan**

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Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo

Contents

I. Introduction

1. By the statement of its President of 2 June 2000 (S/PRST/2000/20), the Security Council requested the Secretary-General to establish an expert panel on the illegal exploitation of natural resources and other forms of wealth of the Democratic Republic of the Congo, for a period of six months, with the following mandate:

– To follow up on reports and collect information on all activities of illegal exploitation of natural resources and other forms of wealth of the Democratic Republic of the Congo, including in violation of the sovereignty of that country;

– To research and analyse the links between the exploitation of the natural resources and other forms of wealth in the Democratic Republic of the Congo and the continuation of the conflict;

– To revert to the Council with recommendations.

2. The Secretary-General, in his letter to the President of the Security Council dated 31 July 2000 (S/2000/796), notified the President of the Security Council that the composition of the Panel was as follows:

Mme Safiatou Ba-N'Daw (Côte d'Ivoire) (Chairperson);

Mr. François Ekoko (Cameroon);

Mr. Mel Holt (United States of America);

Mr. Henri Maire (Switzerland);

Mr. Moustapha Tall (Senegal).

3. The Panel was assisted by a technical advisor, an associate political officer, an administrator and a secretary.

A. Summary

4. Illegal exploitation of the mineral and forest resources of the Democratic Republic of the Congo is taking place at an alarming rate. Two phases can be distinguished: mass-scale looting and the systematic and systemic exploitation of natural resources.

5. **Mass-scale looting**. During this first phase, stockpiles of minerals, coffee, wood, livestock and money that were available in territories conquered by the armies of Burundi, Rwanda and Uganda were taken, and either transferred to those countries or exported to international markets by their forces and nationals.

6. **Systematic and systemic exploitation**. Planning and organization were required for this phase. The systematic exploitation flourished because of the pre-existing structures developed during the conquest of power of the Alliance of Democratic Forces for the Liberation of Congo-Zaire. These pre-existing structures were improved over time and new networks for channelling extracted resources were put in place. However, the systemic exploitation used the existing systems of control established by Rwanda and Uganda. In both cases, exploitation was often carried out in violation of the sovereignty of the Democratic Republic of the Congo, the national legislation and sometimes international law, and it led to illicit activities. Key individual actors including top army commanders and businessmen on the one hand, and government structures on the other, have been the engines of this systematic and systemic exploitation.

7. The consequence of illegal exploitation has been twofold: (a) massive availability of financial resources for the Rwandan Patriotic Army, and the individual enrichment of top Ugandan military commanders and civilians; (b) the emergence of illegal networks headed either by top military officers or businessmen. These two elements form the basis of the link between the exploitation of natural resources and the continuation of the conflict. Other contributing factors however exist — the roles played by some entities and institutions, and the opportunistic behaviour of some private companies and influential individuals, including some decision makers in the Democratic Republic of the Congo and Zimbabwe. Some leaders in the region bear a direct responsibility. The Panel concludes that tough measures must be taken to bring to an end the cycle of exploitation of the natural resources and the continuation of the conflict in the Democratic Republic of the Congo.

8. The Panel's recommendations revolve around six broad themes: (1) sanctions against countries and individuals involved in the illegal activities; (2) preventive measures to avoid a recurrence of the current situation; (3) reparations to the victims of the illegal exploitation of natural resources; (4) design of a framework for reconstruction; (5) improvement of international mechanisms and regulations governing some natural resources; and (6) security issues.

B. Methodological framework

9. **Methodology**. Owing to the nature of the work and the complexities of the issues, a methodology that allows flexible data collection was essential in order to complete this project. The Panel has therefore utilized:

(a) Primary data collection. Official documentation from ministries and other institutions as well as recorded minutes of meetings involving various relevant actors;

(b) Secondary sources. Reports, workshop proceedings, published and unpublished literature;

(c) Interviews. Structured, semi-structured and open interviews as well as interviews resulting from various network referrals.

10. A vast amount of data was obtained from three essential sources:

(a) Countries and other entities involved in the conflict in the Democratic Republic of the Congo, namely: Angola, Burundi, the Democratic Republic of the Congo, Namibia, Rwanda, Uganda, Zimbabwe, RCD-Goma and RCD-ML;

(b) "Third-party" sources such as Belgium, Cameroon, China, Denmark, France, Germany, Kenya, the Netherlands, the United Kingdom of Great Britain and Northern Ireland, the United Republic of Tanzania, the United States of America, Switzerland, various United Nations agencies, the International Monetary Fund, the World Bank, the World Trade Organization, OECD, the International Coffee Organization, De Beers, the Diamond High Council, the International Diamond Manufacturers Association, the University of Maryland, the World Resource Institute and CIFOR;

(c) Various individual actors and stakeholders who expressed an interest for various reasons in sharing their knowledge and understanding with the Panel.

11. The production and export data series available for the analysis cover the period 1995-2000. Data were systematically analysed separately and then compared with one another. Comparative analysis thus contributed to the Panel's ability to develop a good understanding of the issues. In addition, the Panel sought to cross-check every item of information received. In relation to this and to the extent possible, Panel members attempted to speak to individuals against whom serious allegations were made. When access to those key witnesses or primary actors was denied, Panel members often relied on their closest collaborators for insight. The Panel however faced a problem of imbalance in the acquisition of data. Indeed data was abundant for Rwanda, Uganda, RCD-Goma, RCD-ML and MLC. This is partly due to the high number of insiders living in the Democratic Republic of the Congo and in Europe who were directly involved with those entities and who offered to share almost everything they knew or had experienced or gathered as documentation while they were involved with them. The same quantity and quality of data were not available for Angola, Namibia or Zimbabwe, although the Panel visited those countries. This constraint can be felt in the report. Overall the report was written using the empirical method combined with the economic analysis of data collected, supported by elements of evidence.

12. **Establishing boundaries**. Geographically, data were gathered for occupied and non-occupied territories within the Democratic Republic of the Congo as well as for any country involved in the conflict or of other strategic importance, geographic, financial or other. With respect to natural resources, the Panel focused on minerals, forest and agricultural products and other forms of wealth, primarily taxes. Given the high number of natural resources found in the Democratic Republic of the Congo, the high level of exploitation by numerous parties, and the limited time and resources available to the Panel, the following criteria for the selection of resources to be examined were developed:

- The commercial value of the resources in absolute terms;
- The interest of parties in the resources;
- The scale of exploitation.

13. Based on these criteria, three categories of products were of primary consideration: (a) mineral resources, primarily coltan, diamonds, gold and cassiterite; (b) agriculture, forests and wildlife, including timber, coffee and ivory; and (c) financial products, mainly in regard to taxes. Copper, cobalt, livestock, gorillas, okapis, tobacco, tea, palm oil and land allocation deserved to be among the resources and products to be studied. Some did not meet established criteria, however, and for others, such as copper and cobalt, time constraint was the main reason for a lack

of study. These resources are touched upon in the report for illustrative purposes, but were not systematically studied.

14. **Defining the key concepts**. In determining the parameters of the project the definition or interpretation of illegality and exploitation was vigorously debated.

15. *Illegality*. The most contentious concept in the mandate has been the term "illegality" with regard to exploitation. Almost all actors in the conflict and observers requested a clear definition of illegality. In the Panel's view, the understanding of illegality is underpinned by four elements all related to the rule of law, namely:

(a) Violation of sovereignty. The first element is based on the Security Council's understanding of illegality as described in the Panel's mandate (see the statement of the President of the Security Council of 2 June 2000 (S/PRST/2000/20)). This posits that all activities — extraction, production, commercialization and exports — taking place in the Democratic Republic of the Congo without the consent of the legitimate government are illegal. This interpretation suggested that only non-invited forces and their nationals are carrying out illegal activities in the Democratic Republic of the Congo.

(b) Respect by actors of the existing regulatory framework in the country or territory where they operate or carry out their activities. The Panel considers that if authorities exerting effective power and control over their sovereign area recognize or set up a regulatory framework to govern the use or exploitation of resources, this framework shall be respected. Failure to do so may lead to the infringement of the law and, therefore, activities considered illegal or unlawful. In this case, the Panel deems illegality to be the carrying out of an activity in violation of an existing body of regulations.

(c) The discrepancy between widely accepted practices in trade and business and the way business is conducted in the Democratic Republic of the Congo. In this category, the Panel has considered that the use and abuse of power by some actors fall into the category of illegality. This includes forced monopoly in trading, the unilateral fixing of prices of products by the buyer, the confiscation or looting of products from farmers, and the use of military forces in various zones to protect some interests or to create a situation of monopoly.

(d) The violation of international law including "soft" law. The Panel considers that business activities carried out in violation of international law are illegal.

The Panel utilized the aforementioned elements in a complementary manner, refusing to be exclusive or to focus on one single element. On the basis of discussions with different members of the Security Council, the Panel has interpreted the wish of the Security Council to be a broad interpretation of the concept of illegality.

16. *Exploitation*. The Panel opted for a broad understanding and interpretation of exploitation. Exploitation was used beyond the mere consideration of production and extraction. It was viewed as all activities that enable actors and stakeholders to engage in business in first, secondary and tertiary sectors in relation to the natural resources and other forms of wealth of the Democratic Republic of the Congo. The broad interpretation enabled the Panel to look into extraction, production, commercialization and exports of natural resources and other services such as transport and financial transactions.

C. Overview

17. This section offers a general overview of the report. Initially, the Panel examined the pre-existing structures that have facilitated the illegal exploitation of natural resources in the Democratic Republic of the Congo. These elements encompass the financial/commercial links and the transportation networks that essentially laid the foundation for the current situation of illegal exploitation.

18. The Panel then reviewed the primary processes by which the natural resources are physically exploited by the occupying forces, primarily Rwanda and Uganda, in conjunction with their respective rebel counterparts in the Democratic Republic of the Congo. Subsequently, the current structures of exploitation were discussed in order to demonstrate the evolution of the process to its present state. Selected individuals were then profiled to illustrate the extent to which this is an organized and embedded venture. Economic data were then analysed to confirm the findings described above.

19. The focus then moved to exploring the complexities of the links between the continuation of the conflict and the exploitation of resources through the use of specific country examples. The aim is to demonstrate the varying means by which power structures can manipulate situations for the most favourable outcome. This section is directly linked to the previous one and, in some cases, information overlapped. This was unavoidable because of the intricate nature of the problem at hand.

20. The report goes on to discuss more incidental elements in this exploitation, which are nonetheless important and relevant: official and non-official fronts utilized as well as the facilitators or passive accomplices within the processes. The report concludes with a summary of the findings and recommendations for action.

D. Background

21. The Democratic Republic of the Congo is located in the heart of equatorial central Africa and has an area of 2,267,600 square kilometres and a current population estimated at 50 million. The Democratic Republic of the Congo is endowed with a unique biodiversity, vast mineral and forest resources, and rich soils conducive to agriculture (see map). These favourable conditions, concentrated in the eastern regions, are the setting for the current ongoing occupation and struggle to exploit these natural resources.

22. The initial disruption, predominantly affecting the eastern Democratic Republic of the Congo, began with the 1994-1995 refugee crisis in the region, spawned by the war in neighbouring Rwanda. The sudden influx of hundreds of thousands of refugees, including members of the Interahamwe, created a new demographic dynamic in the subregional population, abruptly disturbed the delicate balance of the ecosystems and generated a new security situation along the border between the Democratic Republic of the Congo and Rwanda.

23. The situation further deteriorated in 1996 with the war between the Zairian forces and the Alliance of Democratic Forces for the Liberation of Congo-Zaire (AFDL), the rebel movement led by the late Laurent-Désiré Kabila and supported by the Angolan, Rwandan and Ugandan forces. This AFDL-led conquest of then eastern Zaire fundamentally altered the composition of the regional stakeholders and the distribution of natural resources. Previously, the distribution norm was (via legal and illegal channels) through locally based Congolese, mostly civilian-managed, business operations. However, these traditional modes were quickly overtaken by new power structures. Along with new players came new rules for exploiting natural resources. Foreign troops and their “friends” openly embraced business in “liberated territories”, encouraged indirectly by the AFDL leader, the late President Kabila.

24. In August 1998, fighting erupted again in the northern, western and eastern parts of the Democratic Republic of the Congo, this time between Rwandan and Ugandan troops and the Congolese army, with the assistance of Angolan, Namibian and Zimbabwean armies, as well as Sudanese and Chadian forces. The last two countries have since withdrawn their soldiers from the Democratic Republic of the Congo.

II. Illegal exploitation of natural resources and other forms of wealth

25. The illegal exploitation of resources by Burundi, Rwanda and Uganda took different forms, including confiscation, extraction, forced monopoly and price-fixing. Of these, the first two reached proportions that made the war in the Democratic Republic of the Congo a very lucrative business. Prior to defining the type and manner of illegal exploitation, however, it is important to examine the pre-existing structures which facilitated this process.

A. Pre-existing structures that facilitated illegal exploitation

26. Illegal exploitation[1] by foreigners aided by the Congolese began with the first “war of liberation” in 1996. The AFDL rebels, backed by Angolan, Rwandan and Ugandan soldiers conquered eastern and south-eastern Zaire. As they were advancing, the then AFDL leader, the late Laurent-Désiré Kabila, signed contracts with a number of foreign companies. Numerous accounts and documents suggest that by 1997 a first

[1] In the context of the Panel’s mandate.

wave of "new businessmen" speaking only English, Kinyarwanda and Kiswahili had commenced operations in the eastern Democratic Republic of the Congo.[2] Theft of livestock, coffee beans and other resources began to be reported with frequency. By the time the August 1998 war broke out, Rwandans and Ugandans (top officers and their associates) had a strong sense of the potential of the natural resources and their locations in the eastern the Democratic Republic of the Congo. Some historians have argued that Ugandan forces were instrumental in the conquest of areas such as Wasta, Bunia, Beni and Butembo during the first war.

27. Numerous accounts in Kampala suggest that the decision to enter the conflict in August 1998 was defended by some top military officials who had served in eastern Zaire during the first war and who had had a taste of the business potential of the region. Some key witnesses, who served with the Rally for Congolese Democracy rebel faction in early months, spoke about the eagerness of Ugandan forces to move in and occupy areas where gold and diamond mines were located. Other sources informed the Panel that, late in September 1998, they were already engaged in discussions with General Salim Saleh on the creation of a company that would supply the eastern Democratic Republic of the Congo with merchandise, and on the import of natural resources. The project never materialized in this form, but the sources reportedly also discussed this and other business venture possibilities with the President of Uganda, Yoweri Museveni.

28. There are strong indications that, if security and political reasons were the professed roots of the political leaders' motivation to move into the eastern Democratic Republic of the Congo, some top army officials clearly had a hidden agenda: economic and financial objectives. A few months before the 1998 war broke out, General Salim Saleh and the elder son of President Museveni reportedly visited the eastern Democratic Republic of the Congo. One month after the beginning of the conflict, General James Kazini was already involved in commercial activities. According to very reliable sources, he knew the most profitable sectors and immediately organized the local commanders to serve their economic and financial objectives.

29. **Financial and commercial links**. During the early months of the rebellion, the financial setting and networks were already in place. At the heart of the financial setting is the Banque de commerce, du développement et d'industrie (BCDI) located in Kigali. According to some sources, there was an understanding between the President of Rwanda, Paul Kagame, President Museveni and the late Laurent-Désiré Kabila on the collection and use of financial resources during the time of the AFDL rebellion. This collaboration led many sources to believe that the three leaders were shareholders in BCDI. But this was not the case.

30. The following example illustrates the nature of the financial transactions and links involving BCDI, Citibank New York as a corresponding bank, and some companies and individuals. In a letter signed by J. P. Moritz, General Manager of Société minière de Bakwanga (MIBA), a diamond company, and Ngandu Kamenda, the General Manager of MIBA ordered a payment of US$ 3.5 million to la Générale de commerce d'import/export du Congo (COMIEX),[3] a company owned by late President Kabila and some of his close allies, such as Minister Victor Mpoyo, from an account in BCDI through a Citibank account. This amount of money was paid as a contribution from MIBA to the AFDL war effort.

31. **Transportation networks**. Illegal activities also benefited from the old transportation network that existed prior to the 1998 war. This network consists of key airlines and trucking companies, a number of which aided AFDL troops in their war against the Mobutu regime. The pattern of transport remains similar today: merchandise or arms are flown in and natural resources or their products are flown out. For example, Aziza Kulsum Gulamali, a businesswoman operating within the region for some time, utilized this network even in the 1980s. She contracted Air Cargo Zaire to transport arms to the FDD Hutu rebels in Burundi and smuggled cigarettes on the return flight. Since 1998, aircraft also fly from the military airports at Entebbe and Kigali, transporting arms, military equipment, soldiers and, for some companies, merchandise. On the return flights, they will carry coffee, gold, diamond traders and business representatives and, in some cases, soldiers. The Panel

[2] Cross-border commercial exchanges between people of the region have traditionally existed.

[3] COMIEX is registered as follows: immatriculé No. 43797, identification nationale No. 31837T, Siège sociale Kinshasa/Gombé No. 4 Avenue de la Justice. Administrateur Directeur générale: Frédéric Kabarele.

concludes that these pre-existing networks and structures constitute the basis for the current exploitation of the natural resources of the Democratic Republic of the Congo.

B. Mass-scale looting

32. Between September 1998 and August 1999, occupied zones of the Democratic Republic of the Congo were drained of existing stockpiles, including minerals, agricultural and forest products and livestock. Regardless of the looter, the pattern was the same: Burundian, Rwandan, Ugandan and/or RCD soldiers, commanded by an officer, visited farms, storage facilities, factories and banks, and demanded that the managers open the coffers and doors. The soldiers were then ordered to remove the relevant products and load them into vehicles. The Panel received numerous accounts and claims of unlawful removal of products by Rwandan or Ugandan armies and their local RCD allies. The Panel has chosen to illustrate this point with some examples.

33. In the mining sector, SOMINKI (Société minière et industrielle du Kivu) had seven years' worth of columbo-tantalite (coltan) in stock in various areas. From late November 1998, Rwandan forces and their RCD allies organized its removal and transport to Kigali. Depending on the sources, between 2,000 and 3,000 tons of cassiterite and between 1,000 and 1,500 tons of coltan were removed from the region between November 1998 and April 1999. A very reliable source informed the Panel that it took the Rwandans about a month to fly this coltan to Kigali. The Panel, however, received official documents including one in which RCD acknowledged removing 6 tons of coltan and 200 tons of cassiterite from SOMINKI for a total of US$ 722,482.

34. Late in late August 1998, General Kazini's soldiers absconded with the stockpiles of timber belonging to the logging company Amex-bois, located in Bagboka. In December that year, the same General ordered the confiscation of all the stocked timber belonging to the logging company La Forestière. General Kazini was reportedly seen in the area at least twice during the period when the looting occurred and temporarily established his headquarters in the area.

35. Then, in January 1999, in Equateur Province, Jean-Pierre Bemba and General Kazini organized a large operation for the confiscation of coffee beans. Mr. Bemba initiated, encouraged and perpetuated such practices in the Province. In a written letter to one of his commanders, he urged him to release a bigger vehicle he was using because it was needed urgently. The source indicated that this was later used to carry away tons of coffee beans. A participant in this operation, who has since left the movement, explained that two months were required to remove the enormous quantities of coffee. In the past, this province produced 60 per cent of the country's robusta coffee. The localities of Bumba, Lisala, Bosonzo, Binga and Mindembo for a year did not have coffee stocks to export because of these seizures. The Société congolaise du café, the largest owner of coffee stocks in the area, went bankrupt. The mass-scale looting reached such levels that, in one instance, Mr. Bemba seized 200 tons of coffee beans from the SCIBE company, which was owned by his father, Saolona Bemba. The matter remains unresolved in court.

36. In some cases, factories were dismantled or machinery spare parts were taken away, as in the case of the sugar factory of Kaliba in South Kivu. When the Panel asked about the dismantling of some factories, the RCD cabinet replied that investors were free to dismantle their factories and relocate wherever they wanted. In essence, RCD recognized the phenomenon, but explained it in terms of the investors' decision to relocate the factories while taking the raw materials from the Democratic Republic of the Congo. Cars and other items were apparently also taken from the country, as statistics on Ugandan registered cars reflected an increase of about one quarter in 1999.

