DEMOCRATIC REPUBLIC OF CONGO

By Mabolia Yenga

One year after succeeding his assassinated father Laurent Kabila on January 26, 2001, Joseph Kabila continues to come up against numerous obstacles in terms of a return to peace in the Democratic Republic of the Congo (DRC). As soon as he acceded to power, President Kabila announced two aims: first, the country's reunification. He went on to revive the Lusaka Accords, the most important part of which dealt with inter-Congolese dialogue. This dialogue, which began on February 25 in Sun City, South Africa, ended on April 29 without reaching any inclusive agreement, even though it did obtain a partial agreement between two of the three warring sides. It failed to put an end to the war, to the country's partition or to the withdrawal of foreign troops. His second announced aim was to revive the economy of his plundered country.

In fact, according to central bank statistics, GDP shrank by 4.2% in 2001, after falling by 6.2% in the previous year. Inflation ended the year at 135.1% compared with 511.2% at the end of 2000.

The deterioration in GDP during 2001 reflected a widespread decline in the export of mining, agricultural and industrial products. Apart from diamond, cobalt, cement and oil production, which remained steady, other areas fell off considerably, particularly copper (previously the top export product), zinc and timber. Other production, especially zinc, gold, coffee, rubber and palm oil, is on the verge of disappearing altogether.

Copper-Cobalt

The state-owned mining corporation Générale des Carrières et des Mines (Gécamines) is still experiencing difficulties, and it is questionable whether or not this company, formerly considered to be the country's economic lung, will continue trading. Central bank figures for 2001 highlight the fact that Gécamines produced just 19,770 t of copper, with its subsidiary, Sodimco, producing only 608 t. Despite the promotion of small projects in cobalt-rich areas, production of this metal amounted to 3,752 t in 2001 versus 3,750 t in 2000. Zinc production was estimated at 669 t as against 214 t previously.

There are several reasons for the decline in Gécamines' production. The absence of any investment plan meant it could not renew its seriously ageing plant, and the company also suffered problems due to poor management. The situation was worsened by the collapse of the Kamoto underground cobalt mine in 1990, a mine which had single-handedly provided 30% of output. Pillaging, theft and the ethnic cleansing of non-Katangese workers also contributed to the slump in production, as did the transfer of mines and factories to foreign partners. In its attempt to find ways to revive production, Gécamines persuaded the government to allow the Kambove concentrator and its surrounding mineral areas to be transferred back under the company's control.

The DRC's political leaders, together with Gécamines' management team, also entered into several joint venture projects and temporary partnerships in a bid to boost Gécamines' production. The number of partnerships stands at around 30, the most significant of these being the partnership between the company treating scoria from the Lubumbashi slag heap (STL) and the Lwishishi project with the OMG group, Forrest International (EGMF) and Gécamines. The STL company (51% OMG, 29% EGMF, 20% GCM), produced 1,800 t of cobalt (white alloy) on behalf of OMG in 2001, while the Lwishishi project produced 5,461 t of cobalt for OMG as compared with 4,352 t in 2000.

Furthermore, germanium, was discovered in the Lubumbashi slag heap, and exploiting this could bring in additional revenues for Gécamines. It has yet to negotiate with OMG and Forrest International, its partners in the exploitation of the slag heap, how to divide up gains generated by the germanium.

Zincor (a subsidiary of Kumba Resources Ltd of South Africa) has recently signed a joint-venture agreement with American Mineral Fields (AMFI), thereby rendering its involvement in the rehabilitation of the Kipushi project (copper-zinc) official. The agreement comes in the wake of Zincor's decision in December to exercise its option to acquire 50% of the project, with an investment of US$3.5 million.

First Quantum Minerals Co. (FQM) acquired the Lonshi concession in 2002. This concession, located close to the Zambian border, involves copper ore estimated to amount to 5.1 Mt (with a content of 5.75% Cu). FQM also owns the Bwana Mkubwa plant in Zambia. This plant uses only around 65% of its capacity and, in a bid to make it profitable, FQM envisages importing copper ore from the DRC. For this purpose, significant work to increase production capacity at Bwana Mkubwa is under way (extending the SX-EW plant and constructing a second sulphuric acid plant). A profit-sharing scheme has been put in place, under which the DRC retains a 15% interest in Lonshi, and First Quantum holds the remaining 85%. FQM is also set to embark on a nine-month exploration programme to increase resources at Lonshi in conjunction with Congolese Mining & Construction Co., a subsidiary of MCC of South Africa, as subcontractor).

As regards other mining companies, production by Kisenge Manganèse is still at a standstill. Negotiations have begun to set up a joint venture to produce manganese dioxide.

Diamonds
Total diamond production in the DRC improved markedly during 2001, jumping by 13%, from 16 Mct in 2000 to 18 Mct. Despite this growth, it is worth noting that diamond production was interrupted in 2001 by a major fraud. The situation became even more precarious when the institution responsible for monitoring this market, the Centre National d'Expertise des Matières Précieuses (CNE) was replaced by the Centre d'Évaluation, d'Expertise et de Certifications des Matières Précieuses (CEEC) under dubious circumstances.

Minière de Bakwanga
Core production of diamonds is carried out by Minière de Bakwanga (MIBA), owned 20% by Sibeka of Belgium and 80% by the DRC Government. The company faces serious problems stemming from bad management, theft of production and bad planning of mining developments. MIBA's turnover totalled US$72.53 million in 2001 as against US$76.6 million in 2000.

Meanwhile, following liberalisation of the diamond sector, diamond exports by the eleven authorised syndicates were worth US$199.4 million.

Sengamines
Sengamines, which began extracting alluvial diamonds in late February 2000, operates a concession 50 km from MIBA's operations at Mbuji-Mayi. The company takes its name from the River Senga Senga covered by its permit. Sengamines posted average results for the Eastern Kasaï region in 2001, particularly from the kimberlite field in Boya, which produced 194,000 ct with a total value of US$2.5 million, giving the rather disappointing unit price of US$13/ct. The company is a joint venture between senior Zimbabwean army officers and COMIEX, an organisation controlled by government officials in Kinshasa.

Since 1998, the war which has torn the DRC apart has divided the country up into three zones of influence, with the government controlling 40% of the territory, including the diamondiferous provinces of Kasai and the mining provinces of Katanga.

The zones controlled by the two rebel movements have other resources, in particular gold, tin, columbo-tantalite (coltan) and niobium. These metals having disappeared from central bank statistics. Indeed, the United Nations has set up a commission of enquiry to investigate the smuggling of these materials from the areas in question, which will be responsible for assessing the plunder of Congolese mining wealth. In its latest interim report dated May 24, 2002, the commission confirmed that the illegal exploitation of natural resources continues apace in several sectors.

The imminent enactment of the new Congolese Mining Code and a seminar organised on April 22 and 23, 2002, by the Ministry for Mines with the support of the World Bank, gives some idea of the appeal of the DRC's mining potential for the World Bank and investors in general. The seminar participants expressed the view that the DRC economy can recover, even without a rapid rehabilitation of Gécamines, and underlined the need for a rational restructuring based on transparency.