

ANGOLA

By Paul Crankshaw

In 2003, Angola sold between 5,3 Mct and 6 Mct worth of diamonds, at a value of about US\$1 billion, through Sociedade de Comercializacao de Diamantes de Angola (Sodiam), the government diamond-marketing agency. Despite the disruption of a 25-year civil war, Angola remains the world's fourth-largest diamond producer after Botswana, Russia and South Africa.

Efforts to build peace in Angola have gained momentum since the death of Unita leader Jonas Savimbi in 2002, but the legacy of conflict still plagues the diamond-mining industry. Aiming to be a leading participant in the Kimberley Process (to prevent illegal trading of diamonds), the Angolan Government is trying to impose more control over the sector, particularly alluvial mining, and has set up a new security body – Corpo de Seguranca de Diamantes (CSD) - to monitor storage, classification and transportation of diamonds. The CSD will operate under the authority of domestic intelligence services, moving control from people within the ruling elite, who have tended to assume a role in diamond security, sometimes with foreign companies as partners.

In April 2004, a special 'evaluation area' was launched for the evaluation and classification of diamonds belonging to Sodiam, where Sodiam technicians can work under improved conditions. The ward will also house over 20 national and foreign examiners from independent firms that deal with Sodiam.

The government's attempts to curb illegal diamond trafficking has led to the arrest of thousands of Angolan citizens and a number of foreigners in the south of the country. Tens of thousands of illegal Congolese diamond miners from the central Bie Province and elsewhere have been expelled.

In August 2003, the government ended the monopoly of the state-controlled diamond marketing firm, Ascorp, which until then had the sole right to market the country's diamonds. Sodiam, which has 51% control of Israeli diamantaire Lev Leviev's Ascorp organisation, took over the marketing of gems produced by larger producers in the formal sector, in partnership with local and foreign companies, creating a semi-open market regulated by the state.

In April 2004, Sodiam signed a four-year technical cooperation agreement with Lazare Kaplan International regarding the marketing of Angolan rough diamonds.

Angola is also hoping to add value to its diamond production by initiating a diamond-cutter training scheme. It is hoped that this will lead to the production of jewellery and boost local demand. Endiama Prospecting and Production was recently set up to encourage domestic employment in

Endiama's diamond production. The project also aims to upgrade skills, build up relevant technology and research the domestic market.

In terms of new production, there is hope of some progress in diamond projects in the Fucauma and Luarica regions in northeastern Lunda Sul Province, following discussions in early 2004 between Endiama, Angola's national diamond company, and South African diamond miner Trans Hex Group. The companies had signed a mining contract to develop the regions in 2002, but Trans Hex reportedly failed to come up with the exploration funding. For its part, Endiama said it had fulfilled its duties of granting the licence for the diamond exploration field and conducting the project viability study.

It was expected that production levels at Luarica will be re-established, and that the Fucauma project will start this year. Initial investments for Fucauma and Luarica are about US\$11 million and US\$15 million respectively. Fucauma's production over the next four years is estimated at 480,000 ct (worth US\$70 million). Luarica's production for the next six years is estimated at 789,000 ct (worth US\$170 million).

During 2003, Petra Diamonds Ltd and its Angolan partners, Empresa Nacional de Diamantes de Angola (Endiama) and Organizacoes Moyoweno, began drilling diamondiferous kimberlites on their Alto Cuilo diamond project in northeastern Angola. The work aims to generate data and define the geometry of the diamondiferous kimberlite cluster at the Camembeia complex. The project is particularly significant insofar as it has attracted the involvement of mining giant BHP Billiton, which signed a six-month exclusivity deal on Alto Cuilo with Petra in February 2004. Negotiations during the exploration phase could lead to a formal joint venture.

Prospects for mining development in Lunda Sul were boosted in November 2003 when building began of the new hydroelectric power plant to be built on the Chicapa River. The project, a joint venture between Russian diamond producer Alrosa and Angola, is expected to promote the expansion of diamond projects and general economic development there.