37. The financial sector was not left untouched either. A defector from RCD who participated in some looting informed the Panel that Rwandan soldiers systematically targeted local banks as soon as they conquered a town. In many cases, they would use the RCD soldiers to collect the money while those who were armed would surround the bank. For example, the Kisangani Bank, a branch of the central bank, received a visit of RCD staff accompanied by Rwandan soldiers. Depending on the source (central bank in Kinshasa or eyewitness), anywhere between $1 million and $8 million worth of Congolese francs was taken. The Panel was told that the operation took place a couple of days after the central bank and Ministry of Finance officials deposited money to pay civil servants and old Congolese franc notes were replaced by new ones.

38. Under the escort of soldiers, the money was taken to the Palm Beach Hotel. The hotel management recalled that bags full of money were stored in one of the rooms and that during those few days armed soldiers who could not speak Lingala (the most commonly spoken Congolese language) guarded the hotel premises. Could such an operation involving a number of armed soldiers be carried out without the knowledge and consent of the highest Rwandan commander in the Democratic Republic of the Congo?

39. Aides of Jean-Pierre Ondekane (an RCD leader) reportedly collected the money from the Palm Beach Hotel, flew with it to Goma and handed it over to Emmanuel Kamanzi (former chief of the Finance Department of RCD), who then flew on to Kigali. The Panel could not identify the final recipient of the money or how much disappeared between Kisangani, Goma and Kigali. However, some sources told the Panel that Mr. Kamanzi was imprisoned briefly at some point after this transaction. According to the same sources, he had apparently helped himself to the money he was ordered only to transport. Mr. Kamanzi told friends that he simply took a break of two months in Kigali.

40. During the period when this operation was under way, in Equateur Province, Mr. Bemba's men visited several banks. According to a reliable source Mr. Bemba's instructions to his soldiers were to systematically empty the bank once a town was captured. His troops took an equivalent of $400,000 from the Banque commerciale du Congo branch in Bumba, $500,000 in Lisala, and approximately $600,000 in Gemena.

41. The pilfering was also occurring in Kinshasa. The Panel has evidence of a widespread practice by which the late President Kabila would by proxy have companies give a certain percentage of their profits. For example, certain oil companies in the Democratic Republic of the Congo, under the umbrella of *taxe parafiscale*, were delivering sums of money, in hard cash, daily or weekly to the late President via his Minister, friend and right-hand man, Mr. Mpoyo. Other companies, such as MIBA, were asked to hand over part of their profits to the late President's regime, and all parastatals and important private companies were invited to open bank accounts in the Banque de commerce et du développement (BCD) (see para. 78).

42. However, over time the mass-scale looting described above diminished and theft by individual soldiers became more visible. For example, in Bunia, during Panel discussions, local non-governmental organizations, eyewitnesses and victims mentioned cases in which Congolese civilians were injured or murdered for resisting the attempted seizure of property by the RCD rebels and foreign soldiers. In Bukavu, individuals have told Panel members how Rwandan soldiers confiscated their life savings in dollar notes and some of the gold they were buying and keeping as *monnaie refuge* in the face of the repeatedly devalued Congolese franc. Partially, this has contributed to the increasing resentment felt by the Congolese population towards foreign soldiers and some rebels.

43. The lootings of manufacturing plants, stocks and private property were not only acts of isolated individual soldiers but were encouraged, sometimes organized and coordinated, by the highest army commanders of both Rwanda and Uganda.

44. General Kazini used the same method to facilitate looting activities. He would appoint loyal commanders and reliable civilian Congolese in the civil administration in areas potentially rich in natural resources in order to secure his networks. This was exactly the case in Ituri, where he appointed Adele Lotsove in 1999 (see para. 71). In turn, these top layers of collaborators, colonels and majors utilized their right-hand men to carry out the actual looting.

45. The Panel has strong indications after talking to numerous witnesses (key and others) that key officials in the Governments of Rwanda and Uganda were aware of the situation on the ground, including the looting of stocks from a number of factories. In some cases, the level of production of mineral resources would have alerted any government, such as those of gold for Uganda and coltan for Rwanda (from 99 tons in 1996 to 250 tons in 1997).

C. Systematic and systemic exploitation

46. **Extraction phase**. The mass-scale looting carried out on many levels within the Democratic Republic of the Congo by rebels and foreign soldiers overshadowed extraction activities during the first 12 months of the second war. When resource stockpiles were looted and exhausted by occupying forces and their allies, the

exploitation evolved to an active extraction phase. Both Congolese (civilians and soldiers) and foreigners (civilians and soldiers) became involved in the extraction of natural resources. This section highlights one particular case study rather than offering a number of shorter illustrative examples. The study will in effect demonstrate how a company used illicit business practices and complicity with occupying forces and the Government as well as its international connections to exploit the natural resources of the Democratic Republic of the Congo.

47. **DARA-Forest case study**. A Ugandan-Thai forest company called DARA-Forest moved to the Ituri area late in 1998. In March 1998, DARA-Forest applied for a licence to carry out logging activities in the Democratic Republic of the Congo, but was denied a forest concession by the Kinshasa authorities. In 1999, the company began to buy production by hiring individuals to harvest timber and then sell it to the company. Initially, these individuals were Congolese operating in partnership with Ugandans. The same year, DARA engaged in industrial production with the construction of a sawmill in Mangina. By 2000, it had obtained its own concession from RCD-ML. Analysis of satellite images over a period of time reveals the extent to which deforestation occurred in Orientale Province between 1998 and 2000. The most harvested forests in the areas were around Djugu, Mambassa, Beni, Komanda, Luna, Mont Moyo and Aboro. This logging activity was carried out without consideration of any of the minimum acceptable rules of timber harvesting for sustainable forest management or even sustainable logging.

48. Timber harvested in this region, which is occupied by the Ugandan army and RCD-ML, has exclusively transited or remained in Uganda. Our own investigation in Kampala has shown that mahogany originating in the Democratic Republic of the Congo is largely available in Kampala, at a lower price than Ugandan mahogany. This difference in price is simply due to the lower cost of acquisition of timber. Timber harvested in the Democratic Republic of the Congo by Uganda pays very little tax or none at all. In addition, customs fees are generally not paid when soldiers escort those trucks or when orders are received from some local commanders or General Kazini. Timber from the Democratic Republic of the Congo is then exported to Kenya and Uganda, and to other continents. The Panel gathered from the Kenyan port authorities that vast quantities of timber are exported to Asia, Europe and North America.

49. The Panel also discovered during its investigation that individual Ugandan loggers violated forestry legislation, recognized by their ally RCD-ML, by logging (extracting) the timber directly. According to the Congolese legislation on the *permis de coupe*, only individual Congolese nationals are allowed to harvest timber and only in small quantities. Foreigners must apply for the larger concessions. Initially, Ugandans operated in partnership with a Congolese permit holder. Soon, the Ugandans began to pay the Congolese to sub-lease the permit and, subsequently, to obtain the licence in direct violation of the law.

50. Timber extraction in the Democratic Republic of the Congo and its export have been characterized by unlawfulness and illegality. Besides extracting timber without authorization in a sovereign country and in violation of the local legislation, DARA-Forest consistently exported its timber without any certification procedure. It tried to approach some certification bodies licensed by the Forest Stewardship Council. These bodies requested documentation and elements that the company failed to provide. Yet DARA-Forest exported timber in violation of a normal procedure generally required and accepted by the international forest community and gradually considered to be international “soft law”. Companies importing this uncertified timber from DARA-Forest were essentially in major industrialized countries, including Belgium, China, Denmark, Japan, Kenya, Switzerland and the United States of America.

51. The Panel also realized that DARA Great Lakes Industries (DGLI), of which DARA-Forest is a subsidiary, along with a sister company in Uganda, Nyota Wood Industries, is in collusion with the Ministry of Water, Land and Forests of Uganda in establishing a scheme to facilitate the certification of timber coming from the Democratic Republic of the Congo. In May 2000, DGLI signed a contract for forest stewardship certification with SmartWood and the Rogue Institute for Ecology and Economy in Oregon, United States of America. On 21 March 2000, the Director of the DARA group, Prossy Balaba, sent a letter to the Commissioner asking him to allow an official of SmartWood to visit certain forests, such as Budongo and Bugoma; he was due to visit the region in mid-April. The visit was meant to deceive the official by presenting those forests as the ones for which

certification was sought and to convince SmartWood to work for the certification of their timber. Indeed, when the visit took place, from 14 to 16 April, the DARA group had not even applied for the concession of the Budongo forest (Uganda). It was only on 5 July 2000 that John Kotiram of the DARA group wrote to the Commissioner to request the concession on the Budongo forest.

52. The idea behind this is to use Budongo forest as a model of forests from which timber is harvested and which comply with the international requirements for certification, in order to certify timber coming from the Democratic Republic of the Congo for which basic elements of certification do not exist. Future plans for beating the international system are already in place. According to internal documents of DGLI, DARA-Forest will import timber from the Democratic Republic of the Congo into Uganda, which will be processed for different types of products in the new plant in Namanve for the sawmilling of hardwood, both imported from the Democratic Republic of the Congo and harvested in Uganda. DGLI partners in this new scheme include DARA Europe GmbH Germany, Shanton President Wood Supply Co. Ltd China, President Wood Supply Co. Ltd Thailand, DARA Tropical Hardwood, Portland, Oregon, United States of America. The distribution of sales of the company is thought to remain the same, about 30 per cent to the Far East, China, Japan and Singapore, 40 per cent to Europe and 25 per cent to North America. DARA Great Lakes Industries shareholding and management is between Thai and Ugandan nationals, among them John Supit Kotiran and Pranee Chanyuttasart of Thailand and Prossy Balaba of Uganda. Some unconfirmed information indicates that members of President Museveni's family are shareholders of DGLI, although more investigation is needed.

53. The DARA group also established another scheme to carry out fraudulent activities in the Democratic Republic of the Congo. The objects of DGLI range from logging to financial and industrial activities. Because of the confusion created between DARA-Forest, which received a concession from RCD, and DGLI, DARA-Forest has also been dealing in diamonds, gold and coltan. The Panel has received reports from the custom posts of Mpondwe, Kasindi and Bundbujyo of the export from the Democratic Republic of the Congo of minerals such as cassiterite and coltan in trucks. During the Panel's visit to Bunia it was reported that other products were loaded in trucks which are supposed to carry timber only; it is likely that coltan and cassiterite were these products. Moreover, the fraud extends to the forging of documents and declarations "originating" in Kinshasa.

54. The logging rate was alarming around Butembo, Beni, Boga and Mambassa. The RCD-ML administration acknowledged its lack of control over the rate of extraction, the collection of taxes on logging activities and the customs fees at the exit points. On the basis of eyewitness accounts, satellite images, key actors' acknowledgements and the Panel's own investigation, there is sufficient evidence to prove that timber extraction is directly related to the Ugandan presence in Orientale Province. This has reached alarming proportions and Ugandans (civilians, soldiers and companies) are extensively involved in these activities. In May 2000, RCD-ML attributed a concession of 100,000 hectares to DARA-Forest. Since September 1998, overall DARA-Forest has been exporting approximately 48,000 m^3 of timber per year.

55. **Other extraction schemes**. Burundians and Rwandans have also extracted timber or have been associated with Congolese loggers. Roads to evacuate timber from places deeper in the forest are in a very bad state. Yet Congo timber, as it is referred to in Bujumbura, is readily available in Burundi and Rwanda. Some Burundians, however, are also involved in the harvesting of bark from prunus Africana. This tree is known and used in medicine for prostate treatment. Statistics gathered from the Tanzanian Port Authority clearly indicate that Burundi exported those barks in 1998 and 1999. Prunus Africana is not found in Burundi, however, but rather in the forests of South Kivu.

56. **Mining sector**. In the mining sector, direct extraction was carried out in three ways, namely (a) by individual soldiers for their own benefit; (b) by locals organized by Rwandan and Ugandan commanders; and (c) by foreign nationals for the army or commanders' benefit.

57. The Panel came across a number of cases in which soldiers were directly involved in mining in Watsa. In September 1999, the UPDF local commander demanded the extraction of gold on the pillars of the Gorumbwa mine galleries in which dynamite was used. On 9 September, the galleries collapsed, leading to the death of a number of Congolese miners. Some months

later, Ugandan soldiers who came to mine in the same area contracted respiratory disease. Other returning UPDF soldiers have themselves told friends how they operated in order to acquire the gold. From these accounts, it appears that, even when the local commanders were informed about these activities, there was an acceptable level of tolerance. Although the Panel qualifies this behaviour as passive complicity on the part of some commanders, it is not clear whether soldiers shared the acquired minerals with their allies.

58. Local Congolese have been mining for years for their own benefit. The novelty of their involvement lies in the fact that some of them were used as "convincible labour" to mine gold, diamonds or coltan. In the Bondo locality within Equateur Province, young men from 12 to 18 years were recruited by Jean-Pierre Bemba. The Ugandan allies trained the recruits and shared with them the idea that the Ugandan army was an "army of development" that aimed at improving ordinary people's living conditions. After the one-hour morning physical training session, they were sent to gold mines to dig on behalf of the Ugandans and Mr. Bemba. According to eyewitnesses, in Kalima, RPA commander Ruto enrolled two teams of local Congolese to dig coltan; these Congolese worked under the heavy guard of Rwandan soldiers.

59. In the Kilo-Moto mineral district, Ugandan local commanders and some of the soldiers who guarded the different entry points of the mining areas allowed and encouraged the local population to mine. The arrangement between the soldiers and the miners was that each miner would leave at the entry/exit point one gram of gold every day. A key informant of the Panel indicated that on average 2,000 individuals mined this large concession six days a week. This source, confirmed by other sources, informed the Panel that it was so well organized that the business ran smoothly. On average 2 kg of gold are delivered daily to the person heading the network.

60. The last pattern of organized extraction by the occupying forces involves the import of manpower for mining. Occupying forces brought manpower from their own countries and provided the necessary security and logistics. In particular, Rwanda utilized prisoners to dig coltan in exchange for a sentence reduction and limited cash to buy food. The Panel was recently informed that there is a presence of 1,500 Rwandan prisoners in the Numbi area of Kalehe. According to the same report, these prisoners were seen mining coltan while guarded by RPA soldiers. Human Rights Watch also reported the same information in March 2001. This recent report confirms numerous other reports and eyewitness accounts of the involvement of prisoners, some of whom are former refugees.

61. **Impact on wildlife**. Wildlife has also suffered a great deal from the conflict. Numerous accounts and statistics from regional conservation organizations show that, in the area controlled by the Ugandan troops and Sudanese rebels, nearly 4,000 out of 12,000 elephants were killed in the Garamba Park in north-eastern Democratic Republic of the Congo between 1995 and 1999. The situation in other parks and reserves is equally grave, including Kahuzi-Biega Park, the Okapi Reserve and Virunga Park. The number of okapis, gorillas and elephants has dwindled to small populations. In the Kahuzi-Biega Park, a zone controlled by the Rwandans and RCD-Goma and rich in coltan, only 2 out of 350 elephant families remained in 2000. There is serious concern among conservationists that the rest fled of their own accord or were killed, as two tons of elephant tusks were traced in the Bukavu area late in 2000. Already by April 2000, about three tons of tusks were temporarily seized by RCD-ML in Isiro. After strong pressure from Uganda, the cargo was released and transferred to Kampala.

62. The Panel has indications that, in most cases, poaching of elephants in violation of international law (Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)) was well organized. Either soldiers hunted directly with the consent of the commander or they provided equipment and protection to local villagers to execute the task with the objective of collecting elephant tusks. For example, in August 2000, UPDF Colonel Mugeni and a crew of his soldiers were discovered with 800 kg of elephant tusks in their car near Garamba Park. The Government of Uganda received detailed notification of this incident. Eyewitnesses reported to the Panel several incidents that involved Rwandan soldiers in the trading of elephant and buffalo meat. In the Bukavu and Goma areas, there appears to be a pattern: high commanders take the tusks, soldiers negotiate the wholesale price with some locals, and the locals sell the meat in the market place as retailers.

63. Harvesting of coffee by non-owners has been another feature of the exploitation of natural resources. Jean-Pierre Bemba, the leader of MLC and now the

President of the Front de libération du Congo, a partner in the coffee business with General Kazini, has been harvesting coffee directly from plantations he does not own. During our visit to Gbadolite, some locals mentioned that coffee was harvested by Mr. Bemba's men from some private plantations that belonged to individuals who had fled the region.

64. **Monopolies and price-fixing.** In addition to looting and extracting resources, rebels and Rwandan and Ugandan troops have abused the commerce and trade system. In some cases, they forced locally owned and some foreign-owned businesses to close down. The methods used varied from looting to harassing the owners. The end objective was to gain control of local commerce. The result is unprecedented control of the economy of the eastern and north-eastern Democratic Republic of the Congo. During its field visit, the Panel noted that consumer goods and other merchandise found in Gbadolite and Bunia originated mostly in Uganda. During its field visit to Bunia, the Panel members witnessed the unloading of beer crates from an aircraft coming from Uganda. In Gbadolite, most cigarettes, beverages, toilet paper etc. are imported from Uganda. Equally, goods in Kisangani, Bukavu and Goma come mainly from Burundi or Rwanda. Imported goods for the occupied zones arrive via the ports of Mombasa and Dar es Salaam. This was confirmed during the Panel's visit to the customs services (Internal Revenue Authority) in Kampala. Furthermore, depending on the importer of the goods, taxes are not paid. The failure to pay taxes, especially in Orientale Province, was acknowledged to the Panel by RCD-ML during our discussions in Bunia in October 2000.

65. Rwandan and Ugandan troops and their Congolese allies have also been exploiting local farmers. They have imposed prices and conditions on the farmers. In one instance, a farmer living near the Ubangi River, 20 km from Gbadolite, explained to a member of the Panel how he is dependent on the coffee dealers for the supply of the bags imposed by the coffee collectors (buyers). Failure to use these bags leads to an automatic reduction in the price of the coffee. These bags are not produced in the eastern Democratic Republic of the Congo and they have to buy them.

66. In another instance, one woman explained how she and her husband could no longer sell their palm oil to the neighbouring Central African Republic or ship it to Kinshasa for a better price. The control of trade and other business networks for commercial crops, such as coffee and palm oil, is almost total within the occupied zones. This translates into a de facto monopoly like the one Jean-Pierre Bemba has on coffee exports in Equateur Province. The locals who desperately remain in the villages work more for less, if anything at all. Humanitarian organizations working in the occupied zones told the Panel stories of a number of women in some villages who have simply stopped taking their children to the health centres because they no longer possess simple items of clothing to preserve their dignity.

67. Exploitation of resources becomes even more questionable, as some of the players not only produce counterfeited Congolese francs, but use them to purchase natural resources. According to reliable sources, the Victoria Group, whose key shareholder is General Khaleb Akandwanaho, alias Salim Saleh, was involved in the making of counterfeit Congolese francs. These notes are used for the purchase of commercial crops, primarily coffee. A very reliable source told the Panel that in mid-1999 Jean-Pierre Bemba ordered the production of 100-franc Congolese notes. Simultaneously the Victoria Group also produced counterfeit Congolese francs. By the end of 1999, Equateur Province was flooded with counterfeit Congolese currency so that Mr. Bemba decided to suspend all 100-franc notes, including the ones he had produced, so as to stop inflation in the areas he controlled.

68. The Panel has evidence that the illegal exploitation of natural resources goes beyond mineral and agricultural resources. It is actively occurring also in respect of financial transactions, taxes and the use of cheap labour, which our mandate qualified as other forms of wealth. Local banks and insurance companies operating in Goma, Bukavu, Kisangani, Bunia and Gbadolite deal directly with Kigali or Kampala. A system of tax collection — enforced in some cases — has been implemented by MLC, RCD-ML and RCD-Goma with their established Ugandan and Rwandan counterparts. In the rebels own words, these taxes are aimed at "financing or supporting the war effort". Indeed, part of the funds collected is sent to Kigali (in the case of RCD-Goma). In the case of the former RCD-ML and MLC, not only was part of the taxes sent to Kampala but also individual colonels would claim direct payment from RCD-ML. In Bunia and Bukavu,

people protested, demonstrated and denounced this practice of abuse. In areas controlled by Mr. Bemba, peasants carrying palm oil on bicycles have to pay taxes on the bicycles.

