CUANGO DEVELOPMENT DIAGNOSTIC AND FEASIBILITY ASSESSMENT

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EXECUTIVE SUMMARY

The Cuango Development Diagnostic and Feasibility Assessment serves as a snapshot of the development of the Cuango municipality, giving an overview of conditions within the region. Diamond mining is the economic driver within the Cuango Valley, yet the resource brings few tangible benefits in terms of services and development to the majority of the residents. Meanwhile the laws that protect the resource have an enormous bearing on the way of life of the residents, controlling the movement of people and goods and restricting trade and access to land.

Constraints both in time and access have limited the depth of this study, which only scratches the surface. It is evident that the Lunda provinces hold a special position in Angola, and it is vital to ensure the inclusion and commitment of the Government of the Republic of Angola (GRA) prior to activity within the region, an issue that directly affected this study. Any future agreement to work within the municipality will take place against a background of illicit mining and its associated problems, as the GRA has yet to find any solution to the dilemma of artisanal miners, or garimpeiros[1]. While artisanal diamond mining is considered illegal, the government operates a widespread network of buying agents to 'legalize' their production.

There are three industrial diamond mining concessions within the Cuango municipality, and the economic life of two of the three is considered limited. Given the restricted non-mining economic opportunities, formal and informal diamond mining remains the main livelihood. Yet without any framework established for regulating artisanal miners, the risk of conflict over land rights is real, as concessions become uneconomic for industrial mining and potentially become abandoned. The future security and stability of the municipality could be threatened.

Projects embarked on by mining companies have increased the level of local services. Sociedade de Desenvolvimento Mineiro (SDM) S.A.R.L. has undertaken a number of notable projects that do have impact on the community around their operation site, but the potential for mine closures raises issues of the projects' future sustainability. As part of any action plan, a system of handover to the local authority is recommended as an urgent objective. The current focus on education and income generation activities is a more sustainable model, and it is recommended that any future activities should retain this focus. Meanwhile, social and legal constraints hinder the development of alternative livelihoods, especially in agricultural expansion. Studies into 'What communities identify as barriers to development' and 'Agricultural Production Opportunities' are seen as complementary to any future plans.

Strengthening the service delivery and policy development capabilities of Cuango Municipality is desirable. HIV/AIDs awareness has been promoted by SDM and other mining companies, but similar commitment was not evidenced through the municipal health service. A USAID-SDM Municipal Development activity in Cuango Municipality is likely to substantially enhance municipal capacity to decide and address ongoing issues concerning the sustainability of SDM's social development activities and other important local public services.

However, certain aspects of the current situation seem unlikely to be addressed by a typical municipal development activity, including the need for the security of property and persons in the potentially abandoned mining concessions. There is a pressing need to identify alternative livelihood and expanded economic opportunities for the vast majority of municipal residents. Solutions to these looming, very serious problems will require engagement with and by a wide variety of actors, specifically including those agencies of the GRA responsible for the diamond mining industry.

[1] Local description for an artisanal Alluvial Diamond Miner

INTRODUCTION

The Lunda provinces of north eastern Angola have been the country's predominant diamond producing areas, with established alluvial and kimberlite deposits. However, the country's diamond wealth has not translated into broad-based prosperity for its citizens, and the diamond producing Lundas are home to some of the worst living conditions and highest levels of civil tension in the country. The Government of the Republic of Angola and the diamond parastatal, Empresa Nacional des Diamantes de Angola E.P. (ENDIAMA) have established *Fundaçao Brilhante* as the social arm of the public sector diamond operations with a mandate to undertake projects aimed at improving the well-being of the people living in the diamond producing areas. Conversely, the Diamond Law of 1994[2] continues to have a negative impact upon the citizens, especially those of Lunda Norte, with limitations placed on entry into the area, controls on trade and the movement of goods, and restrictions on access to land and its use.

