

CONGO (DEMOCRATIC REPUBLIC OF)

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The assassination of President Laurent Kabila on January 16, 2001, and his replacement by his son Joseph, has changed the order in a rapidly declining Democratic Republic of Congo (DRC). In the three months since coming to power, the new president has done far more towards peace than his father did in his entire time in office. On the diplomatic front, he has put an end to the DRC's isolation; on the matter of the war, the Lusaka peace agreements have been revived and UN observers are now actively deployed in the country.

On the domestic front, however, the economic effects are not yet being felt. According to initial estimates by the DRC Central Bank, GDP fell by 11.4% in 2000 having already fallen by 10.3% in 1999. The continued occupation of half of the country, and the advanced degradation of the basic infrastructures, have been the main causes of the decline in the country's economic situation.

Inflation in 2000 stood at 511.2% compared with 483.7% in 1999. All sectors of the economy experienced a decline. The mining and metallurgical industry fell by 3% following technical and financial difficulties in the sector.

Copper and Cobalt

Gécamines, formerly the jewel of the Congo mining industry, is still just barely surviving. Since the end of the 1980s, Gécamines has seen a gradual decline in its activities and its production, and is currently in need of major funding. Owing to the lack of financial resources, Gécamines has drawn up the following three-pronged strategy:

- To confine itself to the operation of small mines with a high cobalt yield which do not require significant financial means.

- To form links with partners able to contribute financially.
- To convert and elevate units that are secondary to its mining operations to profit centres.

The contract between Gécamines and Ridgepointe Overseas Development, a Zimbabwean company, resulting in the formation of the Central Mining Group (CMG) to mine a few deposits in Kambove and Kakanda and operate the metallurgical plants in Likasi in the CMG, did not have the anticipated effect and the agreement was broken in November 1999. In spite of the CMG coming back under Gécamines' wing, the company has had to confront a whole host of problems. Consequently, copper production compared with 1999 fell by 8.2% from 29,633 t to 27,197 t in 2000. This situation is a result of the lack of spare parts, diminished supply of the concentration plants and the precariousness of the cash flow situation.

The break-up was, however, of short duration because in January 2001, the government decided to create KMC (Kababankola Mining Company), which is 80%-controlled by Zimbabwean company Bredkamp and 20% by Gécamines.

Gécamines' cobalt production in 2000 stood at 3,570 t compared with 2,308 t in 1999, representing a 54.7% increase (Source: Central Bank of Congo). The survival programme put in place a few years ago is still running, its aim being to improve cobalt production, close unprofitable sites and concentrate financial resources and equipment on the cobalt sector. It is as a result of this strategy that Gécamines has ceased zinc production.

In addition, the policy of forming temporary alliances, joint ventures and partnerships has continued with a number of foreign companies. The most significant project has been the creation of STL (Société du Terril de Lubumbashi), a 97%-owned subsidiary of GTL (Groupe Terril de Lubumbashi). GTL itself is 55%-owned by OM Group, 25% by GGF (Groupe Georges Forrest) and 20% by Gécamines. In November 2000, the company opened a plant to process tailings from the Lubumbashi mine dump, requiring an investment of US\$116 million. The plant has an annual capacity to produce 23,000 t comprising 5,000 t of cobalt, 3,000 t of copper and 15,000 t of zinc in the form of oxides ultimately used to supply the Kolwezi zinc plant.

Other projects have not progressed to the same extent. Tenke Fungurume Mines, which ceased its activities in February 1999, declared *force majeure* because of the state of emergency in the region on account of the war. The final phase of the project should produce 400,000 t of copper and 5,000 t of cobalt. Australian company BHP and Phelps Dodge of Canada have jointly agreed to acquire a 45% interest in Tenke Fungurume.

Anvil Mining NL is hoping to resume its copper and silver operations at Dikulushi, perhaps in the September quarter of 2001. Following drilling in 1997, the Australian company estimated reserves at 1.94 Mt at 8.59% Cu and 266 g/t Ag. The company is able to justify its optimism thanks to the new climate established since the Joseph Kabila came to power.

SODIMCO's copper production has more than doubled, rising from 1,592 t in 1999 to 3,314 t in 2000. This company is in partnership with the Polish company KGHM Polska Miedz. The contract between the two companies covers mining of the Kimpe copper/cobalt deposit, which has the potential to yield 16,150 t of cobalt and 46,200 t of copper.

Diamonds

Production by Compagnie Minière de Bakwanga (MIBA), the principal state-owned mining company specialising in diamond mining, fell from 4.8 Mct in 1999 to 4.6 Mct in 2000. The main reason for the drop in production is that the deposits have been exhausted, coupled with the lack of financial resources needed to overhaul the production facilities. Moreover, the sale of the Tshibué deposit to Sengamines has cut off MIBA from its largest kimberlitic deposit. Sengamines is a joint venture between OSLEG, Oryx and COMIEX.

Non-mechanised production has followed a tortuous route. Initially liberalised, it was later regulated (foreigners were barred from mining areas), then all transactions had to be carried out in local currency and IDI Diamonds was granted a monopoly, only for it to be revoked in April 2001. These various measures resulted in increased fraud. The statistics relating to the marketing of manually-extracted diamonds show a 25.8% fall, from 15.3 Mct in 1999 to 11.4 Mct in 2000.

Gold

Gold production in the government territories also fell by 45.9% owing to the war and the fraud resulting from the obligation to conduct transactions in local currency. It fell to 112 kg in 2000 compared with 207 kg in 1999.

UN Report on War Profits

The war imposed on Congo in 1998 by the rebels and their allies (Uganda, Rwanda and Burundi) has cut the country in two. The occupied territories are areas rich in rare metals such as gold and columbo-tantalite (coltan), and precious stones such as diamonds. Since these areas are not under state control, it is impossible to obtain reliable production figures. However, consistent information from several reliable sources, would seem to indicate that large-scale production of gold, diamonds, cassiterite and coltan is underway. All these products are exported via Uganda, Rwanda and Tanzania.

In a report published in April 2001, the United Nations examined the exploitation of DRC's natural resources. UN findings indicate that Rwanda, Uganda and Burundi, who have forces at their disposal to support the rebellion in the DRC, were involved in the pillage of the country's ore deposits. The report also mentioned Zimbabwe, Namibia and Angola, which support the DRC Government, having profited from the conflict by obtaining concessions allowing their companies to exploit the resources.

Initial steps taken by the new authorities towards liberalising the diamond-mining industry, withholding currency, and revising the mining laws have been welcomed favourably by the economic operators. This

new climate has given rise, among other things, to a renewal of contact between the visiting IMF mission in Kinshasa and Gécamines. The latter has submitted a request for funding to the IMF to computerise the company and finance a retirement programme. The Gécamines delegation also indicated that funding amounting to US\$ 150 million would be needed to resume production.

The recovery of the DRC economy and its mining industry is dependent on the stabilisation of the socio-political arena. Those who hold the power and who control the arms and financial resources, should respect the aspirations of the people, whose primary demand is for peace.