69. The use of child labour is also rampant in the occupied territories. Some children are reportedly mining gold in the Kilo Moto mines. In Equateur Province, some children were seen in the diamond mines. The Panel members witnessed the presence of young MLC recruits at Gbadolite airport and in the city. They were at the airport waiting for a flight, having recently completed their military training.

70. The aforementioned demonstrates that the procedures and processes for exploiting the natural resources of the Democratic Republic of the Congo are continuously evolving. Occupying forces began with the easiest method, looting stockpiles. As the wells ran dry, they developed efficient means of extracting the additional resources necessary to keep the coffers full. Eventually, any means necessary was recognized as a legitimate mode of acquisition. From all the evidence offered above, it appears that this process will continue to evolve as is deemed necessary.

D. Current structures of illegal exploitation

71. **Administrative structures**. The illegal exploitation of natural resources is facilitated by the administrative structures established by Uganda and Rwanda. Those countries' leaders directly and indirectly appointed regional governors or local authorities or, more commonly, appointed or confirmed Congolese in these positions. Typical examples are, on the Ugandan side, the appointment of the Governor of Ituri Province. On 18 June 1999, Ugandan General Kazini appointed as Governor of this Province Adele Lotsove, a Congolese who had already been employed by the Mobutu and Kabila administrations. Information gathered clearly indicates that she was instrumental in the collection and transfer of funds from her assigned administrative region to the Ugandan authorities in 1999. According to some sources, she also contributed to the reallocation of land from Lendus to Hemas. On the Rwandan side, according to one reliable source, Rwandan authorities have helped secure the appointment of Gertrude Kitembo as Governor of Maniema.

72. **Modes of transportation**. Illegal activities have benefited from the evolution of the means of transportation in the region. Prior to the second war most exchanges of goods and products were conducted through road transportation. To a large extent, smugglers utilized Lake Kivu and Lake Tanganyika to smuggle goods and products to and from the Democratic Republic of the Congo and, in limited circumstances, used aircraft. The shift over the past four years has been noticeable. An increasing number of aircraft are utilized to transport products and arms into the Democratic Republic of the Congo, while transferring out vast quantities of agricultural products and minerals, in particular to Kampala and Kigali. The other novelty of increased air transport has been the use of aircraft leased by the army for commercial and non-military functions. Different categories of people, including soldiers, journalists and traders, have told the Panel about their journeys in aircraft alongside bags of coffee and other non-military products.

73. This change in mode of transportation was accompanied by a change in players as well as a redefining of transportation companies. Traditional and well-established companies such as TMK saw their share of the market erode while others simply disappeared (Air Cargo Zaire). At the same time, new companies emerged and expanded, such as Air Navette and Jambo Safari; they are owned or controlled by the relatives and friends of generals, colonels and Presidents. At the other end, outsiders who entered the region with the AFDL "conquest" of Kinshasa during the first war, by transporting troops, remained and consolidated their position; that is the case of Victor Butt, a notorious arms dealer in the region. Most flights to and from Equateur and Orientale Provinces originate from the Entebbe military airport. During a visit to Kampala, the Panel was informed about the concern expressed by the Ugandan Internal Revenue to the Ministry of Defence. This complaint raised the issue of revenue loss to the treasury due to the fact that products entering or leaving the Democratic Republic of the Congo by air to and from Entebbe military airport are not checked, and taxes are not levied by the customs services.

74. On the Ugandan side, three main private companies are involved:

- Air Alexander, whose owner is Jovia Akandwanaho, the wife of Salim Saleh and sister-in-law of President Museveni. Her company mainly operated between Entebbe and Kisangani before the last battle of Kisangani. According to some sources, the company continues to operate in the territory held by Ugandan troops.

- Air Navette has dealings with General Salim Saleh and Jean-Pierre Bemba. The company flies to Gbadolite, Gemena, Kisangani, Bunia and Kampala. This company uses an Antonov 26 and an Antonov 12.
- Uganda Air Cargo, which mainly deals with the Ugandan Ministry of Defence. Previously, it was using a C-130, but currently uses an Ilyushin 76 and an Antonov 12. This company flies to Entebbe, Gemena, Basankasu, Isiro and Buta.

The Panel has indications that most private air companies do not own the aircraft they use; the owners are usually people like Victor Butt.

75. On the Rwandan side, a number of private companies operate in the territory. These are:

- New Gomair, which flies to Kisangani-Goma and Kigali. According to some sources, the wife of the current Minister of Finances of Rwanda is a shareholder.
- Air Navette flies to Goma, Bukavu, Kisangani and Kigali. According to some sources, one of the major shareholders, Modeste Makabuza, also owner of Jambo Safari, is a known figure in the entourage of President Kagame.
- Air Boyoma is a shuttle between Goma and Lodja; according to some sources Mr. Ondekane, former first Vice-President of RCD-Goma, is a shareholder.
- Other companies, such as Compagnie aérienne des Grands Lacs et Cargo fret international, Sun Air Services and Kivu Air Services, operate in the area.

76. Clients and other very reliable sources have indicated that Sabena Cargo is transporting illegal natural resources extracted from the Democratic Republic of the Congo. Sabena Cargo is said to carry coltan extracted from the Democratic Republic of the Congo from Kigali airport to European destinations. The Panel asked to meet with the management of Sabena in Kampala and in Brussels, but no one was made available to speak to the Panel members.

77. **Financial network**. All illegal activities in the eastern Democratic Republic of the Congo, primarily the commercial and trade operations, utilize the financial network to some extent. One of the characteristics of this network has been its ability to quickly adapt to the new political and economic environment. Cities like Kisangani and Goma were already big trading centres for diamonds and consumer goods. Most banks operating in the occupied zones were already in operation in the Democratic Republic of the Congo before the August 1998 war. Their headquarters or corresponding banks were generally in Kinshasa. With the occupation, headquarters and corresponding banks tended to move to Kigali. Some of these banks are:

- Union des banques congolaises. Although the headquarters remains in Kinshasa, it has ongoing operations in areas controlled by Rwanda.
- Banque commerciale du Congo. The headquarters is in Kinshasa and it has branches in the eastern Democratic Republic of the Congo. The Director was transferred to Kigali in order to oversee operations in the eastern Democratic Republic of the Congo. This bank is linked to the Belgolaise, a Belgian bank consortium.
- Banque commerciale du Rwanda. The headquarters is in Kigali, but it has operations in Kisangani, Bukavu and Goma. The Government of Rwanda is said to be one of the shareholders.
- Banque à la confiance d'or (BANCOR). One of the newest banks in Kigali which started its activities in 1995. It was family owned until 1999 but early in 2000 a businessman, Tibere Rujigiro, purchased the bank at a very low price according to various sources.

78. **Special cases: BCDI and BCD**. The Banque de commerce, du développement et d'industrie is the newest bank, created in November 1996 and headquartered in Kigali. Its involvement with the Democratic Republic of the Congo dates back to the beginning of the AFDL conquest of the former Zaire. BCDI operated most AFDL financial transactions before Laurent-Désiré Kabila took power. The Panel was told that its shareholders are essentially the Rwandan Patriotic Front, COMIEX, Alfred Khalissa and some Angolans. The real shareholders are the allies, except Uganda. Some documents, receipts for payments and authorization for payments made by

some large companies in the Democratic Republic of the Congo between early and late 1997 clearly indicate that payments are to be made through BCDI for the contribution to "the war effort". When the late President Kabila came to power, he created the Banque de commerce et du développement, which has the peculiarity of having as shareholders Tristar, COMIEX and Alfred Khalissa of BCDI. The Rwandan Patriotic Front remains, through BCDI and Tristar, a shareholder in BCD in spite of the war situation.

79. **Other private companies**. A number of companies were created to facilitate illegal activities in the Democratic Republic of the Congo. Others have existed in the region for decades and joined the bandwagon to pursue the obvious financial windfalls involved in the exploitation of the country. On the Ugandan, MLC and RCD-ML side, rebel leaders and/or Ugandan military officials created new companies and businesses using *prête-noms*. Most, if not all, of these companies are privately owned by individuals or a group of individuals.

80. Among the companies involved in the illicit acquisition of natural resources in the Democratic Republic of the Congo, Trinity and Victoria seem to be the most interesting given their modus operandi, activities and respective shareholders. Victoria Group is chaired by Mr Khalil and its headquarters is in Kampala. According to reliable sources, Mr. Khalil deals directly with Mrs. Akandwanaho on diamond issues. Mr. Khalil has two collaborators in the Democratic Republic of the Congo, based in Kisangani and Gbadolite. Both are said to be from Lebanon, they are Mohammed Gassan and Mr. Talal. During its visit to Gbadolite, the Panel received confirmation of the presence of one of them and his leading role in the purchase of diamonds in the region. A reliable source told members of the Panel that the Victoria Group belongs jointly to Muhoozi Kainerugabe, son of President Museveni, and Jovia and Khaleb Akandwanaho. Victoria Group is involved in trading diamonds, gold and coffee. The Group purchases these mineral and agricultural products in Isiro, Bunia, Bumba, Bondo, Buta and Kisangani. The company paid taxes to MLC, but failed to do so with RCD-ML. When counterfeit currencies (Congolese francs and United States dollars) were found in areas where the company buys the natural resources, fingers were pointed at the Victoria Group. Other sources have confirmed to the Panel the involvement of the Victoria Group in the making of counterfeit currency.

81. Trinity is an equally interesting case. Ateenyi Tibasima, second Vice-President of RCD-ML and now the *Commissaire général adjoint* of FLC, was the "manager" of the company. According to reliable sources, Trinity is a fictitious company and a conglomerate of various businesses owned by Salim Saleh and his wife. Its primary purpose was to facilitate their business activities in Orientale Province. To this end, Mr. Tibasima granted a tax holiday to all Trinity activities in the areas controlled by Uganda and administered by RCD-ML in November 1999. Trinity has imported various goods and merchandise and has taken from Orientale Province gold, coffee and timber without paying any tax. Different individuals, Ugandans as well as Congolese, have taken the opportunity created by the confusion over Trinity to export from the Democratic Republic of the Congo (on behalf of Trinity) various natural resources, also without paying taxes.

82. On the Rwandan side, most companies with important activities related to the natural resources of the Democratic Republic of the Congo are owned either by the Government or by individuals very close to the inner circle of President Kagame. Rwanda Metals, for example, is a company involved in coltan dealing. It purchases coltan and exports it out of the continent. The Panel has strong indications that RPF controls Rwanda Metals. In mid-January 2001, some very reliable sources met with the senior management of Rwanda Metals in Kigali. During these discussions, the Director told them that Rwanda Metals was a private company with no relation to the army. He further explained that he was expecting key partners that very morning for discussions. As discussions continued, the so-called partners arrived as planned; unfortunately they were in Rwandan army uniforms and were top officers. This incident confirms accounts from various sources indicating that Rwanda Metals is controlled by RPF. Meanwhile there are also indications that RPA is a shareholder of Grands Lacs Metals, a company also dealing in coltan.

83. Jambo Safari is another company whose emergence and growth has raised some eyebrows in Goma and Bukavu. When the August 1998 war started, Modeste Makabuza was buying oil from Kenya and selling it in the eastern Democratic Republic of the Congo. Jambo Safari has benefited from an internal

network of false receipts within RCD-Goma and RPA. According to a very reliable source, Jambo Safari would charge RCD-Goma for three times the quantities of oil delivered and any attempt to question the figures would be suppressed. In a rare attempt to clarify the situation, some members of RCD-Goma during the last General Assembly meeting, in June 2000, requested that a commission be set up to conduct an internal audit. Kigali agreed to send a colonel to conduct the audit along with an RCD team. When the issue of false receipts and overpayment was established, Kigali recalled the colonel and suspended the inquiry. Some sources have confirmed the close ties between Mr. Makabuza, the apparent owner of Jambo Safari, and President Kagame. Jambo Safari has diversified since its original business venture, is now dealing in coffee, recently purchased a fleet of new trucks and is also involved in air transport with Air Navette.

84. Other minor companies also operate with the protection of some local commanders. For example, Établissement Habier is involved in the distribution of oil and petrol in Goma and Bukavu. This company is said to belong to Ernest Habimana, who is closely linked to RPA, especially to Major Karasira and Mr. Gakwerere. STIPAG, a company owed by Mr. Mbugiye operating in collaboration with Major Kazura (chief of security of the Rwandan Army in the Democratic Republic of the Congo) and Major Gatete, is among those junior companies involved in coffee and diamond dealing. Finally a myriad of small companies was created and their shareholders are invariably powerful individuals in the Rwandan nomenklatura or in RCD structures. That is the case of Grands Lacs Metals, where Majors Gatete, Dan and Kazura are reportedly shareholders. In other cases, foreign companies incorporate local potentates on their board, as in the case of Gesellschaft für Elektrometallurgie (GFE), with Karl Heinz Albers and Emmanuel Kamanzi as partners, or MDM with Mr. Makabuza.

85. The Panel, on the basis of the data, accounts and documents received and analysed, came to the conclusion that the systems of illegal exploitation established by Ugandans and Rwandans differ from each other. In the case of Uganda, individuals, mainly top army commanders, using their hold over their collaborators and some officials in rebel movements, are exploiting the resources of the Democratic Republic of the Congo. However, this is known by the political establishment in Kampala.

86. In the case of Rwanda, things are more systemic. There are linkages and bridges between some key companies, as in the case of Tristar and BCDI and, above all, the relationship between RPA, RPF, BCDI, Rwanda Metals, Grands Lacs Metals and Tristar. The senior management of these companies seems to report separately to the same people at the top of the pyramid. On the other hand, all key managers have personal relationships with different army commanders who themselves report to the leadership. This pyramidal and integrated structure coupled with the strict discipline of the group has made the exploitation of the resources of the Democratic Republic of the Congo more systematic, efficient and organized. There is equally a bridge between the internal Rwandan structures of illegal exploitation and the RCD-Goma structures. The Government of Rwanda made arrangements with RCD-Goma to drain resources from the Democratic Republic of the Congo. There is a case of loans made by BCDI to RCD to pay suppliers whose business is related to RPA. This “financial bridge” is statutory; indeed the RCD statute indirectly recognizes the role of Rwanda in overseeing the finances of the movement and its participation in decision-making and control/audit of finances.

E. Individual actors

87. The list that follows is not exhaustive, but the Panel’s choice was based on the crucial roles played by these persons and their direct involvement in either providing support, entertaining networks or facilitating the exploitation of natural resources within the Democratic Republic of the Congo. On the Ugandan side, some familiar names surface frequently, such as Major General Salim Saleh, Brigadier General James Kazini, Colonel Tikamanyire, Jovia Akandwanaho, Colonel Utafire, Colonel Mugeni, Mr. Khalil, Ateenyi Tibasima, Mbusa Nyamwisi, Nahim Khanaffer, Roger Lumbala, Jean-Yves Ollivier, Jean-Pierre Bemba, Adele Lotsove, Abdu Rhaman and latecomers such as Colonel Muyombo.

88. The Panel has selected to focus on three key actors. First and second are Major General (retired) Salim Saleh and his wife, Jovia Akandwanaho. Khaleb Akandwanaho, alias Salim Saleh, and his spouse Jovia are at the core of the illegal exploitation of natural

resources in areas controlled by Uganda. He is the younger brother of President Museveni (very popular in the army) and he pulls the strings of illegal activities in areas controlled by Uganda and allies. James Kazini is his executing arm and his right hand. He controls and protects Mbusa Nyamwisi and Ateenyi Tibasima. In return, they protect his commercial and business interests in regions controlled by the former RCD-ML. He used both the Victoria Group and Trinity for the purchase and the commercialization of diamonds, timber, coffee and gold. Very reliable sources have told the Panel that behind Salim Saleh there is Jovia Akandwanaho, who is more aggressive on the issue of exploitation of the natural resources of the Democratic Republic of the Congo. She is particularly interested in diamonds. According to very reliable sources, she is at the root of the Kisangani wars. She wanted control of the Kisangani diamond market after having confirmation from Mr. Khalil, "Director" of the Victoria Group, that it was a good idea and that it was feasible to control the Kisangani market.

89. The third is Brigadier General James Kazini, former Chief of Staff of UPDF and former commander of military operations in the Democratic Republic of the Congo. He is the master in the field; the orchestrater, organizer and manager of most illegal activities related to the UPDF presence in north and north-eastern Democratic Republic of the Congo. He is the right hand of Salim Saleh. He very much relies on the established military network and former comrades and collaborators, such as Colonels Tikamanyire and Mugeni. He has been close to Messrs. Nyamwisi, Tibasima and Lumbala and to Jean-Pierre Bemba, all of whom have facilitated his illegal dealings in diamonds, coltan, timber, counterfeit currency, gold and coffee, and imports of goods and merchandise in Equateur and Orientale Provinces. He is said to have a good relationship with Mr. Baramoto, a former general of President Mobutu. In spite of being discharged from his responsibilities as commander of UPDF forces in the Democratic Republic of the Congo, his networks remain in place. The Panel asked to meet with these key actors, but the request was turned down.

90. Actors from Rwanda and RCD-Goma involved in the illegal exploitation of natural resources in the Democratic Republic of the Congo cannot be separated from the structure they serve. Most of these people serve a system. The Panel has, however, noticed a recurrence of some names or the particular role that some individuals have played at a given time and for some operations. In addition to the names mentioned in the paragraphs on main companies, certain names can be highlighted.

91. First, Ali Hussein, who plays a major role in diamond and gold deals in Bukavu and Kisangani. Those who have dealt with him in the past have mentioned the presence of a Rwandan national during commercial negotiations. There are indications that the Rwandan citizen attending the meetings is a civil servant working in the President's office in Kigali. Second is Colonel James Kabarebe, who is the RPA facilitator for some deals. According to some sources he has been in contact with Victor Butt [or Bout] for the lease of an Ilyushin 76 that served to carry coltan from the Democratic Republic of the Congo to Kigali. He is said to be a partner to Mohamed Ali Salem, manager of the company Global Mineral. This company is involved in coltan purchasing in Bukavu and Goma. Third, Tibere Rujigiro, member of RPF, who is considered to be one of the main money providers to the party during the 1990-1994 war. He is a major shareholder in Tristar Investment, a company equally close to RPF. He is said to be also involved in the tobacco business.

92. The fourth, Aziza Kulsum Gulamali, is a unique case among key actors in the illegal exploitation of the natural resources of the Democratic Republic of the Congo. Mrs. Gulamali is said to hold several passports. She lives in Bukavu, Brussels or Nairobi, depending on her schedule. Mrs. Gulamali has acknowledged having been involved in the past in the Burundi civil war. According to reliable sources she armed and financed the Hutu rebels of FDD in Burundi. Yet she built new alliances with the Government of Rwanda and has become a major ally of the Kigali regime and RCD-Goma. Mrs. Gulamali is involved in gold, coltan and cassiterite dealings in territories controlled by the Rwandans. Prior to that, she was involved in arms trafficking for the benefit of the Burundian Hutus and was equally involved in gold and ivory trafficking. Her name was also mentioned in connection with cigarette smuggling. Very reliable sources told the Panel that she covered her illegal dealings by her cigarette factory, now in bankruptcy. In the coltan business, her clients include Starck, Cogecom and Sogem; the Bank Bruxelles Lambert handles some of her financial transactions. The Panel requested RCD-Goma several times for a meeting with Mrs. Gulamali and also

contacted her aides, but she never arranged a meeting with the Panel.