The United States Agency for International Development (USAID), in collaboration with the Ministry for Territorial Administration (MAT), has begun a Municipal Development Program operating in various areas of Angola, including the Lunda provinces. Meanwhile, SDM has undertaken a series of social programs around its operational base of Luzamba in Cuango Municipality, Lunda Norte.

USAID and SDM signed a Memorandum of Understanding (MOU) on 21 June, 2007 whereby the two parties agreed to undertake various actions intended to build a public-private partnership to implement social development programs in the province of Lunda Norte. The MOU is of limited duration (four months) and is focused on the achievement of the following:

(i) Conduct a diagnostic and feasibility assessment for development and governance initiatives in the Lunda Norte[3];

(ii) Design a workshop which will focus discussion on the results from the assessment and will set forth principles and ideas for future programs in the regions;

(iii) Identify individual resources for financing and investment in social development programs;

(iv) Provide information on corporate image, social corporate responsibility policy, environment protection, and financial soundness.

Although the MOU highlights issues in the province of Lunda Norte, the focus of the assessment has been the Cuango Municipality, with its headquarter town of Cuango Sede, close to the operational headquarters of SDM at Luzamba.

The MOU also calls for preparation of a 'Municipal Profile'. The profile, a detailed description of various social, economic and geographic/physical facts about Cuango Municipality, will be prepared, in a highly participative process, by Development Workshop with staff and citizens of Cuango Municipality. The content of the profile has been agreed with the Ministry of Planning and is aimed to increase the ability of Municipal government to respond to numerous central government inquiries and initiatives.

[2] National Assembly Law No 16/94 of October 7, 1994 attached Annex 2
[3] For SOW for the assessment, see Annex 1

METHODOLOGY AND CONSTRAINTS

A two-person USAID team traveled to Angola Oct 2-20, 2007 to conduct the Cuango Development Assessment through preparatory and follow-up meetings in Luanda and field research in Cuango Municipality. The field research was conducted by an eight person USAID-SDM team in Cuango Municipality October 9-15. This report was written by the two-person USAID team in November and December 2007. The principal methodologies used in the study were data review and individual interviews, which were to be conducted in both Luanda and Cuango Municipality.

The team began meetings in Luanda[4] during week one (October 2-8) and traveled to the SDM mine site at the beginning of week two (October 9-15). During the final week in Luanda (October 16-20), the team was unable to meet with many of the intended GRA officials. Thus the depth of the findings remains shallow. Notwithstanding, the team gained sufficient insight to produce an overall diagnostic - consisting of a review of available material and our brief field findings - to guide future activities.

Conclusion 1: The views of relevant agencies of the GRA are fundamental to the eventual success or failure of any joint SDM – USAID social development activities in Cuango municipality

At a minimum, the relevant GRA agencies include the Ministries of Mines and Geology and Territorial Administration, ENDIAMA, *Fundaçao Brilhante*, and the Interministerial Commission for the Protection of Diamond Resources (CIPRED). While it may be feasible to undertake joint social development activities without wide consultation with these government agencies, impacts are likely to be narrowly confined to the target municipality, with little potential to transform dominant practices in the wider diamond production areas. Therefore, we urge SDM and USAID to consult such agencies and incorporate their views (as appropriate) into this report.

BACKGROUND

In 2006 Angola was the fifth largest exporter of rough diamonds by value (seventh by volume – carats), formally exporting over 9 million carats at a value of over $1.1 billion[5] produced from both alluvial and kimberlite deposits. Yet for the Angolan economy, the contribution of the diamond sector is dwarfed by massive oil- and gas-based revenues.

