

## DEMOCRATIC REPUBLIC OF CONGO

*By Mabolia Yenga*

The overall performance of the Congolese economy was satisfactory in 2002, according to the International Monetary Fund. For the first time in 13 years, it had a positive growth rate, and inflation was contained at 15%, compared with 135% in 2001. Taken as a whole, the budgetary objectives were also achieved, and growth in the money supply was curbed, without recourse to bank financing. The IMF forecasts that in 2003, economic growth is set to accelerate and reach 5%, with an inflation rate of 6% at the end of December 2003.

In terms of mining, however, production by Gécamines - the main mining group of the Democratic Republic of Congo (DRC) – fell to 19,495 t of copper in 2002, compared with 20,621 t in 2001. Cobalt production displayed a similar trend, declining from 3,875 t to 2,209 t. As far as production involving joint ventures is concerned, Société des Terrils de Lubumbashi (STL), a partnership formed between the Malta Forest Group, Outokumpu Mining Group (OMG) and Gécamines, produced 1,930 t of cobalt contained in white metal alloy during 2002, and 1,289 t of copper. The Lwishishi project produced 5,597 t of copper and 5,499 t of cobalt from concentrate, compared with 12,236 t and 5,506 t, respectively, in 2001. The Lwishishi project is a partnership created between Gécamines and Malta Forest for the purpose of producing concentrate, the main purchaser of which is OMG.

In addition to economic causes, such as socio-political problems, looting and civil war, the reasons for the decline of the mining sector are structural in nature: a subdued general economic environment; poor management; a lack of investment; poor-quality transport infrastructure; and Gécamines' oversize workforce.

Gécamines has taken several measures to remedy these problems, including the closure of loss-making plants and a resumption of contacts with the international institutions. For example, the World Bank has recently granted Gécamines the sum of US\$45 million to enable it to finance voluntary redundancies involving 10,000 employees.

The other major copper producer, the state-owned company Sodimco (Société Industriel du Congo) continues to be saddled with financial problems, obsolete plant and equipment, and difficulties in preventing flooding at its Musoshi and Kinsenda mines, where reserves are estimated at 2.4 Mt averaging 3% Cu.

In addition, the policy of promoting partnerships in the form of joint ventures engaged in exploration and exploitation has been maintained, although several major projects are on the back burner, in view of the country's political situation.

Congo Mineral Development (CMD), a joint venture between American Mineral Fields Inc. (AMFI), Anglo-American and Gécamines, is still waiting in the wings to start reprocessing copper and cobalt residues from the Kolwezi tailings dumps. These comprise material discarded by the Kowezi concentrator, and the total contained reserves have been estimated at 112 Mt, with a copper content, on average, of 1.48% Cu and 0.32% Co. In its initial phase, the project might produce 42,000 t/y of copper and 7,000 t/y of cobalt.

The other major project, Tenke Fugurume, is still in its gestation period. Phelps Dodge has concluded an agreement that would share the project with the Australian company BHP World Exploration. The project's reserves are estimated at 547 Mt averaging 3.5% Cu and 0.27% Co. Once it is up and running, Tenke Fugurume should be producing 100,000 t/y of copper and 7,000 t/y of cobalt.

First Quantum also has several projects on the back burner, pending an improvement in the security situation in the DRC. First Quantum has a 51% holding in the Likasi and Kingamiambo tailings dumps. It plans to exploit the Dikulushi copper and silver mine in partnership with Anvil Mining based on estimated reserves of 1.9 Mt averaging 8.6% Cu and 266 g/t Ag. Phase One of the project involves producing concentrate, which will be sent to First Quantum's Mufulira concentrator in Zambia.

### **Manganese and tin**

The DRC has not produced any manganese since 1993. Minière de Kisenge Manganèse, the company that used to exploit the DRC's only manganese deposits, has suffered serious financial problems. Annual ore production fell from 47,000 t in 1970 to an average of 35,000 t/y by the late 1980s. Tin was formerly produced by Sominki, a company financed by state capital and the Empain group. Sominki has been taken over by Banro Resources, and has changed its name to Société Aurifère du Maniema (Sakima). It exploits not only gold deposits in Northern Kivu, but also tin and other heavy minerals such as colombo-tantalite and wolframite.

### **Germanium**

The concentrate produced by STL is sent to OMG in Finland for processing, where OMG has installed a line for reclaiming germanium. Gécamines' management estimates the germanium content of the Lubumbashi tailings at 3,075 t, and claims that the revenue from this product, of which about 20 t was sold on the market in 2002, should go to Gécamines. An offer made by OMG to pay Gécamines 5% of the revenue derived from the sale of germanium has been rejected.

### **Gold**

Gold is present in most areas of the DRC, and more particularly in the province of Upper Congo; it is exploited both by artisans and on an industrial scale. The production of gold is outside the central government's control because of the rebellion holding sway in the eastern part of the country, which is entirely under rebel control.

## **Diamonds**

The DRC is one of the world's main diamond producers. The largest concentrations of diamonds are in Eastern Kasai Province near Mbuji Mayi, in Western Kasai at Tshikapa and near Kisangani in Upper Congo.

The main company involved in the commercial exploitation of diamonds is Minière du Bakwanga (Miba) which is 80% state-owned, the remaining 20% interest being held by the Belgian company Sibeka.

In 2002, diamond production rose by 17.8% in volume terms, to 21.7 Mct, worth US\$395.94 million. Production totalled 18.4 Mct in 2001 and the lower output last year can be explained by the fact that whereas small-scale diamond production jumped by 30%, the much larger production by Miba fell by almost 5%.

The small-scale sector comprises diggers, traffickers and trading posts. Seven approved trading posts are currently operational in the DRC: Ashley, Idi Congo, Kasai Wabalenga, Millennium, Primogen, Socico and Tofen.

Miba has just implemented an ambitious programme for the coming years, to halt the decline in its production. The company has set itself production targets of 7.8 Mct in 2004 and 9 Mct in 2006 – the level it achieved in 2000. Nearly US\$120 million worth of investments have been earmarked for commissioning a 5 t/h processing plant, rehabilitating the sorting plant, starting up two sediment-removal lines and installing three turbines at the Lubilangi II hydroelectric power station. Miba has also embarked on negotiations to recover the 35% stake held by the State in Sengamines, whose reserves are estimated at 35 Mct.

The state of war prevailing in the eastern part of the Congo is resulting in a substantial loss of income for the DRC Treasury.

The UN has set up a commission responsible for tracking illegal exploitation of the country's resources. UN experts have identified a number of criminal networks closely linked with powerful political and economic groups which have been engaged in illegal and criminal activities involving exploitation of the DRC's wealth over the past four years.

Realising that the mining industry cannot get going again without a massive influx of capital and investors, the DRC authorities have embarked on a major reform programme of the mining sector and the exploitation of diamonds.

In the case of mining, a new mining code has been promulgated, and a mining land-registry department was recently created within the Ministry of Mines by ministerial decree. This mining department will be responsible for co-ordinating State policy in terms of organisation and operation of the mining sector.

As far as precious substances are concerned, on January 7, 2003, the government introduced the Kimberley certification process, which seeks to introduce international rules to combat the smuggling of diamonds from war

zones. Likewise, again in attempt to combat fraud, the government has set up an Expertise, Evaluation and Certification Centre for precious and semi-precious substances. An international invitation to tender has recently been issued for the creation of a company to be responsible for counter-checking.

The 'Pretoria Agreement' in South Africa was supposed to end the war and provide a basis for re-unification of the DRC. It has taken a major step forward by setting up a government of national unity, and this new order is one of the international community's key demands in return for resuming co-operation with the DRC.