93. She was recently appointed by RCD-Goma as General Manager of SOMIGL, a conglomerate of four partners, which obtained the monopoly for the commercialization and export of coltan. This monopoly has strengthened her position as a major player in the trade in coltan in the region. RCD-Goma, in an attempt to explain this partnership, said that she is a very useful person and would bring $1 million to RCD monthly. Some sources have told the Panel members that her network of contacts is impressive and that she controls almost every official in RCD-Goma. According to some sources, she is also involved with her daughter Djamila in counterfeiting currency. Mrs. Gulamali is famous for forging customs declarations, especially for the products she exports. Confronted recently with a false customs declaration where coltan was declared as cassiterite, she replied, “in this business everybody does that”. Her declaration alerted the Panel to the extent to which fraud is prevalent among the companies that export coltan.

F. Economic data: confirmation of the illegal exploitation of the natural resources of the Democratic Republic of the Congo

94. All the empirical evidence provided above is complemented by the economic analysis of data provided by different sources.

Uganda

95. At the request of the Panel, the Ugandan authorities provided extensive data, including production and export values for agricultural products such as coffee, cotton, tea and tobacco. In terms of minerals, the data also cover gold and coltan production and export figures.

96. The official data contain substantial discrepancies. First, export figures for gold are consistently greater than production values, as shown in table 1 and figure 1.

97. The gap between production and export could originate from the exploitation of the natural resources of the Democratic Republic of the Congo. The Central Bank of Uganda has reportedly acknowledged to IMF officials that the volume of Ugandan gold exports does not reflect this country’s production levels but rather that some exports might be “leaking over the borders” from the Democratic Republic of the Congo. The central bank reported that, by September 1997, Uganda had exported gold valued at $105 million, compared with $60 million in 1996 and $23 million in 1995.

98. Second, the data from the Ugandan authorities are silent with regard to diamond production and export. Several third party sources (WTO, World Federation of Diamond Bourses, Diamond High Council) indicate diamond exports from Uganda during the last three years. These diamond exports are suspicious for many reasons:

(a) Uganda has no known diamond production;

(b) Diamond exports from Uganda are observed only in the last few years, coinciding surprisingly with the occupation of the eastern Democratic Republic of the Congo as shown in table 2 and figure 2;

(c) Finally, these facts corroborate the Panel’s findings from field investigation, discussions and external observers on the need to control the rich diamond zone near Kisangani and Banalia.

99. These figures are understated and there are indications that Uganda exported more diamonds. However, this is not well captured in the statistics because of the loose regulations governing the free zone areas. These regulations permit diamonds originating in any country to be repackaged, and then to be sold from any country as diamonds from a country of origin that is not necessarily the one mentioned in the statistics.

Table 1
Uganda: mineral exports and production, 1994-2000

Year	*Gold*	*Tin*	*Coltan*	*Cobalt*
A. Mineral exports (tons)				
1994	0.22	-	-	-
1995	3.09	-	-	-
1996	5.07	3.55	-	-
1997	6.82	4.43	2.57	-
1998	5.03	-	18.57	-
1999	11.45	-	69.5	67.48
2000	10.83	-	-	275.98
B. Mineral production (tons)				
1994	0.0016	3.704	0.435	-
1995	0.0015	4.289	1.824	-
1996	0.003	0.38	-	-
1997	0.0064	1.81	-	-
1998	0.0082	1.102	-	-
1999	0.0047	-	-	76.74
2000	0.0044	-	-	287.51

Source: Uganda, Ministry of Energy and Mineral Development. 2000 data are from January to October.

Figure 1. Uganda: gold production and exports, 1994-2000

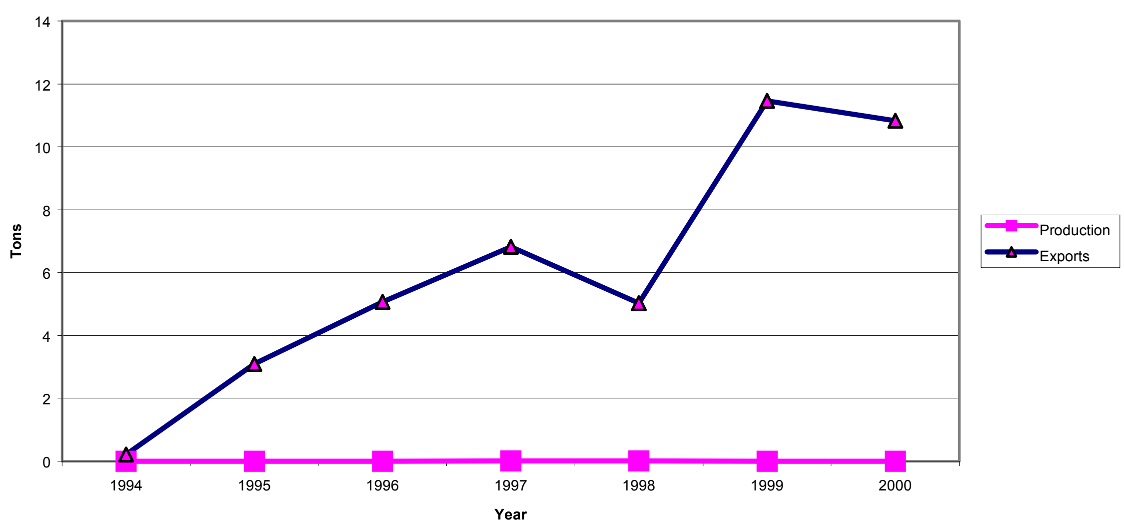


Table 2
Uganda: rough diamond exports, 1997-October 2000

Year	*Volume (carats)*	*Value (United States dollars)*
1997	1 511.34	198 302
1998	11 303.86	1 440 000
1999	11 024.46	1 813 500
2000	9 387.51	1 263 385

Source: Diamond High Council.

100. Data collected from any third party consistently show that Uganda has become a diamond exporting country; they also show that diamond exports from Uganda coincide with the years of the wars in the Democratic Republic of the Congo, that is from 1997 onward.

101. As far as niobium is concerned, the pattern appears to be the same: no production prior to 1997 followed by a series of increases in exports as shown in table 3 and figure 3.

Table 3
Uganda: niobium exports, 1995-1999
(thousands of United States dollars)

Year	*Niobium*
1995	0
1996	0
1997	13
1998	580
1999	782

Source: World Trade Organization (aggregated data).

102. Third, the Ugandan authorities, in their response to the Panel's questionnaire, stated that there was no record of transit of mineral products. However, the Panel received information from one Ugandan customs post at the border between the Democratic Republic of the Congo and Uganda. Records for 1998, 1999 and 2000 reveal that mineral products as well as other commodities left the Democratic Republic of the Congo and entered Uganda (presumably this would also prove true for the other dozen or so points of entry). The following three examples show an increase in the transboundary movement of natural resources between 1998 and 1999.

Coffee	1998: 144,911 bags
	1999: 170,079 bags
	2000: 208,000 bags
Timber	1998: 1,900 m3
	1999: 3,782 m3 and 46,299 pcs
	2000: 3,272 m3 and 3,722 pcs
Cassiterite*	1998: None
	1999: 30 kgs
	2000: 151 drums

* The sudden increase in the import of cassiterite may also mean an increase in the import of coltan. The Panel discovered that cassiterite is often listed in lieu of coltan, as coltan possesses a higher value, which implies high import taxes in Uganda.

Rwanda

103. In response to the request for statistics by the Panel, the Rwandan authorities provided the following data:

Table 4
Rwanda: mineral production, 1995-2000

Year	*Gold (kg)*	*Cassiterite (tons)*	*Coltan (tons)*
1995	1	247	54
1996	1	330	97
1997	10	327	224
1998	17	330	224
1999	10	309	122
2000	10	437	83

Source: Rwanda Official Statistics (No. 227/01/10/MIN).

Figure 2. Uganda: rough diamond exports, by volume, 1997-October 2000

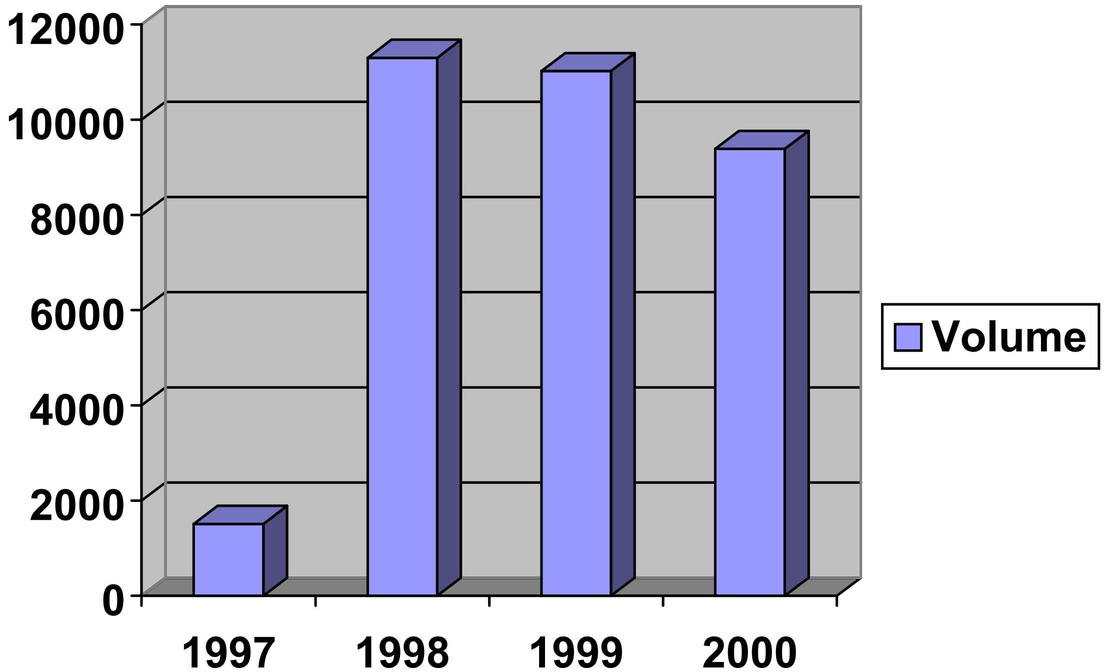


Figure 3. Uganda: niobium exports by volume, 1995-1999

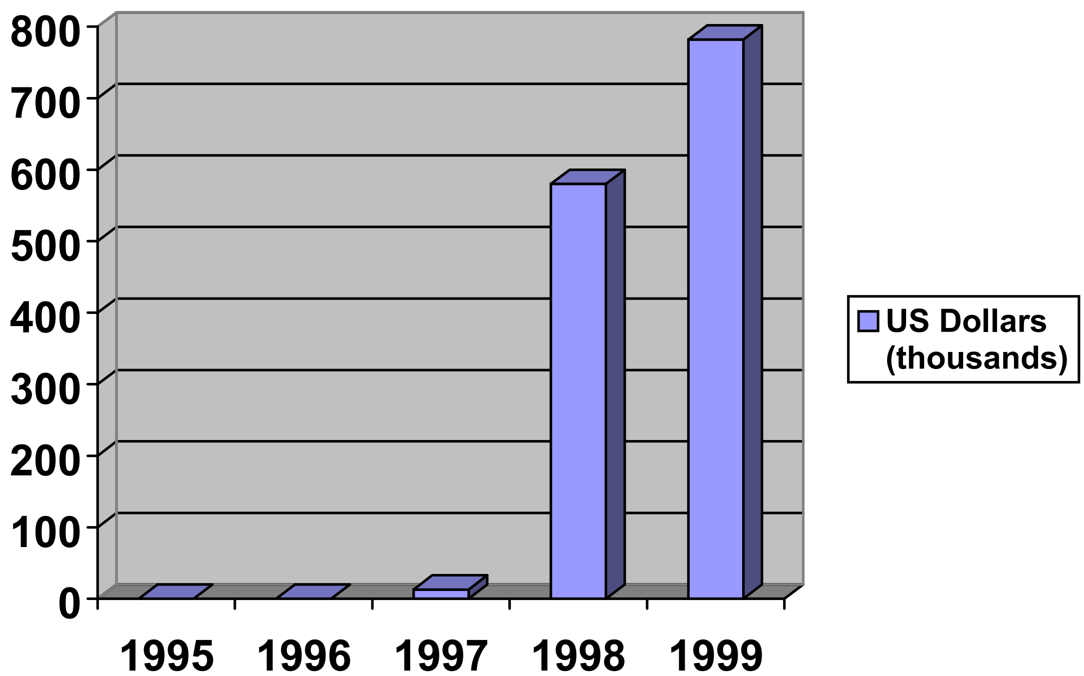


Figure 4.A. Rwanda: mineral production, 1995-2000

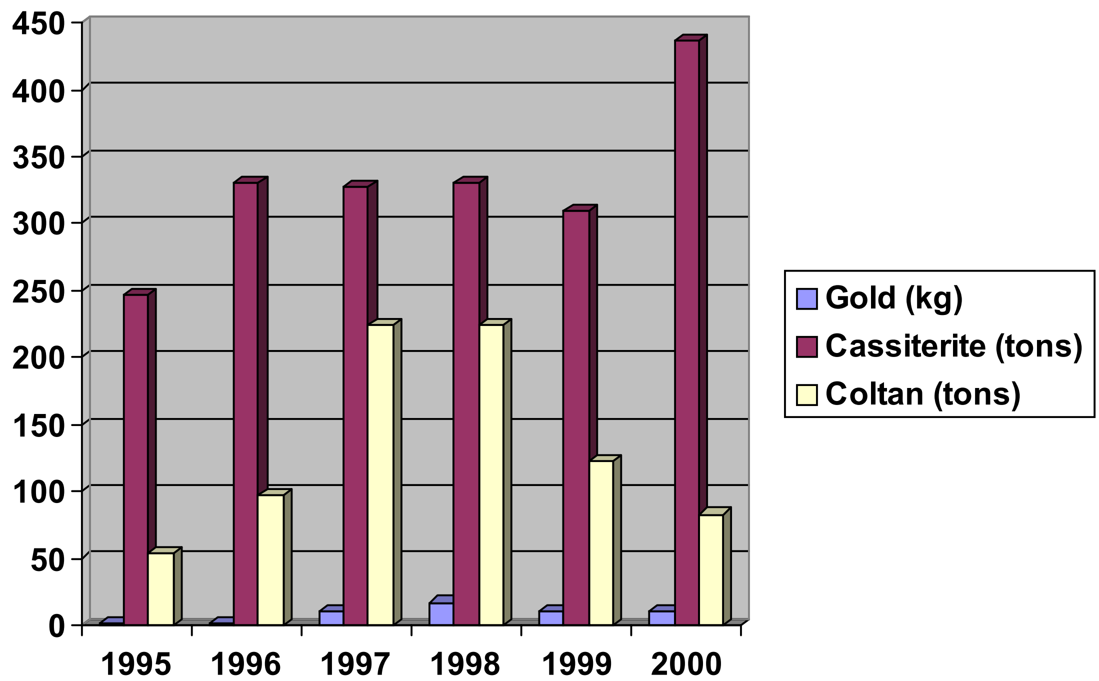
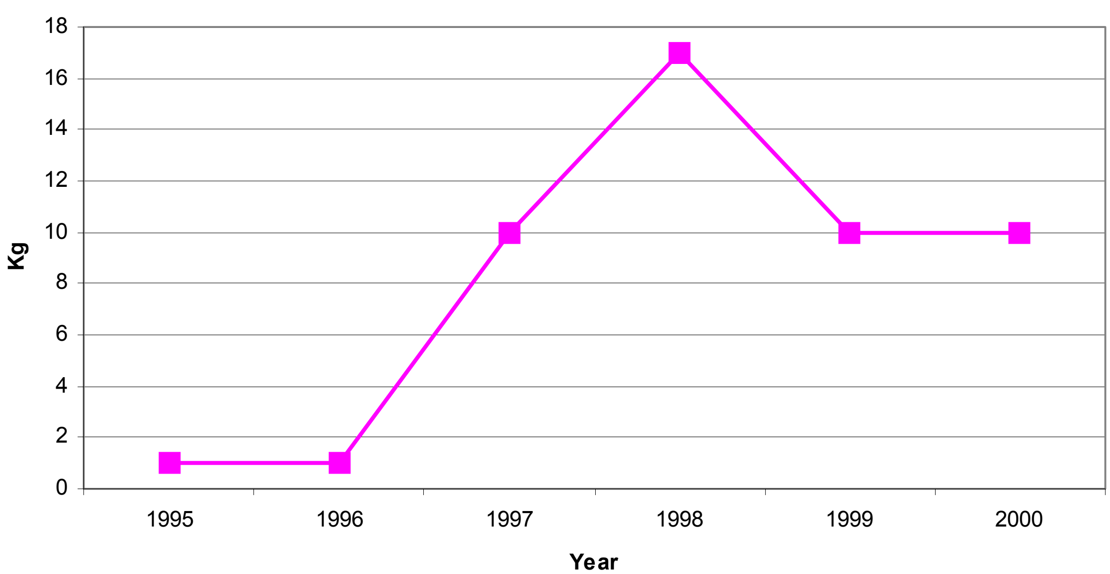


Figure 4.B. Rwanda: gold production, 1995-2000 (kg)



104. The Rwandan authorities also underline the fact that “Rwanda has no production of diamond, cobalt, zinc, manganese, and uranium”. However, in spite of this statement, there is substantial evidence that Rwanda has been exporting diamonds. In fact, several organizations such as WTO and the High Diamond Council, and Belgian statistics, have computed import data for selected commodities and provide support for the fact that Rwanda has been exporting diamonds (see table 5 and figure 5). Production figures display some irregular patterns for gold and coltan starting from 1997 (see figures 4.A and B). It is revealing that the increase in production of these two minerals appeared to happen while AFDL, backed by Rwandan troops, was taking over power in Kinshasa.

Table 5
Rwanda: rough diamond exports, 1997-October 2000

Year	*Volume (carats)*	*Value (United States dollars)*
1997	13 060.39	720 425
1998	166.07	16 606
1999	2 500.83	439 347
2000	30 491.22	1 788 036

Source: Diamond High Council.

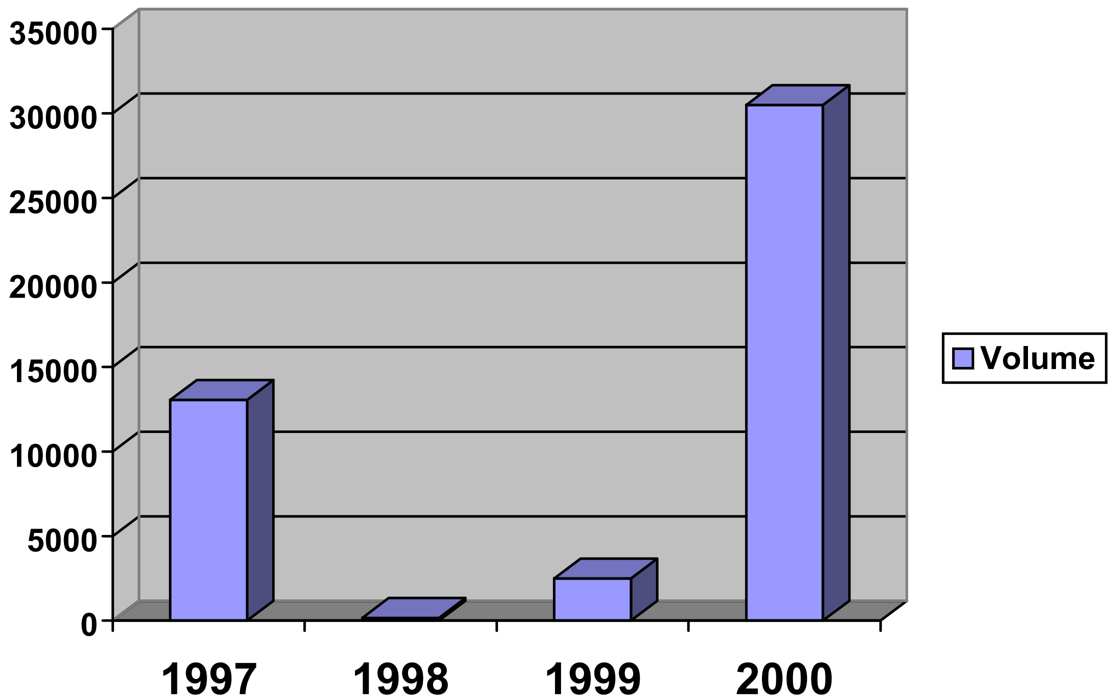
105. **Burundi**. An IMF office memorandum indicates that “Burundi does not produce gold, diamonds, columbo-tantalite, copper, cobalt, or basic metals”. Burundi however has been exporting minerals it does not produce. As in the case of Uganda and Rwanda, Burundi’s export of diamonds dates from 1998, coinciding with the occupation of the eastern Democratic Republic of the Congo. The coltan exports span a longer period (1995-1999), perhaps suggesting that this might be a regular activity.