Diamonds were first discovered within Lunda province in 1912, following similar finds across the border in the Belgian Congo, and a prospecting company was founded to identify diamondiferous deposits. The Companhia de Diamantes de Angola (DIAMANG) was established by the colonial powers in 1917 to begin commercial extraction. Utilizing forced labor, the company concluded an agreement in 1921 with the colonial administration for 50 year rights to a 395,650 square mile concession and a continuous supply of Angolan labor to manually remove overburden and to crush and wash diamond bearing gravels. Cleveland[6] suggests that despite international consternation, such labor practices remained in place until the 1960's. With a constant supply of cheap labor, the company was slow to invest in heavy equipment. However, cheap labor was no replacement for efficient labor. Unlike other mining operations of the time, DIAMANG did not invest in worker housing, an additional reason for reported high rates of absenteeism and desertion. Controlling a labor force of over 25,000 Angolans created problems for DIAMANG and its

[4] See Annex 3 – Meetings Timetable
[5] Figures Kimberley Process web – www.kimberleyprocess.com See Annex 4
[6] Cleveland T, University of Minnesota - http://www.ces.columbia.edu/pub/papers/Cleveland.pdf

2,500 strong Portuguese workforce. The illegal trade in rations combined with the theft of supplies and diamonds by workers drastically impaired the efficiency of operations.

Production peaked at 2.4 million carats in 1971 as the original concession agreement was set to expire. With 62 active mines, DIAMANG also had 56 teams exploring its concession area to determine sections of land to maintain as part of the new 19,300 square mile concession DIAMANG would be allowed to maintain. But the 1974 annual report recognized that with Angolan independence expected, the company would be unlikely to maintain its operations under the existing structure. Negotiations began in 1975 with the new MPLA government, but as all 2,500 European technicians left the country, it was estimated that about 50% of DIAMANG production was being siphoned off by the remaining work force[7]. The company had no choice but to suspend mining activities.

While international standards have had a bearing on Angola's diamond export trade, it was an earlier history of illicit diamond production that brought into force the mining law that is currently in place and that has a direct effect on the lives of the people of Lunda Norte. Prior efforts to control illicit mining in 1978 led to the division of Lunda Province into northern and southern sections to restrict free movement, but a short period of 'peace' during 1991 and 1992 was marked by renewed large scale illicit artisanal mining activity. New mining legislation in 1991 permitted wider possession and trade in rough diamonds and large numbers of people of various nationalities 'overran' the Lunda diamond fields. The establishment of government buying offices in the Lundas created an official channel for illicitly mined diamonds. Dietrich[8] states that 'it was during this period that illicit diamond mining became an established pillar of Angola's shadow economy'. In response, the GRA enacted the Diamond Law of October 1994, revoking the previous legislation of 1991. The 1994 law remains in force at present.

The preface to the 1994 law identifies the existence of increased illegal digging and diamond theft and established that only ENDIAMA or joint ventures with ENDIAMA would hold diamond mining rights. Noting 'the false impression that circulation of people and goods is totally free throughout the whole Angolan territory,' the law states that the changes 'will result in benefits to the Nation in general, and particularly to the population of the Lundas.' But, with the large quantity of diamond deposits occurring in the Lundas, the government considered the whole territory of Lunda Norte and Lunda Sul as a 'reserved area', and through the law placed severe controls on the movement of people and goods and on economic activities. Restrictions put in place for artisanal mining were stringent. According to Partnership Africa Canada (PAC),[9] no artisanal areas have been designated and no licenses issued, effectively outlawing all artisanal diamond working.

In 1998 rough diamond extraction in Angola became internationally infamous as 'conflict diamonds' following a report by Global Witness. The information that UNITA (The National Union for the Total Independence of Angola) were trading diamonds to finance their insurgency brought the concepts of transparency and governance to the center of the diamond industry as a whole. Ensuing United Nations sanctions on the Angolan (and the Sierra Leonean) rough diamond trade brought the establishment of a system of certification of origin at the point of export. The system was later to become the Kimberley Process Certification Scheme that sets the minimum standards in diamond trading and production for member states.