106. **Angola, Namibia and Zimbabwe**. Only third party sources were used to determine whether production and export trends in these countries displayed abnormalities. Available production and export statistics relative to Angola, Namibia and Zimbabwe were fairly normal in terms of trend. They did not reveal any suspicious behaviour. Additional data are however needed for a definite stand on the issue. In the case of Zimbabwe, accounts of ongoing and pending deals give clear indications of their potential impact on the balance of payments.

107. The economic and resource-based analysis above, by using the figures given by the respective Governments, reveals that Uganda and Rwanda have been exporting diamonds, and that this activity is hidden and does not appear in the statistics they disseminate. They do not produce diamonds, nor do they officially export this mineral. It is probable that these minerals are coming from the Democratic Republic of the Congo and would constitute the basis for the re-exportation economy.

108. Regarding the Democratic Republic of the Congo, mineral production and export display a declining trend, imputable partly to the occupation of the eastern side of the country. However, the deterioration of the rural infrastructure represents a limiting factor for mining as well as for agricultural activities.

Figure 5. Rwanda: rough diamond exports, by volume, 1997-October 2000



III. Links between the exploitation of natural resources and the continuation of the conflict

109. The following sections explore the links between the exploitation of natural resources and the continuation of the conflict in the Democratic Republic of the Congo. The sections are interrelated, but separated for clarity. The first section outlines the countries' budget allocations for their respective armed forces versus the actual expenditures. It will be demonstrated that military expenditures far outweigh the supposed money allocated for such expenses. The subsequent section will explore in depth the means by which these countries find the necessary additional financial resources to continue the war.[4] The panel finds a link between the exploitation of the natural resources of the Democratic Republic of the Congo and the continuation of the conflict.

A. Budgets compared to military expenditures

Rwanda

110. Rwanda spends about 3 per cent of its GDP or 29 per cent of its annual budget on its defence needs. In the current fiscal year, $70 million was allocated to defence in the national budget. These official figures provided by the Minister of Finance comprise every single expense of the army, including, soldiers' pay and bonuses and the maintenance and acquisition of new military equipment.

111. Military specialists with a great deal of experience in the region agreed on the fact that Rwandan soldiers use light equipment, so that expenses on equipment have for a long time been limited. They also recognize that, given the size of the Democratic Republic of the Congo and the portion of the territory under Rwandan control, there is a minimum number of soldiers needed to cover this area, which could be estimated at 25,000 soldiers on average during the period of the conflict. Moreover, the use of aircraft for the transport of troops and some types of equipment and supplies may be costly.

112. An aircraft owner operating in the region has indicated that he charges on average $2,000 per hour. Based on his experience of three rotations per day in a smaller area, the Panel estimates five rotations for Rwanda at an average of six hours each. A simple calculation gives a figure of $1.8 million per month and $21.6 million per year.

113. Based on the minimum number of 25,000 soldiers in the Democratic Republic of the Congo and an average $100 for pay and bonuses, the Panel has calculated a total of $2.5 million per month and $30 million per year. Transportation and pay of troops alone in the Democratic Republic of the Congo amount to $51.6 million per year, which is about three quarters of the total Rwandan official defence budget. By taking into consideration the remaining 20,000 soldiers stationed in Rwanda and their average pay of $50 per month, almost the total defence budget ($63 million) is used on two items. RPA soldiers in the Democratic Republic of the Congo have other basic needs, however, such as ammunition for even their light equipment, and maintenance and replacement of the equipment.

114. All military experts consulted suggested that the official defence budget of Rwanda cannot alone cover the cost of their war and presence in the Democratic Republic of the Congo. The Panel concurs with President Kagame, who described the conflict in the Democratic Republic of the Congo as "a self-financing war".

Uganda

115. Uganda officially spends about 2 per cent of its GDP on defence, which is being monitored by the Bretton Woods institutions. For the fiscal year 2000, the defence budget was about $110 million. This budget covers pay of about $70 per month for 50,000 soldiers, 10,000 of whom are stationed in the Democratic Republic of the Congo, pays for the pension of retired soldiers, buys equipment and addresses other needs.

116. According to various sources, UPDF has on average 10,000 soldiers in the Democratic Republic of the Congo out of the 50,000 total. Indeed, the budget line for pay alone for a year is about $41 million for the 50,000 Ugandan soldiers. If a bonus of $20 is paid to each of the 10,000 soldiers, that would amount to

[4] The number of soldiers has fluctuated during the period of the war; the numbers used are therefore average estimates.

$200,000 per month (in 1998 and 1999), a total of $2.4 million per year.

117. On the basis of a rate of $2,000 per hour and six hours on average for a return journey and three rotations a day, UPDF spends on average $12.96 million per year on transportation alone. Other expenses for purchase, maintenance and replacement of equipment are important. According to some sources, Uganda spent about $126 million on its armed forces in 1999, an overspending of about $16 million.

Democratic Republic of the Congo

118. Of all the warring parties, the Democratic Republic of the Congo presented the greatest challenge as far as defence budget figures and number of troops were concerned. Lack of reliable data and the barely existent State apparatus have made the collection of data very difficult. The country has been at war since 1996 and prior to that the army was already disintegrating. Various military experts that the Panel members met agree on one point: the extreme difficulty of giving an estimate of the Democratic Republic of the Congo army. Those who try to give an estimate speak of 50,000 to 55,000 soldiers.

119. According to some government sources, the Democratic Republic of the Congo relies on Chinese and Eastern European companies to supply its military arsenal and required equipment. The Panel has strong indications that the Government, despite its economic problems, has invested a great deal in the defence of its territory.

Zimbabwe

120. Zimbabwe's overall defence budget has been decreasing at the very moment ZDF has troops engaged in the Democratic Republic of the Congo. A reduction was announced early in January 2000, lowering the budget from Z$ 15.3 billion in 2000 to Z$ 13.3 billion in 2001. Yet, ZDF with approximately 10,000 troops engaged in the Democratic Republic of the Congo spent on average about $3 million per month, a total of $36 million in a year.

Angola and Namibia

121. Angola's presence is smaller than Zimbabwe's in terms of troops. According to some sources, Angolan troops number about 3,000. Namibia's presence is limited to 2,000 troops. The defence budget of N$ 24 million has remained at the same level since 1999 in spite of the support given to the Democratic Republic of the Congo. However, the emergency or additional budget for the armed forces has decreased from N$ 89 million in 1999 to N$ 76 million in 2001.

Rebels

122. The rebel movements MLC, RCD-Goma and RCD-ML have their own troops. MLC troops are evaluated at 12,000 to 15,000 men. They usually use light military equipment bought from Kampala. In some cases, deals are done between Jean-Pierre Bemba and other traders and businessmen. These deals consist of giving them the opportunities to carry out business activities or granting a mining concession, in exchange for which the beneficiary would supply some military items. In 1999, when Mr. Khalil demanded of Mr. Bemba a concession for a diamond mine, he obtained a concession in exchange for military fatigues and socks, all made in Uganda.

123. The pay of these soldiers is unknown. The Panel gathered however that these young men were not paid, but could receive from time to time some money as "help". The consequence has been their involvement in the exploitation of natural resources. The cost of war appears to be minimal. The war expenses are the purchase of ammunition and light weapons, transport of soldiers by air and the money MLC paid to UPDF and individual top officers for their support. A similar scenario was played out with RCD-ML, which has approximately 3,000 soldiers.

124. The RCD-Goma troops are estimated to be around 12,000 to 15,000. According to some sources, the Rwandan army until recently used to supply the RCD-Goma troops with military equipment. The military budget was not offered to the Panel in spite of its request, and the estimates are very difficult to make. Military equipment and the transport of troops as well as supplies of oil and petrol are the major expenses. Pay is apparently uncertain, so that the soldiers when possible try to survive, even at the expense of the local population and the wildlife. For all parties involved in the conflict in the Democratic Republic of the Congo, this war seems to be expensive by African standards. The question is: how do the different parties finance their war effort?

B. Financing the war

125. There are three primary means of financing this war: (a) purchase of arms and equipment through direct payment; (b) barter (arms for mining concessions); and (c) creation of joint ventures. The economies of Rwanda and Uganda, unlike those of Angola and Namibia, have to varying extents financially benefited from the conflict. Zimbabwe is a special case given the potential of concessions attributed to Zimbabwean companies. Data received from various sources, including the countries involved in the conflict, OECD and the Bretton Woods institutions, demonstrate that in broad terms the mineral production of those three countries has decreased. However there are some interesting peaks between 1997 and 1999 (see sect. II.F above). Isolated and varied examples of how these countries finance their military presence in the Democratic Republic of the Congo are given below.

Rwanda

126. Rwanda's military appears to be benefiting directly from the conflict. Indeed, the Panel has noted a great integration between the military apparatus, the State (civil) bureaucracy and the business community. RPA finances its war in the Democratic Republic of the Congo in five ways: (a) direct commercial activities; (b) profit from shares it holds in some companies; (c) direct payments from RCD-Goma; (d) taxes collected by the "Congo desk" and other payments made by individuals for the protection RPA provides for their businesses; and (e) direct uptake by the soldiers from the land.

127. Since 1998, the Department of External Relations, through the Congo desk has been receiving substantial amounts of money from various *comptoirs*. Several diamond *comptoirs* were operating in Kisangani before the monopoly was given to two in July 2000. According to very reliable sources, taxes were paid directly to the Congo desk. On average, a *comptoir* with a turnover of $4 million per month would pay $200,000 per month to the Congo desk. Every diamond dealer who intends to purchase diamonds in the eastern Democratic Republic of the Congo or at Kigali would pay 5 per cent of the diamond value to the Congo desk before the transaction. This amount is consistent with the so-called mandatory 5 per cent of the value of purchased diamonds that the Congo desk takes from the two *comptoirs* controlling the Kisangani diamond market. Messrs. Nassour and Arslanian, the "conflict diamond dealers" in the eastern Democratic Republic of the Congo, provided on average $2 million per year, each directly to the Congo desk. A similar percentage is applied for other mineral resources in the area controlled by RCD-Goma.

128. Before July 2000, monopoly holders used to pay the sum of $200,000 per month in its entirety to Kigali; this has changed slightly since RCD-Goma claimed its share. The larger diamond *comptoirs* would therefore pay $100,000 to the Congo desk and $100,000 to the RCD-Goma authority. The Panel believes that over a period of two years the Congo desk would have received about $4 million as direct payment for granting the authorization to operate in the areas under its control.

129. Some documents point to a direct implication of the Rwandan Patriotic Army in commercial activities. As mentioned earlier, RPA, through the companies Rwanda Metals and Grands Lacs Metals, has big stakes in the coltan business. Most of the coltan extracted by civilians and prisoners is sold to intermediaries (civilians or soldiers) who in turn sell it to *comptoirs*, some of which are controlled by the Rwandan military. The quasi-totality of this coltan is sent to Kigali, and generally stored in facilities owned by the Government. A good portion goes to Rwanda Metals and the rest is exported directly by some professionals. Rwanda Metals and Grands Lacs Metals, directly or through Congo desk, contact clients on the availability of coltan. Some of the letters sent to potential clients in Europe and the United States of America are signed Dan, who was the head of the Congo desk.

130. Given the substantial increase in the price of coltan between late 1999 and late 2000, a period during which the world supply was decreasing while the demand was increasing, a kilo of coltan of average grade was estimated at $200. According to the estimates of professionals, the Rwandan army through Rwanda Metals was exporting at least 100 tons per month. The Panel estimates that the Rwandan army could have made $20 million per month, simply by selling the coltan that, on average, intermediaries buy from the small dealers at about $10 per kg. According to experts and dealers, at the highest estimates of all related costs (purchase and transport of the minerals), RPA must have made at least $250 million over a period of 18 months. This is substantial enough to

finance the war. Here lies the vicious circle of the war. Coltan has permitted the Rwandan army to sustain its presence in the Democratic Republic of the Congo. The army has provided protection and security to the individuals and companies extracting the mineral. These have made money which is shared with the army, which in turn continues to provide the enabling environment to continue the exploitation. The last illustration of how Rwanda finances its war deals with the financial transactions involving Rwandan banks, RPA suppliers and RCD institutions. In these particular cases, Rwanda has used BCDI and SONEX to pay RPA suppliers.

131. SONEX was founded in March 1999 in Kigali. It belonged to RCD-Goma and was managed by Emmanuel Kamanzi, former chief of the Finance Department of RCD-Goma. Its primary purpose was to serve as the commercial and financial arm of RCD, handling most commercial and financial deals. SONEX was dissolved late in 2000, but it had sufficient time to put in place a pattern for the transfer of resources from RCD to Kigali. The Panel received documents highlighting the financial transactions of SONEX and BCDI. According to those documents, BCDI released $1 million in mid-1999 for SONEX as a loan to pay fuel bills to Jambo Safari. SONEX was to repay this loan with the money obtained from the selling of coltan and cassiterite. By February 2000, $200,000 to $300,000 had already been reimbursed to BCDI. This loan seems to be part of the financial transaction by which money is transferred to Kigali, and some individuals in RCD take their own substantial cut.

132. The same year, SONEX requested another loan of $10 million from BCDI in Kigali, and $5 million was approved. According to one of the actors at the time, the $5 million loan was not physically paid to SONEX. Instead, BCDI ordered Citibank in New York to pay RCD suppliers with the loans technically given to SONEX. This financial arrangement is suspicious in many ways.

133. First, RPF through Tristar is a shareholder in BCDI. Second, the suppliers of RCD are mostly Rwandan companies whose owners are closely acquainted with RPA or RPF. Third, the deal with SONEX is handled by Major Dan, at the Congo desk, who is related by marriage to Mr. Kamanzi, head of the Finance Department and mastermind of the whole operation.

134. The BCDI loans to SONEX could be well-crafted operations to transfer money from BCDI to RPA and to pay RPA suppliers by using SONEX. Paying RPA suppliers is one way of financing the war without taking from the official budget. Reliable sources report that about $700,000 has already been paid back by RCD. According to a RCD-Goma document explicitly detailing how debts should be repaid with money made out of the coltan sale, part of the $1 million per month in taxes that Mrs. Gulamali pays to RCD for the monopoly on coltan could also be used to pay back the BCDI loan.

Uganda

135. Uganda unlike Rwanda did not set up an extrabudgetary system to finance its presence in the Democratic Republic of the Congo. The regular defence budget is used and broadly the deficit is handled by the treasury. However, the Ugandan economy benefited from the conflict through the re-exportation economy. In turn, the treasury benefited and this allowed an increase in the defence budget.

136. The re-exportation economy implies that natural resources imported from the Democratic Republic of the Congo are repackaged or sealed as Ugandan natural resources or products and re-exported. That is the case for some gold, diamonds, coltan and coffee exported by Uganda. The re-exportation economy has had a tremendous impact on the financing of the war, in three ways.

137. First, it has increased the incomes of key businessmen, traders and other dealers. In the coffee sector, gains have been substantial for the traders in Kampala and Bujumbura. According to an expert in the sector who lives in the region, there is a trick used by coffee exporters in the region. Arabica coffee produced in Bujumbura is of a higher grade than the one produced in Kivu. The difference in price could be in some cases one third. Burundian dealers by importing Congolese coffee and mixing it, then presenting it as Burundian coffee, gain a higher price. The Ugandan traders use the same schemes. In the case of Uganda, the dealers gain both ways. The trader buys inexpensive coffee in the Democratic Republic of the Congo, often with counterfeit currency, eventually mixes it with Uganda coffee, and then re-exports this coffee as Ugandan robusta, which is of better quality than Congolese robusta.

138. Second, the illegal exploitation of gold in the Democratic Republic of the Congo brought a significant improvement in the balance of payments of Uganda. This in turn gave multilateral donors, especially IMF, which was monitoring the Ugandan treasury situation, more confidence in the Ugandan economy. Third, it has brought more money to the treasury through various taxes on goods, services and international trade. Discussions with the Deputy Commissioner of the Ugandan Revenue Authority revealed that the tax collection level has increased dramatically over the past five years. IMF figures on Ugandan fiscal operations confirm this positive evolution over the past three years. A detailed analysis of the structure and the evolution of the fiscal operations reveals that some sectors have done better than others, and most of those tend to be related to the agricultural and forestry sector in the Democratic Republic of the Congo. Logs, sawn wood or planks destined for Uganda, Kenya or for export out of the continent pay customs duties as they enter Uganda.

139. Between 1998 and 2000, about 1,800 trucks carrying logs, timber, coffee, medicinal barks, cassiterite, pyrochlore, iron ore, tea and quinina have transited through Uganda. The official figures from the Government of Uganda show an average of 600 lorries per year, all registered by customs officers. As Mrs. Lotsove once noted, the tax exoneration given to the Victoria and Trinity companies represents a net loss of $5 million per month (there are 15 points of entry). The Panel concludes that, given the absence of the exoneration on the Ugandan side, and a higher level of taxes in Uganda, customs duties related to the transiting of Congolese natural resources exploited by Ugandans and some Congolese in Equateur and Orientale Provinces would bring the treasury at least $5 million every month.

140. Another way of financing the presence of the army in the Democratic Republic of the Congo was to purchase military supplies on credit. The Ugandan army has purchased petrol on credit from a number of private companies. The accruing debt is treated as internal debt.

141. The Panel also gathered that the local commanders of UPDF turn a blind eye to soldiers' racketeering among the populations or their involvement in small business. This is seen as a way to pay their bonuses and this has proved to be a very successful method. Information received from friends and relatives of UPDF soldiers who served in the Democratic Republic of the Congo clearly shows that there were elements of self-payment much more satisfactory that the official bonus. Overall, the military, its leaders and other involved individuals manage to manipulate budgetary and other factors to retain their control in the occupied territories.

142. The Ugandan situation can be summarized as follows: the re-exportation economy has helped increase tax revenues, allowing the treasury to have more cash. Businesses related to the conflict and managed by Ugandans have contributed to an extent to generate activities in the economy in a sector such as mining (gold and diamonds). The growth in these sectors has had a trickle-down effect on the economy and permitted Uganda to improve its GDP in 1998 and maintain it somewhat in 1999.[5] The improvement in GDP has permitted, according to Ugandan officials, an increase in absolute terms of the military budget while keeping the level of the military budget at the agreed 2 per cent of GDP. The apparent strength of the Ugandan economy has given more confidence to investors and bilateral and multilateral donors who, by maintaining their level of cooperation and assistance to Uganda, gave the Government room to spend more on security matters while other sectors, such as education, health and governance, are being taken care of by the bilateral and multilateral aid.

MLC, RCD-Goma and RCD-ML

143. Officially, the rebel movements receive the bulk of their military equipment through UPDF and RPA. During discussions with the Ugandan Minister of Defence and the Chief of Staff of UPDF, the Panel was informed that weapons seized from the Congolese armed forces are usually given to MLC and RCD-ML. According to other sources, some military equipment is acquired by these groups through direct purchase and barter. The Panel came across a very interesting case in which Mr. Bemba, at the instigation of General Kazini, bargained with the highest authorities of Uganda for the release of some Ukrainian pilots whose Antonov has been captured. A very reliable source told the Panel that in exchange Mr. Bemba received military fatigues, boots and medical supplies for his soldiers from a third party.

[5] Uganda's GDP has been increasing since the early 1990s. However, a slight decrease was noted in 1999.