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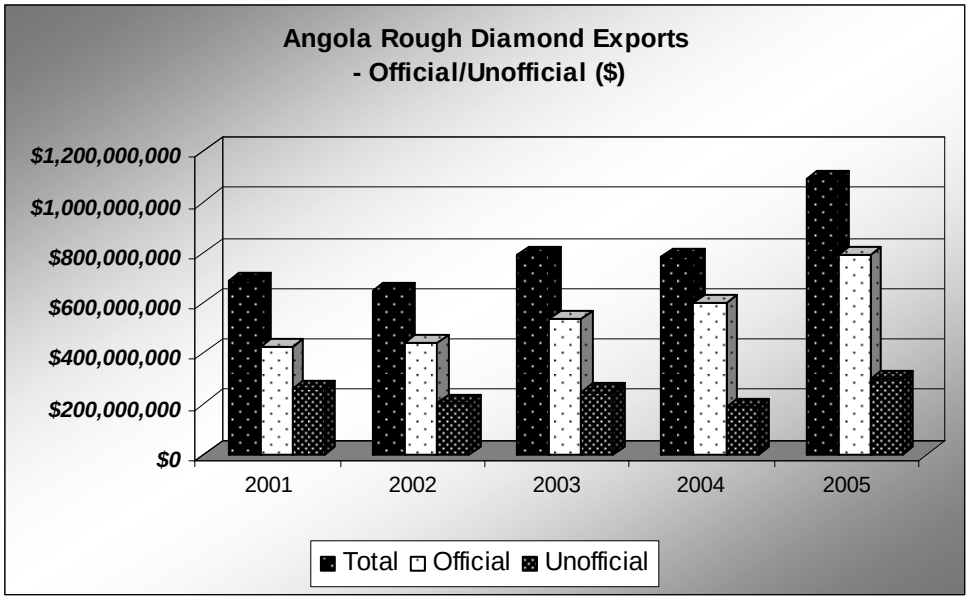
[7] Bureau of Mines – Mineral Yearbook 1975, http://digicoll.library.wisc.edu/cgi-bin/EcoNatRes/EcoNatRes-idx?type=turn&entity=EcoNatRes.MinYB1975v3.p0112&isize=text

[8] Cilliers J, Dietrich C, 'Angola's War Economy: The Role of Oil and Diamonds', Institute for Security Studies, Pretoria, South Africa, 2000

[9] *Diamond Industry Annual Review: Republic of Angola 2007*, Partnership Africa Canada, 2007

GRAPH 1: ROUGH DIAMOND EXPORT FROM ANGOLA



Source: ENDIAMA

In the past few years, diamond production has dramatically increased due, according to Even-Zohar, to regaining control of the wider diamond-producing areas and the introduction of more efficient diamond marketing system[10]. Effective control of the illicit miners has been considered by the government to be a priority for the credibility of its compliance to the export-certification scheme. "In this regard, Angola is turning itself into a test-case for bringing illicit mining and buying under control, and if this can be done in Angola, the experience will be repeatable elsewhere in Africa", noted Dr Mankenda Ambroise in 2002, when he was then National Director of Mines[11]. However, 5 years later the challenge remains. In his new role as Vice Minister of the Ministry of Geology and Mines, Dr Mankenda Ambroise informed the authors of the establishment of a presidential commission, CIPRED, which will devote considerable time to the issue of *garimpeiros* and their unofficial production.

The 1994 law also closed independent diamond buying posts. Through the years, a number of centralized buying processes have been put in place. Currently, all rough diamond trading is undertaken through the ENDIAMA (Empresa Nacional des Diamantes de Angola E.P.) subsidiary, SODIAM (Diamond Commercialization Society of Angola). Production from ENDIAMA mines and joint ventures is traded directly with SODIAM in Luanda. A series of agreements licenses other foreign rough buyers such as ASCORP (Leviev) and LKI (Lazare Kaplan International) to bring diamonds produced within the informal market (licensed buyers purchasing from unlicensed miners) into the recognized export channel. Graph 1 highlights the rise in total production as noted by Even-Zohar but also illustrates the continued presence of 'Unofficial' (unlicensed) diamond production. In 2005 the exports of unofficial production accounted for more than 27% of total exports (over $1 billion). At $296 million, the unofficial trade was more than two thirds the total official rough diamond exports of the Democratic Republic of the Congo.