144. RCD-Goma has designed a fiscal system based mainly on the mining sector. About six different forms of tax exist in this sector, and they are applied on approximately eight different types of minerals, including the most important (coltan, gold and diamonds). From RCD official statistics the Panel notes that in 1999 on average 60 kg of gold was extracted every month from the area controlled by RCD. That is about 720 kg a year. In 2000, the extraction was higher, up to 100 kg a month. With regard to coltan, 27 tons were extracted every month in 1999, while 29 tons were produced every month in 2000. Given the number of *comptoirs* (19 for coltan), and the six types of tax, the Panel concludes that substantial revenues through tax collection are available to RCD. It is however difficult to estimate the figures, although some insiders have told the Panel that the financial situation has been improving since late 2000, and the prospects for a balanced budget are better than two years ago. Information obtained from documents and individuals suggests that, in addition to taxes levied and shares it holds in SOMIGL, RCD-Goma has given a monopoly of coltan to SOMIGL, in exchange for which it receives $1 million monthly.

145. **Illustration of the commercial activities of RCD**. A preponderance of information obtained from documents and individuals regarding the activities of RCD-Goma in the Democratic Republic of the Congo, Dar es Salaam, United Republic of Tanzania, and elsewhere during the current hostilities overwhelmingly suggests that RCD-Goma and others are marketing the natural resources of the Democratic Republic of the Congo — gold, diamonds and timber — through Dar es Salaam. Gold and diamonds belonging to RCD-Goma are shipped through their financial and logistical network, via Dar es Salaam, for sale on the international market. In order to facilitate the movement of the commodities and to give the appearance of legitimacy, RCD-Goma obtains documents to hide or cover their ownership. The documents covering the shipments of gold and diamonds are completed forms of the Democratic Republic of the Congo. The forms indicate issuance from a government organization, complete with the required stamps and signatures indicating approval and issuance in Kinshasa and Lubumbashi. RCD-Goma's representatives in Dar es Salaam coordinate the receipt, forwarding and sale of gold and diamond shipments. The gold shipments transit through Dar es Salaam international airport for sale to buyers in Sri Lanka and elsewhere. The diamond shipments are held at the Bank of Tanzania before being forwarded to Belgium, the Netherlands and South Africa.

146. The gold and diamonds are being sold by RCD-Goma in exchange for cash or bartered for armaments and medicines to support continuation of the current hostilities. RCD-Goma's representatives in Dar es Salaam also arrange for the purchase of foodstuffs and other logistical needs for the war effort. In addition, timber resources from the Democratic Republic of the Congo are being shipped through Dar es Salaam to Greece and Belgium. In the case of Greece, the timber transaction is being partially arranged by an import/export business located in Goma. The shipments of gold, diamonds and timber are also processed in Dar es Salaam in cooperation with RCD representatives by a company believed to be a covert business entity created for the purpose of facilitating support for the financial and logistical operations of RCD-Goma. It is important to note that the activities described above represent an RCD-Goma operation and are exclusive of operations handled by the Government of Rwanda, via Kigali.

147. The Panel concludes on this point that the major rebel groups are gradually becoming autonomous (MLC/FLC and RCD-Goma) in terms of supply of military equipment. They are capable of raising substantial amounts of cash, enough to buy the light equipment they use. Equally they have put in place their own network and contacts, which would allow them to purchase their own equipment when necessary. This growing autonomy has manifested itself recently as RCD-Goma has requested that money usually given to the Congo desk by diamond dealers be shared equally between both entities. Equally, RCD-Goma has initiated some military attacks on RCD-ML positions in order to occupy mineral-rich areas as shown earlier. As the need for an autonomous supply of weapons grows, so does the need to find additional resources, and therefore clashes for the control of mineral-rich areas will be recurrent; so goes the vicious circle of war and exploitation of natural resources on the side of the rebellion.

Democratic Republic of the Congo

148. The Government of the Democratic Republic of the Congo has relied on its minerals and mining industries to finance the war. Between 1998 and early 2001, the strategy for financing the war was based on

three pillars, namely (a) search for cash through the attribution of monopolies; (b) direct and indirect uptake of funds from parastatals and other private companies; and (c) creation of joint ventures between parastatals and foreign companies in countries allied with the Democratic Republic of the Congo.

149. **Search for cash**. The late President used different schemes to raise funds. He instituted the *tax parafiscale* (see para. 41) and also implemented schemes such as the creation of a monopoly for the commercialization of diamonds.

150. **Monopoly on diamonds granted to International Diamond Industries (IDI)**. According to government sources, the objective of this monopoly was twofold: first, to have fast and fresh money that could be used for the purchase of needed arms, and address some of the pending problems with the allies. Second, to have access to Israeli military equipment and intelligence given the special ties that the Director of International Diamond Industries, Dan Gertler, has with some generals in the Israeli army.

151. This deal turned out to be a nightmare for the Government of the Democratic Republic of the Congo and a disaster for the local diamond trade as well as an embarrassment for the Republic of the Congo, which is currently flirting with illicit diamonds. According to different sources, IDI paid only $3 million instead of $20 million and never supplied military equipment.

152. President Joseph Kabila has expressed willingness to liberalize the diamond trade in the Democratic Republic of the Congo, and IMF and the World Bank are very supportive of this move. IDI is, however, threatening to sue the Government of the Democratic Republic of the Congo. The IDI deal also turns out to be a disaster for the local diamond trade. As the monopoly was granted to IDI, most diamond dealers operating in the Government-controlled area crossed to Brazzaville to sell their diamonds. It is estimated that during the first three months of the monopoly, $60 million worth of diamonds from the Democratic Republic of the Congo were sold on the international market, and the Republic of the Congo was mentioned as the country of origin. This smuggling of diamonds deprived the already ailing economy of the Democratic Republic of the Congo of substantial sums of money and the treasury of substantial tax revenues. This case shows that the desperate need for quick cash to finance the defence of its territory has instead brought other problems to the Government and has paradoxically deprived the treasury of substantial revenue.

153. **Uptaking money from parastatals**. Another way of financing the war has been the direct and indirect uptake of money from parastatals and other private companies, mainly the Société minière de Bakwanga and the Générale des carrières et des mines (Gecamines). The Government has claimed from MIBA since August 1998 on average two fifths of their earnings. The Panel was told that in some cases three fifths, the equivalent of $4 million per sale, was sent to the President's office. The Panel has also confirmation that oil companies gave important sums of money as *taxes parafiscales* to the Government. In most cases, this cash in Congolese francs was delivered to Victor Mpoyo, who then reported to the late President Kabila. This money was used for the salary and bonuses of Congolese soldiers in the battlefield. According to some Congolese officials, the *taxes parafiscales* were never used for the purchase of weapons.

154. MIBA receives from the Government the equivalent of two fifths of its sales of diamonds in Congolese francs changed at the official rate, which is only one quarter of the black market rate. It is believed that about 75 Congolese francs for each dollar changed is unaccounted for and possibly used for defence needs.[6]

155. The contribution of Gecamines to the war effort appears to be on two levels. On the one hand, one third of the company's profit was taken directly by the Government in 1999 and in 2000. On the other, the Government contributed indirectly to the expenses of the Zimbabwe Defence Forces between May 1999 and October 2000.

A special case: Zimbabwe

156. Zimbabwe has financed its involvement in the conflict in two different ways: (a) by using the defence budget — the bulk of Zimbabwe's military expenses seem to be covered by the regular budget; (b) by indirect financing of the war through direct payment by some Congolese entities, mainly companies. According to two very reliable sources, during the tenure of Billy Rautenbach money from Gecamines paid bonuses to the Zimbabwean soldiers. These payments might be

[6] In 2000, the official exchange rate was one dollar for 23 Congolese francs.

linked to the contract between the Government and Ridgepoint. Indeed, part of the rights to exploit Gecamines mines was transferred to Ridgepoint without apparent compensation. According to some sources, the compensation, which is not mentioned in the contract, could be the sharing of profits between the Government of the Democratic Republic of the Congo and Ridgepoint, on the basis of 80 per cent for the Government and 20 per cent for Ridgepoint. According to some sources, curiously, Mr. Mpoyo, the Congolese minister, signed the contract as one of the officials of Ridgepoint rather than signing on behalf of the Government. Two months after the contract of Mr. Rautenbach as Director of Gecamines came to an end, discontent among Zimbabwean soldiers in Katanga over their lack of bonuses was reported.

157. The Panel has, however, noted a practice which is neither the financing of war nor the provision of direct assistance. The practice is qualified in this report as "incentives for assistance". The former Government of the Democratic Republic of the Congo often used the potential of its vast resources in the Katanga and Kasai regions to secure the assistance of some allies or to cover some of the expenses that they might incur during their participation in the war. Among all of its allies, Zimbabwean companies and some decision makers have benefited most from this scheme. The following examples illustrate how different schemes were implemented and benefited the decision makers, the very group of officials who can decide about ZDF assistance to the Democratic Republic of the Congo. The most utilized scheme has been the creation of joint ventures.

158. **Joint ventures**. One way of securing the engagement of some allies in the war has been the provision of financial incentives by way of creating business opportunities in the mining sector. At least three features emerged from the scheme: (a) Zimbabwean companies received interesting mining concessions; (b) Zimbabwean companies using their influence with the Government of the Democratic Republic of the Congo developed business partnerships with private companies and parastatals; and (c) in turn, received preferential treatment for their businesses.

159. **Sengamines: example of a joint venture**. The Panel gathered that, late in 1998, a private Zimbabwean company, Operation Sovereign Legitimacy (OSLEG), whose shareholders are Lieutenant General Vitalis Musungwa Zvinavashe, Job Whabira, former Permanent Secretary in the Ministry of Defence, Onesimo Moyo, President of Minerals Marketing Corporation of Zimbabwe, and Isaiah Ruzengwe, General Manager of Zimbabwe Mining Development Corporation, got into a partnership with COMIEX; COSLEG was born of this partnership. Through COSLEG, Zimbabwe (ZANU-PF) could exploit and market minerals, timber and other resources of the Democratic Republic of the Congo.

160. Reliable sources told the Panel that a Zimbabwean delegation headed by the then Minister of Justice, Emmerson Munangagwa, visited the Kasai region to see the various mining concessions given by the late President Kabila to ZDF as barter payment for its military support. The team was composed of the former Permanent Secretary in the Ministry of Defence, Moven Mahachi; the Chief of the Armed Forces, General Zvinavashe; and the President of MIBA, Kadende Muya. President Kabila's gift to the Zimbabwean military was causing a problem, however, as they did not have the financial and technical expertise to exploit their mining concessions. Late in 1998, Thamer Al Shanfari, Chairman of Oryx Natural Resources, was asked to provide the needed financial and technical expertise. Mr. Al Shanfari decided to create Oryx Zimcon, Ltd., a joint venture between Oryx Natural Resources and COSLEG.

161. Instead of selecting one of the various mines belonging to COSLEG to start its investment, Oryx Zimcon wanted the best mines which initially belonged to MIBA. At the request of ZDF and on the advice of Victor Mpoyo and Mwenze Kongolo,[7] the late President Kabila transferred two of MIBA's richest concessions — the kimberlite deposits in Tshibua and the alluvial deposits in the Senga Senga River, to Oryx Zimcon. Oryx Zimcon and COSLEG together created Sengamines.

162. As promised, Mr. Al Shanfari started investing in Sengamines and used the Breco group of companies of John Bredenkamp to transport mining equipment to the mines. As the technical and financial partner, Oryx was to receive 40 per cent, OSLEG 40 per cent and COSLEG 20 per cent. As the need for money grew,

[7] According to some sources, Mwenze Kongolo is involed in most COMIEX dealings. Most importantly, it is said to the main bridge between Zimbabwean officials such as the influential Emmerson Munangagwa and the Government of the Democratic Republic of the Congo.

Mr. Al Shanfari decided to launch Oryx on London's Alternative Investment Market under the name Oryx Diamonds. Upon strong objections from various stakeholders, Oryx Diamonds was withdrawn from the market. The new statute of the company does not mention the name OSLEG.[8] The Panel was informed, however, that the increase in the shares of COMIEX as seen in the new statute was meant to preserve the interests of Zimbabweans. The Panel was also told that payment would be made to the Government of the Democratic Republic of the Congo only after the loan taken for this operation (about $25 million) was repaid.

163. The ease with which the Tshibua and Senga Senga River concessions were given to Oryx without due regard for the legal requirements and the preferential treatment given to Oryx show the determination of the former Government of the Democratic Republic of the Congo to reward some of its allies.

Attribution of concessions

164. According to some sources, a very recent (26 February 2001) concession of cobalt and copper in Kambove-Kakanda was to be given KMC Group of the Zimbabwean Billy Rautenbach. According to very reliable sources, different ministers had signed the concession two days before the assassination of the late President Kabila and only his signature was missing. The trade unionist of Gecamines has indicated that the cession was completed, but President Joseph Kabila told the Panel that the deal has not been signed yet. If it is signed, there could be a rapprochement of activities.

165. This case shows rapprochement of the activities and interests of some Zimbabwean businessmen, and a possible link between arms dealing and mining activities in the Democratic Republic of the Congo. Indeed Mr. Bredenkamp is said to have an interest in this venture, although he was alleged to be an arms dealer. In November 2000, a month after the departure of Mr. Rautenbach from Gecamines, Mr. Bredenkamp is said to have established a direct link with Mr. Rautenbach. According to three reliable sources, Mr. Rautenbach, Mr. Bredenkamp and Mr. Munangwana, the current Speaker of the House of Zimbabwe, Chairman of ZANU-PF and director of many companies belonging to ZANU-PF, met with the late President Kabila to negotiate this contract of the central part of the Gecamines concessions. The Panel does not draw any conclusions, but wishes to highlight the quality of the people involved in the negotiations, their past records, current activities and position in Zimbabwe.

166. Many other deals are ongoing such as the one concerning the supply of foodstuffs to the Congolese army, for which General Zvinavashe's company is said to have been attributed the transport. President Robert Mugabe once told interlocutors that the late President Kabila had given him a mine concession.

167. The Government of the Democratic Republic of the Congo, in its effort to defend its territory and secure the supply of military equipment, has signed a contract worth several million United States dollars with the Government of China. Official sources in Kinshasa, while confirming this deal, have informed the Panel that in exchange a mining concession was awarded to a joint venture between a Chinese company and a parastatal of the Democratic Republic of the Congo.

168. In the same vein, the Government of the Democratic Republic of the Congo has made a deal with the Democratic People's Republic of Korea, which trains troops of the Democratic Republic of the Congo and in exchange, it is believed, has received a mining concession around Shinkolobwe, very rich in uranium. The Americans in the past extracted uranium from this mine. Challenged on this issue, officials of the Democratic Republic of the Congo mentioned high radioactivity in the area, making it impossible for anyone to work there.

169. According to some officials, the Democratic Republic of the Congo has asked the United States of America to consider addressing the problem of radioactivity in the area, given their historical presence in mining that particular area for uranium. The official denial of a deal between the Democratic Republic of the Congo and the Democratic People's Republic of Korea was based on the fact that the Government of the Democratic Republic of the Congo has sought United States assistance — which it cannot receive if the Koreans are mining the same area.

170. The Panel has enough elements and evidence to suggest that the Government of the Democratic Republic of the Congo under the late President Kabila,

[8] The distribution of shares is a follows: Oryx 49 per cent, COMIEX 33 per cent, MIBA 16 per cent and Congolese partners 3 per cent.

gave strong incentives in the form of access, exploitation and management of mineral resources. These incentives in turn have “convinced” the Zimbabwean authorities to remain engaged in the Democratic Republic of the Congo. The incentives have, however, been so important that the whole balance of the mining industries is likely to be affected. The question in the region is which course of action will sidelined companies take in the future to guarantee their presence in the mining sector? Will it be another cycle of war or intensification of war in relation to the securing of access to the rich cobalt and copper area of the Democratic Republic of the Congo?

Angola and Namibia

171. These two countries have financed their participation in the conflict with their regular defence budget. In the case of Angola, some deals, minor compared to those of Zimbabwe, have been signed, such as the creation of Sonangol, in which Sonangol Angola has 60 per cent of shares and COMIEX 40 per cent. Sonangol Angola is a 100 per cent State-owned company (Sonangol supplies oil to the Democratic Republic of the Congo). The two countries have also signed a letter of intent to jointly exploit crude oil off their coast when peace returns to the region.

172. In the case of Namibia, the Panel was informed by the Namibian authorities of the existence of a joint venture between a Namibian company called August 26, whose main shareholder is the Ministry of Defence, an American company and a “company” of the Democratic Republic of the Congo. Other deals involving individuals have been signed. At this point, the Panel has not found substantial evidence that Angola and Namibia have signed commercial deals in the nature of “arms and support for natural resources”. Their motivation seems to be solely political and strategic (for Angola). According to very reliable sources, joint ventures proposed to these two countries were a sign of gratitude rather than an incentive for their support and they never pressed for it.

C. Special features of the links between the exploitation of natural resources and the continuation of the conflict

173. It is often said that the conflict in the Democratic Republic of the Congo is low-intensity warfare, as armies do not confront each other on a daily basis and battles or rather serious battles are not frequent. The Panel noted that the conflict, especially in occupied zones, is fought on three levels:

(a) Government forces and the allies versus the rebels and their Ugandan-Rwandan and Burundian allies;

(b) RCD-Goma and its Rwandan allies versus MLC or RCD-ML and their Ugandan allies;

(c) Rebel movements and their allies (Rwanda or Uganda versus the so-called negative forces: Interahamwe, Maï-Maï and other dissident groups).

174. Indeed, the conflict in the Democratic Republic of the Congo is being fought on two fronts, official and unofficial. The official front is that of classic warfare — two or more armies confronting each other. This front goes from Pweto to Mbandaka on an uneven line crossing various localities. The unofficial front is concentrated inside zones controlled by rebels and their Ugandan and Rwandan allies.

175. The analysis of battles and skirmishes recorded from mid-1999 to 2001 shows that:

(a) Overall, the number of battles on the official front with the engagement of the army is lower than the number of skirmishes, about 96 between 1999 and 2001;

(b) The number of battles has been decreasing over the years. In the first quarter of 2001, only eight confrontations were reported on the official front line;

(c) Current big battles have been fought in areas of major economic importance, towards the cobalt- and copper-rich area of Katanga and the diamond area of Mbuji Mayi. Military specialists argue that the Rwandan objective is to capture these mineral-rich areas to deprive the Government of the Democratic Republic of the Congo of the financial sources of its war effort. Without the control of this area, the Government of the Democratic Republic of the Congo cannot sustain the war. This rationale confirms that the availability of natural resources and their exploitation permits the continuation of the war. This may be true for all the parties. In view of the current experience of the illegal exploitation of the resources of the eastern Democratic Republic of the Congo by Rwanda and Uganda, it could also be thought that the capturing of this mineral-rich area would lead to the exploitation of those resources. In that case, control of those areas by Rwanda could be seen primarily as an economic and financial objective rather than a security objective for the Rwandan borders.

176. The number of skirmishes between rebel forces and their allies, and the armed group Maï-Maï has increased. From May to December 2000, about 177 clashes were reported. The battlefields are generally around coltan- and diamond-mining or coltan-rich areas. The Panel has strong indications that most of the fights between Rwandan soldiers and Maï-Maï have occurred in the so-called "coltan belt". Some areas experienced up to 10 skirmishes in 2000. According to some sources, numerous reports and accounts of eyewitnesses mention the presence of Rwandan and Ugandan soldiers providing security around coltan and diamond mines. Officials of RCD-Goma have confirmed the risk posed by the Maï-Maï and "negative forces" in those areas. A senior RCD official specified that only very well organized entities with the necessary security infrastructure can carry out the exploitation of coltan in those areas. In this particular case, the Rwandan army is the only institution with that capability in the eastern Democratic Republic of the Congo.

177. **Rwanda's "unusual" tactics**. The Rwandan forces will attack the same area for two days then pull back. According to our sources, these attacks seem to coincide with the period when coltan has been extracted and put in bags for evacuation by the Maï-Maï. Attacked, the Maï-Maï abandon their coltan, which is then taken away by small aircraft. The Rwandan soldiers retreat again waiting for the next information on available coltan. In the areas where their grip is weaker, Rwanda in particular has designed strategies to retain control within certain echelons of the existing local hierarchies. In those areas controlled by the Interahamwe and Maï-Maï forces, either RPA, from time to time, mounts military operations that allow it to capture the areas temporarily and evacuate the coltan, or else middlemen are used for the purchase of coltan from the Maï-Maï and "negative forces".

178. Battles between rebel movements are also reported in areas rich in mines. On 18 November 2000, RCD-Goma and its Rwandan allied troops based in Kisangani attacked positions of MLC in Bengamisa, 50 km north-west of Kisangani, and took control of this rich diamond area. On 31 December 2000, RCD-Goma and its allies launched an attack on the area controlled by RCD-ML and captured Kandole, an area rich in diamonds and with some coltan. Also late in December 2000, RCD-Goma initiated an attack from Lindi to conquer Lakutu, another diamond-rich area.

179. Finally, in areas where the risks are too high, adversaries, if not enemies, become partners in business. That is the case of the Maï-Maï doing business with RPA civilian coltan dealers, who in turn sell to *comptoirs* controlled by Rwandans and their companies Grands Lacs Metals and Rwanda Metals. The most famous case was when the Maï-Maï chief, General Padiri, informed people in Kigali in November 2000 that he was selling 60 tons of coltan.

180. **Strategies to sustain the vicious circle of war and exploitation: the example of Uganda**. Top UPDF commanders have essentially used the Hema/Lendu conflict. The Panel has received very reliable information clearly showing how General Kazini and Colonels Kyakabale and Arocha assisted in training different Hema militia, and manipulated those groups to fight each other. Reports clearly showed that while the Kazini camp was helping with the training of the Hemas, the Colonel Peter Karim camp was assisting in training the Lendus. Both camps belonging to UPDF. There are strong indications that some UPDF elements may spark violence so as to remain in the region in an attempt to control the gold-rich area and the potentially coltan-rich areas of Nyaleki. There is, therefore, a clear intent of the military commanders to control these mineral-rich areas and keep them for long-term exploitation. The Nia-Nia confrontation in October 2000, in which UPDF General Kazini and Roger Lumbala fought another UPDF group and RCD-ML is a variation of the fighting inside UPDF for control of coltan-rich areas. According to different sources, Roger Lumbala, of RCD-national, has been used by General Kazini to control the Bafwasende area, rich in diamonds and coltan.

D. Facilitators or passive accomplices?

181. The link between the continuation of the conflict and the exploitation of natural resources would have not been possible if some entities, not parties in the conflict, had not played a key role, willingly or not. Bilateral and multilateral donors and certain neighbouring and distant countries have passively facilitated the exploitation of the resources of the Democratic Republic of the Congo and the

continuation of the conflict; the role of private companies and individuals has also been vital.

182. The Panel has gathered information showing that linkages between different actors and stakeholders are very well structured to the point that Governments and large reputable companies operate in confidence. In the case of coltan, all the needed documentation for its export is provided in Kigali, but there are accomplices in Kinshasa in the Ministry of Mines. The importing companies and their facilitators are aware of the real origin of the coltan, however. According to manifests that the Panel received, Sabena Cargo as well as SDV of the Bollore group have been among the key companies in this chain of exploitation and continuation of war. Thousands of tons of coltan from the Democratic Republic of the Congo were carried from Kigali or through the port of Dar es Salaam.

183. The Panel also has indications of the direct and indirect involvement of some staff of the embassies and cooperation agencies of developed countries. They have facilitated the purchase of illegal minerals. The United States honorary consul in Bukavu, as he presented himself, Ramnik O. Kotecha, in addition to promoting deals between American companies and coltan dealers in the region, is himself Chairman of the Kotecha group of companies based in Bukavu and deals in coltan.

184. On the basis of the facts and their analysis, the Panel reaches the conclusion that the increase in revenues of the Rwandan army from coltan sales was made easy by three key factors:

(a) The passive role of some private companies such as Sabena and SDV for the transport of coltan, Citibank for the financial transaction as the corresponding bank of BCDI, the self-proclaimed United States honorary consul in Bukavu and some staff in various embassies in Kigali;

(b) The rush to profit of some foreign companies that were ready to do business regardless of elements of unlawfulness and irregularities (see annex I for a sample of companies);

(c) The political legitimization provided by some developed countries. In November 2000 in Kigali, the Panel was told that the illegal exploitation of resources and the financial gains of RPA were justified as the repayment for the security that Rwanda provides.

Bilateral donors

185. The main bilateral donors to Rwanda and Uganda have been the United Kingdom of Great Britain and Northern Ireland, Denmark, Germany and the United States of America in various sectors. The analysis of their cooperation shows that sectors benefiting from this assistance are related to poverty, education and governance. Priority sectors have been water and sanitation, health and governance, including institutional reforms, justice and human rights, especially for Rwanda. In some cases, direct aid to the budget is provided. The balance of payments of Rwanda shows that budget support has steadily increased, from $26.1 million in 1997 to $51.5 in 1999. While such support is legitimate, the problem is that expenditures and services which were supposed to be provided and covered by the Governments of Rwanda and Uganda and which are covered by the bilateral aid constitute savings in the national budget. Were these savings used to finance this war?

186. The German Ambassador in Kigali told the Panel about German support to German business dealing in pyrochlore and coltan in the occupied Democratic Republic of the Congo. In this particular case, German cooperation has given a preferential loan of DM 500,000 to Karl Heinz Albers, a German citizen, to expand his coltan business in the Democratic Republic of the Congo (SOMIKIVU) and Mr. Albers's business is guarded by RCD-Goma soldiers.

Multilateral donors

187. The World Bank has praised Uganda for its economic performance and the reforms under the structural adjustment programme as a success story and has promoted its case for the new debt relief programme, the Highly Indebted Poor Countries initiative.

188. The Panel has however indications that this economic performance was driven in part, especially over the past three years, by the exploitation of the resources of the Democratic Republic of the Congo. Notes exchanged between World Bank staff clearly show that the Bank was informed about a significant increase in gold and diamond exports from a country that produces very little of these minerals or exports quantities of gold that it could not produce (see para. 97). Internal discussions of the World Bank staff also confirm this knowledge of the situation: in one of those

internal exchanges, a staff member warned his colleague that the World Bank silence would blow up in the Bank's face.

189. In the case of Uganda and its exploitation of the natural resources of the Democratic Republic of the Congo, the World Bank never questioned the increasing exports of resources and in one instance a staff member even defended it. During the Panel's visit to Uganda, the representative of the Bank dismissed any involvement of Uganda in the exploitation of those resources. The Bank not only encouraged Uganda and Rwanda indirectly by defending their case, but equally gave the impression of rewarding them by proposing these countries for the Highly Indebted Poor Countries debt relief initiative.

190. The Bank's shadow on the conflict in the Democratic Republic of the Congo is even more apparent on the budget. The balance of payments of both Uganda and Rwanda shows a significant increase in long-term borrowing in support of the budget. The defence budget however has increased in absolute terms, allowing Uganda and Rwanda to continue the conflict. There seems to be a precedent for the Bank's behaviour. During the Cambodian crisis in the 1980s, the Bank turned a blind eye to the illicit exploitation of Cambodian timber; the question is whether it is World Bank policy to ignore broad governance issues (hard or soft) while dealing with its clients.

Transit countries

191. Countries in the region have indirectly and passively facilitated the cycle of exploitation of the natural resources of the Democratic Republic of the Congo and the continuation of the conflict. This has usually happened without any intent to cover up or protect some interests. That is particularly the case of countries with seaports. Those countries have served as the hub for the export of natural resources. They were bound by regulations and agreements signed within the framework of subregional organizations such as COMESA for the seaports of Mombasa and Dar es Salaam and UDEAC/CEMAC for the port of Douala. Mombasa and Dar es Salaam were the main ports used by Uganda, Rwanda and Burundi to export some natural resources, such as timber, cassiterite, coffee and various barks. Douala seaport was also used for coffee from Equateur Province and transported from Bangui.

192. According to some sources, the Government of the Central African Republic was aware of the commercial activities of MLC in Bangui. Jean-Pierre Bemba's friends, Jean-Yves Ollivier, Jean-Pierre Dupont and Jean-Pierre Saber, have all used Bangui as the *arrière-base* for their diamond and coffee deals. The Government never prevented MLC from using the Central African Republic for economic activities. In addition, some individuals were using the territory of the Central African Republic to carry out their illegal activities, as was the case with Victor Butt, who used Bangui airport to load and offload coffee and arms.

193. According to some sources, some countries in the region have been very attractive to Rwandan families with an acceptable level of wealth. Army salaries cannot sustain such lucrative properties and standards of living. How do they sustain these families? Where did the money come from?

194. Kenya has played a different role in the exploitation of the resources of the Democratic Republic of the Congo. It has been the base for the supply of counterfeit United States dollars and also the venue of financial transactions of various traders who export their resources (timber, coffee and tobacco) through the port of Mombasa.

The pivotal role of leaders

195. This section aims to show how Presidents and other decision makers tolerate, organize or put in place the framework and conditions to maintain the status quo of exploitation and war. The Panel refrains from making allegations about the personal involvement of Presidents in the illegal and financial activities until further investigation is carried out. For instance, the Panel received but dismissed, for lack of evidence, allegations of the involvement of President Kagame's family in diamond dealing; it focused rather on the objective elements of the President's political responsibility. In some reports and accounts, the name of President Museveni was mentioned as a shareholder in a specific company. The Panel refrains from citing these accounts until further research is conducted.

196. **President Paul Kagame**. His position in the State apparatus with regard to the exploitation of the natural resources of the Democratic Republic of the Congo and the continuation of the war has evolved, yet his role has remained pivotal. This role can be situated on three levels: his relations with the Rwandan

business community operating in the Democratic Republic of the Congo, control over the army, and the structures involved in the illegal activities.

197. According to some reliable sources, President Kagame has close relationships with top Rwandan businessmen. For instance, he maintains good relations with Modeste Makabuza, "owner" of Jambo Safari. He is also close to Alfred Khalissa, the "founder" of BCDI and former manager of BCD. The same sources told the Panel that President Kagame is very close to Tibere Rujigiro, who is known for generous financial support to RPF during the 1990-1994 war. Mr. Rujigiro is one of the shareholders of Tristar Investment, with very close ties to RPF. This close aide to President Kagame has business relationships with Faustin Mbundu, who is known for his arms dealing activities. What all these businessmen have in common is their direct involvement in the exploitation of natural resources in the areas that Rwanda controls. Different sources have told the Panel that each of these businessmen has at a certain point benefited from the President's "help".

198. President Kagame, when he was Minister of Defence, reorganized or approved the reorganization of the Rwandan army and the Ministry of Defence, which subsequently led to the creation of the Department of External Relations in which the Congo desk is located. This unit has been the cornerstone of the financial transactions of RPA. The former Minister of Defence should have been aware of the functioning of RPA as well as the daily operations of the army.

199. Two very reliable sources told the Panel that in September 1998 the then Vice-President, during a meeting with various officials of RCD and RPA top commanders, informed the participants that there was a need to raise $50 million to make it possible to reach Kinshasa in two months.

200. Finally, when faced with the question of the involvement of RPA in the exploitation of the resources of the Democratic Republic of the Congo, the President announced in a radio interview that private Rwandan citizens were carrying out commercial activities in the Democratic Republic of the Congo. Was this a deliberate act to mislead various partners or was it translating the President's lack of information on the issue? Meanwhile, the President has admitted in the past that the conflict in the Democratic Republic of the Congo was self-financing. All these elements combined suggest the President's degree of knowledge of the situation, his implicit approval of the continuation of the illegal exploitation of the resources of the Democratic Republic of the Congo and somehow his complicity as well as his political and moral responsibility.

201. **President Yoweri Museveni**. President Yoweri Museveni's role in the exploitation of the natural resources of the Democratic Republic of the Congo and the continuation of the war can be situated at the following levels: his policy towards the rebel movements, his attitude towards the army and the protection provided to illegal activities and their perpetrators.

202. He has shaped the rebellion in the area controlled by Uganda according to his own political philosophy and agenda. He opted for a more decentralized authority and only intervenes when major problems arise, but he has a very good knowledge of the situation on the ground.

203. Messrs. Mbusa Nyamwisi and Tibasima, former first and second Vice-Presidents close to General Salim Saleh and General Kazini, are more inclined to business and the extraction of natural resources. In December 1999, a report was handed over to the President of Uganda, specifically pointing out the embezzlement of $10 million by Mr. Nyamwisi and $3 million by Mr. Tibasima. Another report was handed to President Museveni in February 2000, specifically denouncing the collusion between Trinity Group and Mr. Tibasima and the impact on the collection of customs duties. President Museveni chose to give the direction of the Congolese Liberation Front to those who are the accomplices of illegal cartels.

204. President Museveni was also informed of the situation on the ground, the exploitation being carried out and the involvement of officials of MLC and RCD-ML, including the conflict between Hemas and Lendus.

205. The President's family has also been very involved in business in the Democratic Republic of the Congo in the occupied zones. General Salim Saleh and his wife, shareholders in Victoria and Trinity, have confidently carried out their activities undisturbed.

206. The Panel concludes that when the information is passed to the President and he chooses not to act, when he appoints the very people who carry out criminal activities, and when his family members get away with

criminal activities, it becomes overwhelming that the President has put himself in the position of accomplice.

207. **The late President Laurent-Désiré Kabila**. His role in the continuation of the war has survived his death. On three levels, he bears part of the responsibility for the current situation. First, as the chief of AFDL, he created a precedent in giving a character of "legality" or legitimacy to otherwise illegal operations. During his advance on Kinshasa, he granted concessions even though he did not have authority to do so. These are the same methods being used by some armed groups to fight for power.

208. Second, he allowed and tolerated some unlawful ventures as a way of rewarding allies. He also initiated the barter system in order to defend his territory. This is gradually becoming the normal practice for the rebel groups.

209. Third, he offered a good excuse and a pretext to those who had carefully planned the redrawing of the regional map to redistribute wealth. Many sources have told the Panel how they were approached and asked to think about the distribution of wealth of the Democratic Republic of the Congo in terms of their personal enrichment.

210. According to the facts, accounts and information gathered, the pivotal roles of the Ugandan and Rwandan leaders reside in the way in which they diverted the primary mission of their armies from protection of their territory and made them armies of business. By the same token, they indirectly created within their armies conditions for top officers to put in place networks that they controlled. These networks are becoming cartels, which will take over the war for natural resources.

211. Presidents Kagame and Museveni are on the verge of becoming the godfathers of the illegal exploitation of natural resources and the continuation of the conflict in the Democratic Republic of the Congo. They have indirectly given criminal cartels a unique opportunity to organize and operate in this fragile and sensitive region. Finally, the attitude of the late President has possibly planted the seeds for another round of war for resources in the Democratic Republic of the Congo. Politicians such as Jean-Pierre Bemba, Mwenze Kongolo, Victor Mpoyo, Adolphe Onusumba, Jean-Pierre Ondekane and Emmanuel Kamanzi are ready to make any deal for the sake of power or for personal enrichment. Companies such as IDI and Sengamines some of which reportedly have ties with arms dealers, are likely to create a more troubling situation in the Democratic Republic of the Congo. Equally, joint ventures and concessions given to some allies as rewards may cause some problems given the nature of the shareholders who are either armed forces or powerful and influential politicians. The situation is now deeply embedded and the regional power structures are consequently not stable.

212. The link between the exploitation of natural resources and the continuation of the conflict in the Democratic Republic of the Congo does exist, and it is based on five factors which are not mutually exclusive. First, the capacity of countries to use their own resources to sustain the war up to a certain stage, as in the case of Angola. Second, the ability of countries to take resources from enemies and use it to fight the so-called "self-sustaining" war, as in the case of Rwanda. Third, the intent of some Governments to take advantage of the war situation and use it to transfer wealth from one country to their national economy, as is the case with Rwanda and Zimbabwe. Fourth, the will of private citizens and businesses who endeavour to sustain the war for political, financial or other gains; for example, generals and other top officers in the Ugandan and Zimbabwean army and other top officials and unsavoury politicians (Victor Mpoyo, Gaëtan Kakudji, Mwenze Kongolo) in the Government of the Democratic Republic of the Congo. Fifth, the capacity of one of the warring parties to give incentives (mineral and others) to its allies and soldiers, for example the Democratic Republic of the Congo.

IV. Conclusion and findings

213. The conflict in the Democratic Republic of the Congo has become mainly about access, control and trade of five key mineral resources: coltan, diamonds, copper, cobalt and gold. The wealth of the country is appealing and hard to resist in the context of lawlessness and the weakness of the central authority.

214. Exploitation of the natural resources of the Democratic Republic of the Congo by foreign armies has become systematic and systemic. Plundering, looting and racketeering and the constitution of criminal cartels are becoming commonplace in occupied territories. These criminal cartels have ramifications and connections worldwide, and they

represent the next serious security problem in the region.

215. The role of the private sector in the exploitation of natural resources and the continuation of the war has been vital. A number of companies have been involved and have fuelled the war directly, trading arms for natural resources. Others have facilitated access to financial resources, which are used to purchase weapons. Companies trading minerals, which the Panel considered to be “the engine of the conflict in the Democratic Republic of the Congo” have prepared the field for illegal mining activities in the country.

216. Bilateral and multilateral donors have sent mixed signals to Governments with armies in the Democratic Republic of the Congo.

217. Top military commanders from various countries, for different reasons, needed and continue to need this conflict for its lucrative nature and for temporarily solving some internal problems in those countries as well as allowing access to wealth. They have realized that the war has the capacity to sustain itself, and therefore have created or protected criminal networks that are likely to take over fully if all foreign armies decide to leave the Democratic Republic of the Congo.

218. The conflict in the Democratic Republic of the Congo, because of its lucrative nature, has created a “win-win” situation for all belligerents. Adversaries and enemies are at times partners in business (Maï-Maï and Rwandans and Congolese rebels), prisoners of Hutu origin are mine workers of RPA, enemies get weapons from the same dealers and use the same intermediaries. Business has superseded security concerns. The only loser in this huge business venture is the Congolese people.

V. Recommendations

Prerequisite

219. The Panel acknowledges the validity of Security Council resolutions 1304 (2000) and 1341 (2001), as well as the Lusaka Agreement, and puts its report and recommendations within their broad framework. The Panel believes its report and recommendations are consistent with those resolutions.

Follow-up

220. The Panel recommends that the Security Council extend the mandate of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo, to allow it to conduct a follow-up investigation and report on the structures and networks put in place or facilitated by warring parties to illegally exploit the natural resources of the Democratic Republic of the Congo, including the situation after the withdrawal of foreign military forces.

Sanctions

221. The Security Council should immediately declare a temporary embargo on the import or export of coltan, niobium, pyrochlore, cassiterite, timber, gold and diamonds from or to Burundi, Rwanda and Uganda until those countries’ involvement in the exploitation of the natural resources of the Democratic Republic of the Congo is made clear and declared so by the Security Council. All countries should abstain from facilitating the import or export of these resources. Any country breaking this embargo should face sanctions; Governments should take the measures necessary to ensure that companies registered in their territory and individuals breaking the embargo are punished.

222. The Security Council should decide that all Member States without delay should freeze the financial assets of the rebel movements and their leaders. Member States should take the necessary measures to ensure that their public and private financial institutions stop doing business with banks named in this report that are located in Burundi, Rwanda and Uganda.

223. The Security Council should strongly urge all Member States to freeze the financial assets of the companies or individuals who continue to participate in the illegal exploitation of the natural resources of the Democratic Republic of the Congo immediately after the publication of this report.

224. The Panel recommends that the Security Council declare an immediate embargo on supply of weapons and all military materiel to the rebel groups operating in the Democratic Republic of the Congo and consider extending this embargo to the States that support or assist those groups.

225. The Panel recommends that the Security Council decide that all military cooperation with States whose military forces are present in the Democratic Republic of the Congo in violation of its sovereignty be suspended immediately until those armies withdraw from the Democratic Republic of the Congo.