What has made the Lunda regions so attractive is the high prevalence of gem diamonds. Dietrich reports that while diamonds from the Catoca kimberlite pipe are 35% gem, 15% near gem and 50% industrial,

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[10] Even-Zohar C., *From Mine to Mistress*, Mining Journal Books Ltd, Edenbridge, 2002

[11] Dr. Mankenda Ambroise, 'An Overview on Business Opportunities in Investing in Angolan Mineral Development', a paper presented at Indaba 2002, Cape Town, South Africa, February 14, 2002.

returns from the Cuango valley have been analyzed as 90% gem, 7% near gem and 3% industrial. Such returns from Cuango valley may not be accurate today as areas become 'worked out'. Despite the lower quality of kimberlite diamonds, kimberlite pipes can enable more profitable mining, but require substantial capital inputs for exploitation.

Conclusion 2: The Diamond Law is designed to protect the natural resource, but in doing so, large numbers of residents within the Cuango municipality are adversely affected. The restrictions placed on movement, access to land, and trade effectively limits the livelihood options available.

The mining companies offer the first livelihood alternative, with numbers employed increasing dramatically since the war. However these opportunities remain limited compared to the population size. With many skilled and security related positions filled by personnel from outside the region, some of the local population are drawn to the larger towns to seek low paid employment. However many seek a livelihood in the artisanal mining of diamonds. Without an effective framework to accommodate such work, individuals are forced to work outside the law. Operating in the 'shadow economy' creates problems for miners at the mercy of the security forces as they attempt to trade their unofficial production within a centrally controlled market.

Conclusion 3: Institutional arrangements promote illegal mining and smuggling.

Despite the government's continued pronouncements that it is working to bring illicit mining into the official system, little progress is evident. In a recent workshop with government, concessionaires were requested to set aside land for artisanal miners. However the control of production and the security of operations would be the responsibility of the concessionaire. Such a situation burdens the concession with the management of the artisanal sector, hardly a sustainable situation, especially should concessions close. Without an operating legal framework for this part of the diamond sector, the GRA runs the risk of pressure from the Kimberley Process to 'put its house in order'.

SODIAM, as the single channel for the export of Angolan rough diamond production, empowers companies to purchase the production from the 'unofficial' sector through a series of license agreements. It remains an enigma that miners can openly sell to registered state buying houses the production that they are not legally entitled to produce.

Many of the buying houses established are not the prime agreement holders and are therefore bound to sell on a commission or profit margin to the main agents. Their strategy is to increase the diamond flows through their establishments and protect their margin by buying below market rates. Hence it is likely that sponsorship or vertical integration exists between these offices and the miners to increase leverage and diamond flows.

Protection of the buyers' margins is made easier because artisanal miners are operating outside the law and will have to accept the price offered. Pricing is weaker when sponsorship is offered. Weak pricing in a monopolistic market place creates an incentive for miners to smuggle.

CURRENT SITUATION

Description of Municipality of Cuango

Cuango municipality incorporates a geographic area in excess of 4,000 square kilometers in the province of Lunda Norte. There are three major towns in the municipality, located along the Cuango River Valley: Cuango Sede, Cafunfo, and Luremo. The town of Cuango Sede, the seat of the municipal administration, is estimated to have a population of approximately 24,000 persons, with Cafunfo estimated at 100,000

and Luremo at 16,800. Neighboring the SDM mining operations, in the vicinity of Cuango Sede, are two settlements of Balabala and Camarianga, with perhaps an additional 20,000 inhabitants.

Luremo, the seat of Cuango Municipality's only Comuna[12] government, is located about 30 kilometers north of Cafunfo (80 kilometers north of Cuango Sede). There is little commercial activity in Luremo. A relatively new alluvial diamond mining operation, Luminas, is located a short distance from Luremo.