Financial and economic matters

226. The Panel recommends that the Security Council urge Member States to suspend balance of payments support to the countries of the region involved in the illegal exploitation of the natural resources of the Democratic Republic of the Congo, until the Security Council has evidence to its satisfaction that the illegal exploitation of natural resources has stopped.

227. The Panel recommends that the Security Council requests the World Bank and IMF to consider suspending their support to the budgets of these countries until the end of the conflict. If, within two months after the publication of this report, clear evidence and signs of the disengagement of these countries from the exploitation of the natural resources of the Democratic Republic of the Congo are not given to the Security Council, cooperation between those institutions and the countries involved should be suspended. The World Bank and IMF should design a policy guideline on cooperation between each institution and countries involved in conflicts.

228. The Panel recommends that the Security Council urge Member States sharing a common border with the Democratic Republic of the Congo or serving as transit countries for goods and natural resources from the Democratic Republic of the Congo to form a commission to investigate financial and economic activities conducted on their territories in connection with the war in the Democratic Republic of the Congo, and take the necessary action to curb or halt activities that contribute to the continuation of hostilities.

Diamond business

229. The Security Council should call upon the Democratic Republic of the Congo to take the necessary steps to curb the flow of illicit diamonds by liberalizing the diamond trade. A clear signal in this regard should be sent to all companies that resist and obstruct the liberalization of the mineral markets.

230. All diamond dealers operating in the territories occupied by foreign forces should immediately stop doing business with rebels and Burundi, Rwanda and Uganda. Failure to do so should lead to action through the World Diamond Council. The Republic of the Congo and the Central African Republic should take the necessary measures to stop abetting the trade in illicit and conflict diamonds.

231. Furthermore, the Panel endorses all the relevant recommendations on diamonds made by the Panel of Experts established by resolution 1306 (2000) in relation to Sierra Leone in its report (S/2000/1195, paras. 155 to 166), in particular:

(a) A certification scheme similar to that adopted by Sierra Leone should be required of the Democratic Republic of the Congo and all other diamond-exporting countries in the region, within a period of six months;

(b) Major trading centres should agree on a recording and public documentation system for rough diamond imports that clearly designates countries of origin and provenance;

(c) All countries importing rough diamonds must apply a “rough control” system whether they have free trade zones or not;

(d) The European Union should have few entry points for diamonds;

(e) The United Nations and the World Diamond Council should form a commission to conduct an annual review of the proper implementation of the certification system;

(f) An annual statistical production report should be compiled by each exporting country and gathered into a central annual report, compiled by the World Diamond Council and/or by the certification body that is expected to emerge from the “Kimberley process”.

Forest and timber

232. The Panel proposes that countries with seaports and those with transit facilities report to the United Nations Forum on Forests on the transit of timber through their territory. As the timber from the Democratic Republic of the Congo transits through the ports of Mombasa and Dar es Salaam, the Governments of Kenya and the United Republic of Tanzania should declare to the Forum on Forests the origins of the

timber that is being shipped from their seaports, as well as the certification documents of such timber.

233. The Panel recommends that the United Nations Forum on Forests unify the different schemes and procedures for timber certification. The certification scheme should be based on the broad framework of principles, criteria and indicators promoted by the International Panel on Forests and the International Forum on Forests. New criteria on "conflict timber" should be considered. The Forum on Forests should become or designate one single accrediting body for timber certification. The composition of such a body should reflect the diversity of actors and interests as well as the specificity of regions. Such a unified mechanism would prevent some "loose codification" and purely commercial certifying bodies from delivering or attempting to deliver certificates. The Panel urges the Security Council to declare timber and non-timber forest products coming from warring areas, "conflict timber and non-timber forest products". Countries importing non-certified timber should put in place minimum guidelines and sanctions for companies that import timber and non-timber forest products from countries at war or experiencing civil war related to the allocation or distribution of natural resources.

234. The Panel proposes, following the declaration on the control of illegal logging made by the Group of Eight in 1998, and the ongoing discussions on "conflict timber products", that a mandate be given to the United Nations Forum on Forests:

(a) To compile information in collaboration with various non-governmental organizations on illegal logging and "conflict timber products" in the world;

(b) To publish annually a list of countries involved in illegal and "conflict timber products" trade;

(c) To submit an annual report to the General Assembly of the United Nations.

235. The Panel recommends that countries of transit and final destination of the timber trade request from logging companies certificates of origin for the timber that is transiting through or arriving in their territory. Those countries should send copies of these certificates to Governments of countries of origin within three days. Failure to abide by this should be considered to be complicity on the part of those countries and they should be listed as countries facilitating "illicit timber" and "conflict timber product" trade in the report of the Forum on Forests.

Reparation and compensation

236. The Panel recommends that individuals, in particular farmers, religious groups and companies whose properties, livestock and crops were damaged, looted or expropriated by the Burundian, Rwandan or Ugandan armed forces and their allies should be compensated by the States concerned. Properties confiscated should also be returned to their legitimate owners. The Governments of Burundi, Rwanda and Uganda and their allies should pay compensation to the companies whose properties and stocks of coltan, cassiterite, gold, timber and other materials which were confiscated or taken between 1998 and 2000. The Security Council may consider how the Office of the United Nations Resident Coordinator in Kinshasa could help in gathering information on the claims.

237. UNESCO, in collaboration with UNEP, the secretariat of CITES and non-governmental organizations working in the Democratic Republic of the Congo should assess the extent of damage to wildlife in Garamba Park, Kahuzi-Biega Park, the Okapi Reserve and Virunga Park, and propose sanctions to be taken against those Governments whose soldiers were involved in the mass killing of endangered species.

Framework for reconstruction

238. The Security Council would give mandate and means to a United Nations commission created to help the Government of the Democratic Republic of the Congo manage the transition in the formerly occupied regions. The Commission will help design and put in place the legal and administrative framework and create an enabling environment for economic activities. The Commission will also help put in place the necessary conditions for the enhancement of State authority and security over its territory.

General

239. The Panel recommends that the Security Council consider establishing an international mechanism that will investigate and prosecute individuals involved in economic criminal activities (such as Khaleb Akandwanaho alias Salim Saleh, Jean-Pierre Bemba, James Kazini, Mbusa Nyamwisi, Ateenyi Tibasima,

Roger Lumbala, Aziza Kulsum Gulamali and others named in this report), companies and government officials whose economic and financial activities directly or indirectly harm powerless people and weak economies.

240. The Panel recommends that the Security Council consider establishing a permanent mechanism that would investigate the illicit trafficking of natural resources in armed conflicts so as to monitor the cases which are already subject to the investigation of other panels, such as those of Angola, the Democratic Republic of the Congo and Sierra Leone.

241. Member States should be encouraged to adopt legislation that will forbid companies registered in their territory from importing or exporting natural resources to or from invading countries.

Security

242. The Panel urges the Security Council to hold Governments of countries parties to the conflict in the Democratic Republic of the Congo, rebel movements and those military representatives cited in the report responsible if any harm is done to any member of the Panel. The Security Council should encourage individual countries to assist the Panel members by providing security to each of them well after the Panel is dissolved. The Security Council should urge the Secretary-General to make the necessary arrangements to ensure the security of the Panel members well after the Panel is dissolved. The Panel has received information of harassment in Bunia and other localities of individuals who may have been in contact with the Panel members. The Security Council should hold the authorities of Rwanda, Uganda, RCD and FLC responsible for any harm to witnesses who shared their knowledge with the Panel.

Annex I

Sample of companies importing minerals from the Democratic Republic of the Congo via Rwanda

Company	*Country of destination*	*Merchandise*
Cogem	Belgium	cassiterites
Muka-Enterprise	Belgium	cassiterites
Issa	Germany	cassiterites
Chpistopa Floss	Germany	cassiterites
Redemi	Rwanda	cassiterites
Banro-Resources Corp.	Malaysia	cassiterites, coltan
	Canada	cassiterites
Bharat	United Republic of Tanzania	cassiterites
Extano-Office	Rwanda	coltan
Coopimar	Rwanda	coltan
Geologistics Hannover	Germany	coltan
Rwasibo-Butera	Switzerland	coltan
Eagleswings	Netherlands	coltan
Veen	Netherlands	coltan
Soger	Belgium	coltan
Patel Warehouse	Netherlands	coltan
Afrimex	United Kingdom of Great Britain and Northern Ireland	coltan
	Netherlands	cassiterites
Chimie Pharmacie	Netherlands	coltan
	Belgium	coltan
Sogem	Belgium	coltan, cassiterites, tin
Cogecom	Belgium	coltan, cassiterites
Cogea	Belgium	coltan
Panalpina	Kenya	coltan

Company	*Country of destination*	*Merchandise*
Tradement	Belgium	coltan, cassiterites
Ventro Star	United Kingdom of Great Britain and Northern Ireland	coltan
Raremet	India	coltan
Finconord	Pakistan	coltan
Finiming Ltd.	Belgium	coltan
Finconcorde	Russian Federation	cassiterites, coltan
Patel	India	cassiterites
Cicle International	Belgium	coltan
Masingiro	Germany	coltan
Union-Transport	Germany	coltan
Specialty Metal	Belgium	coltan
MDW	Belgium	cassiterites, coltan
Transintra	Belgium	cassiterites

Source: The Rwandan Revenue Authority.

Annex II

Countries visited and representatives of Governments and organizations interviewed

The Expert Panel on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo wishes to express its deep appreciation to the government officials, diplomats, non-governmental organizations, individual relief workers, journalists, and others who assisted it in its enquiries and helped to make this report possible.

The Panel further wishes to extend special thanks to the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), in particular Ambassador Kamel Morjane; to the United Nations Office at Nairobi, in particular Klaus Töpfer and Alexander Barabanov; and to the Office of the Special Representative of the Secretary-General for the Great Lakes Region of Africa, in particular Ambassador Berhanu Dinka.

Among countries involved in the conflict in the Democratic Republic of the Congo, the Panel would like to make special note of the cooperation received from the Republic of Uganda, which provided the Panel with all information that was requested.

The following list is incomplete in deference to the wishes of those who requested anonymity, in particular Congolese individuals who put their lives at risk in order to provide the Panel with information.

Angola

Government officials
Vice-Minister of External Relations
Vice-Minister of Finance
Minister of Petroleum
Minister of Geology and Mines

United Nations agencies and offices
Representative of the Secretary-General and Head of the United Nations Office in Angola
United Nations Office in Angola

Belgium

Government officials
Ministry of Foreign Affairs
Ministry of Communications, Civil Aviation Administration
Ministry of Finance
Ministry of Economy and Finance
Cabinet of Deputy Prime Minister and Minister for Foreign Affairs
Department of Customs and Accounts
Office belge du commerce extérieur
Département de douanes et droits indirects

International organizations
Eurostat
World Customs Organization

Other
Belgolaise
BHP Diamonds and Minerals
BHV
Diamond High Council
Independent Diamond Valuators
Institute of Politics and Development Management
Langer Diamonds
Nordiska Afrikainstitutet (Nordic Africa Institute)
Royal Museum for Central Africa, Department of Geology and Mineralogy
SwissCargo
World Federation of Diamond Markets

Burundi

Government officials
His Excellency Major General Pierre Buyoya, President of the Republic of Burundi
Minister of Agriculture and Livestock
Ministry of Finance
Minister of International Relations and Cooperation
Minister of National and Regional Development and Environment
Minister of Transportation, Post and Telecommunications

Representatives of States
Belgium
Democratic Republic of the Congo
France
United States of America

United Nations agencies and offices, and international organizations
MONUC
Office of the Special Representative of the Secretary-General in Burundi
UNDP
World Bank

Democratic Republic of the Congo

Government officials
His Excellency Major General Joseph Kabila, President of the Democratic Republic of the Congo
Commissariat général du Gouvernement chargé des affaires de la MONUC
Banque nationale du Congo
Banque centrale
Département des Forêts
Direction générale des contributions (DGC)
Direction générale des recettes administratives, judiciaires, domaniales et de participations (DGRAD)
Institut congolais pour la conservation de la nature (ICCN)
Ministre des affaires foncières de l’Environnement, de la conservation de la nature et du développement touristique
Ministre de l’agriculture et elevage
Ministre des droits humains

Ministre de l'economie, du commerce, et de l'industrie
Ministre de l'energie
Ministre des finances et du budget
Ministère des mines
Ministre d'Etat chargé du pétrole
Ministre des transports et communications
l'Office des douanes et accises (OFIDA)

Representatives of States
Belgium
China
France
Italy
United States of America
Diplomatic Corps of Kinshasa

United Nations agencies and offices
FAO
Office of the Special Representative of the Secretary-General
MONUC
Office for the Coordination of Humanitarian Affairs
Office of the United Nations High Commissioner for Human Rights
UNDP
UNHCR
UNICEF
WFP
WHO

Other
COSLEG Holding
Fédération des entreprises du Congo (FEC)
Georges Forrest International
Governor of South Kivu and Provincial Directors
Observatoire gouvernance-transparence (OGT)
Kotecha Group of Companies
Mouvement pour la libération du Congo
Olive Company
RCD-Goma
Rally for Congolese Democracy-ML/Kisangani
Trafca
World Resource Institute

France

Government officials
Ministry of Foreign Affairs
Ministry of Defence
Ministry of the Economy, Finance and Industry – Department of the Treasury
French Development Agency
Inspector General of Civil Aviation and Meteorology
Direction générale des douanes et droits indirects – Sous-Direction de l'Union douanière et de la coopération internationale
Bureau of Geological and Mining Research (BRGM)

International organizations
Organization for Economic Cooperation and Development

Kenya

Government officials
Minister for Foreign Affairs
Kenya Ports Authority

Representatives of States
Belgium
Democratic Republic of the Congo
France
Japan
Russian Federation
United Kingdom of Great Britain and Northern Ireland
United Kingdom of Great Britain and Northern Ireland Special Representative for the Great Lakes
Zimbabwe

International organizations
Office of the Facilitator for the peace process in the Democratic Republic of the Congo
United Nations agencies and offices
MONUC
Office for the Coordination of Humanitarian Affairs
Office of the Special Representative of the Secretary-General for the Great Lakes Region
UNDP
UNEP
United Nations Office at Nairobi

Other
International Crisis Group (ICG)

Namibia

Government officials
Deputy Minister for Foreign Affairs, Information and Broadcasting
Minister of Finance
Deputy Minister of Defence
Minister of Mines and Energy
Minister of Agriculture, Water and Rural Development
Minister of Environment and Tourism

Representatives of States
China
France
Russian Federation
United Kingdom of Great Britain and Northern Ireland
United States of America

Rwanda

Government officials
His Excellency Major General Paul Kagame, President of the Republic of Rwanda
Chef d'Etat major
Minister of Energy, Water and Natural Resources
Minister for Foreign Affairs
Minister of Finance and Economic Planning
Minister of Agriculture, Forests and Livestock
Minister of Works, Transport and Communications
Minister of Energy, Mines and Water
Minister of Land, Resettlements and Environment
National Bank of Rwanda
Secretary-General of Commerce, Industry and Tourism
Rwanda Revenue Authority

Representatives of States
Belgium
Canada
China
France
Germany
Netherlands
Russian Federation
Switzerland
United Kingdom of Great Britain and Northern Ireland
United States of America
Office of the European Union Delegation

United Nations agencies and offices
ECA
FAO
Heads of United Nations agencies represented in Rwanda
International Criminal Tribunal for Rwanda
MONUC
Office for the Coordination of Humanitarian Affairs
UNDP

South Africa

Government officials
Ministry of Foreign Affairs

Other
Anglo-American
De Beers

Switzerland

Government officials
Department of Foreign Affairs, Chef de la direction politique
Swiss Federal Administration

International organizations
World Trade Organization

Other
Société générale de surveillance

Uganda

Government officials
His Excellency Yoweri Kaguta Museveni, President of the Republic of Uganda
Civil Aviation Authority
Internal Revenue Authority
Minister of Agriculture
Minister of Defence
Minister of Energy and Mineral Development
Minister of State for Environment, Water and Land
First Deputy Prime Minister and Minister for Foreign Affairs
Minister of Finance
Minister of State for Planning and Investment
Ministry of Works, Transport and Communications
Parliamentary Committee on Presidential and Foreign Affairs
Vice-President of the Republic of Uganda

Representatives of States
Belgium
Denmark
France
Italy
Russian Federation
United Kingdom of Great Britain and Northern Ireland
European Union Special Envoy to the Great Lakes

United Nations agencies
Office for the Coordination of Humanitarian Affairs
UNDP
Heads of United Nations agencies in Kampala

Media
East African
Monitor
New Vision
Radio Uganda
Top Radio
Ugandan Television

United Kingdom of Great Britain and Northern Ireland

Government officials
Foreign and Commonwealth Office

Other
Cluff Mining
De Beers
The Economist
International Coffee Organization
World Diamond Council

United States of America

Government officials
Department of State
– Bureau of African Affairs
– Bureau of International Organization Affairs
Congresswoman Cynthia McKinney, Fifth District, Georgia

United Nations agencies and offices
UNESCO and United Nations Foundation/White Oak Conference

International organizations
World Bank

Other
Oregon Certification Group
SmartWood
University of Maryland

Zimbabwe

Government officials
Senior Secretary for Foreign Affairs
Minister of Energy and Mines
Chief Executive Officer, Civil Aviation Authority

Representatives of States
Belgium
China
France
Russian Federation
United Kingdom of Great Britain and Northern Ireland
United States of America

United Nations agencies and international organizations
UNDP
Heads of all United Nations agencies represented in Zimbabwe

Media
Zimbabwe Independent newspaper
Daily News

Other
First Banking Corporation Limited
Zimbabwe Transparency International
ZimTrade

Annex III

Abbreviations

AFDL	Alliance des forces démocratiques pour la libération du Congo-Zaïre (Alliance of Democratic Forces for the Liberation of Congo-Zaire)
BCD	Banque de Commerce et du développement (Trade and Development Bank)
BCDI	Banque de commerce, du développement et d'industrie, Kigali
CEMAC	Communauté économique et monétaire de l'Afrique centrale (Central African Economic and Monetary Community)
CIFOR	Centre for International Forestry Research
coltan	columbo-tantalite
COMESA	Common Market for Eastern and Southern Africa
COMIEX (1)	Compagnie mixte d'import-export
COMIEX (2)	La Générale de commerce d'import/export du Congo
COSLEG	COMIEX-OSLEG joint venture
ECA	Economic Commission for Africa
FAO	Food and Agriculture Organization of the United Nations
FDD	Forces pour la défense de la démocratie
FLC	Front de libération du Congo (merger of MLC and RCD-ML)
Gecamines	Générale de carrières et des mines
IDI	International Diamond Industries
IMF	International Monetary Fund
MIBA	Société minière de Bakwanga (Mining Company of Bakwanga)
MLC	Mouvement de libération congolais (Congolese Liberation Movement)
MONUC	United Nations Organization Mission in the Democratic Republic of the Congo
OECD	Organisation for Economic Cooperation and Development
OSLEG	Operation Sovereign Legitimacy
RCD	Rassemblement congolais pour la démocratie (Rally for Congolese Democracy)
RCD-Goma	Rassemblement congolais pour la démocratie, based in Goma
RCD-Kisangani	Rassemblement congolais pour la démocratie, based in Kisangani, later based in Bunia and referred to as RCD-ML

RCD-ML	Rassemblement congolais pour la démocratie — Mouvement de Libération, first based in Kisangani, later in Bunia
RCD-National	Rassemblement congolais pour la démocratie — National, located in Bafwasende
RPA	Rwandan Patriotic Army
RPF	Rwandan Patriotic Front
SOMIGL	Société minière des Grands Lacs (Great Lakes Mining Company)
SOMIKIVU	Société minière du Kivu
SOMINKI	Société minière et industrielle du Kivu
UDEAC	Union douanière et économique de l'Afrique centrale (Central African Customs and Economic Union)
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UPDF	Uganda People's Defence Forces
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization
ZANU-PF	Zimbabwe African National Union Patriotic Front
ZDF	Zimbabwe Defence Forces