Cafunfo, a rapidly growing, economically active commercial center, is located about 50 kilometers north of Cuango Sede. Its population is estimated to be approximately 100,000 persons. Diamond buying is the major commercial activity of Cafunfo. The established Bank, Banco BIC, services the diamond sector, providing cash for diamond buying houses and holding mining company workers' accounts. It also operates a local loan portfolio of approximately US $8 million, predominantly for traders. Recently a second bank has opened. Though the Municipal Administration's headquarters is in Cuango Sede, the only hospital in the municipality is in Cafunfo. Cafunfo is served by a two kilometer graveled landing strip, receiving commercial flights from Luanda several times per week. These flights currently total approximately 70 to 85 per month, carrying approximately 1500 passengers in and out of Cafunfo per month and approximately 125 to 140 tons of freight. Almost all of the freight comes in to Cafunfo. Very little freight goes out, yet money does. The Banco BIC repatriates to Luanda the equivalent of US $5 million in Angolan kwanzas each month, while Cafunfo houses numerous '5%' shops, the method of transferring money to the DRC.

The two concessions of SDM and ITM (located immediately to the north of the SDM concession) occupy the Cuango River Valley between Cuango Sede and Cafunfo. With the third concession of Luminas, these diamond mining concessions dominate economic activities in Cuango Municipality. Their concession areas (3000 km^2 each) occupy a vast proportion of the available land within the Cuango Municipality; thus, these are restricted areas, in keeping with the 1994 Act. This places restrictions on the movement of people, goods, and economic activity (see Annex 1 chapter 5), and the team saw checkpoints for restricting access to concession areas. However, public roads exist outside the concession areas and many residents are engaged in subsistence agriculture, with an unknown percentage of males engaged in small scale, illicit diamond mining.

Description of Municipal Administration of Cuango

The Municipal Administration is headed by an Administrator. Until recently, the Governor of Lunda Norte province appointed the Administrator, but a decree enacted in early 2007 provides that future Municipal Administrators will be appointed by the Minister of Territorial Administration. The Administrator of Cuango Municipality, Paolo Passos, is charged with responsibility for a broad range of local public services, including health services, public education, public sanitation, potable water, urban and rural planning, policing, street and road maintenance, and the general regulation of private sector and citizen activities.

Despite the diamond wealth of the area, Municipal public services have been very limited due to the absence of discretionary funds and a lack of qualified staff. Gradual solutions to both of these major constraints are envisioned by the central government. Cuango is one of the "pilot" municipalities that have been granted budgetary authority and will receive transfers of central government revenues: $300,000 for the last quarter of 2007 and $5,000,000 for all of 2008. Minimum qualifications for municipal staff have been established in law, and public sector training programs have been expanded to provide the necessary skills. With most revenues - especially diamond income - collected centrally, the

[12] Comuna – the administrative tier beneath the Municipal Administration Headquarters

current constraints on municipal capabilities will continue, and provincial governments will remain deeply involved in the provision of municipal services.

Cuango Municipality's single Comuna Administration, located in Luremo, is headed by Joao Bernardo. Mr. Bernardo has been Comuna Administrator for only two years. He previously worked as a mining engineer. Mr. Bernardo had a copy of law 02/07 in front of him as we spoke and he was obviously familiar with its contents. He welcomes the changes brought about by the law and projected a sense of competence and confidence in his responses to questions. He recognizes that the ongoing deconcentration of government in Angola raises new challenges for Comuna and Municipal administrations, but he feels confident he will be supported by training and resources offered by the central government.

Approximately 6 Comuna staff members were present at the beginning of the interview with Mr. Bernardo. His staff consists of an Aide to the Administrator, two office chiefs (*Chefes do Gabinete)*, a police commander, and three heads of "technical sections." The three technical sections are Community Services, Inspection and Regulation, and Social Services. Community Services includes provision of cemeteries and markets. Inspection and Regulation (*Fiscalizacao*) includes planning, licensing, and other regulatory services. Social Services include most of the local public services that one might expect: Education, Health, Women, Youth, Urbanism, Mail, Commerce, and others.

Both Municipal and Comuna Administrations give the appearance of being assigned more responsibilities than they can, in fact, implement. That is, the vehicles, facilities, work forces, and machinery that one would expect to be involved in effective service production were not easily available. However, there was a sense among the supervisors that they were expected to enhance the provision of services. These supervisors understood many of the difficulties that they faced and were pursuing solutions to some of the problems encountered. The team got the impression that there was a disciplined, top-down effort to improve local services.

Sociedade de Desenvolvimento Mineiro (SDM) S.A.R.L.

Established in 1995, SDM is an equal partnership between ENDIAMA and Odebrecht Mining Services Inc. (OMSI), the mining subsidiary of the Brazilian Construtora Norberto Odebrecht S.A. The company has operated an alluvial diamond mining concession in the Cuango River basin of Lunda Norte province since 1997. SDM and ENDIAMA also currently share board responsibility. While SDM provide the Chairman, also serving as General Manager, and the Operations Director, ENDIAMA fill the roles of Finance and Geology.

SDM took over the former Odebrecht operations established in Luzamba that were abandoned in 1992 due to increased hostilities. The cost to redevelop the mine was reported at $130 million[13]. During the initial period of SDM establishment, operations were disturbed by the continuing war, with all supplies being flown in from Luanda. Through a Government of the Republic of Angola decree, the original concession of approximately 80,000 km^2 was reduced to the present 3000 km^2 in the year 2000[14].

The 2004 company report to shareholders warned that the economically viable mine reserves would be exhausted by 2006. Although the mine continues to operate, the longevity of the mining operation around Luzamba is in question. Production is again increasing, but grade is diminishing, and although costs are being reduced, there will likely come a point of closure prior to any operational readiness in potential additional sites located at Muanga and Cacuilo.

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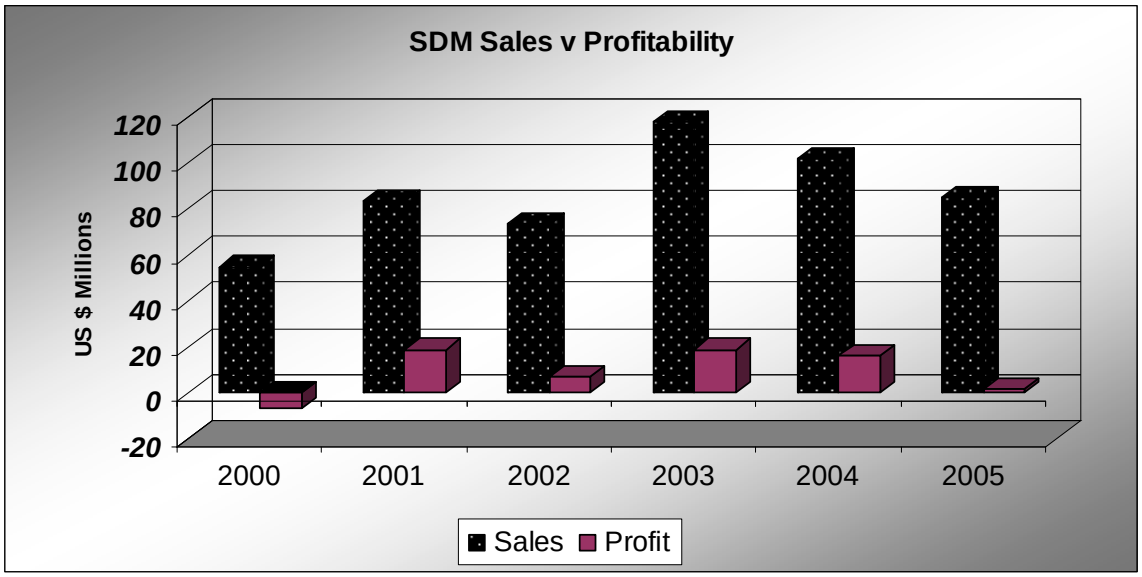
[13] *Diamond Industry Annual Review: Republic of Angola*, Partnership Africa Canada, July 2004
[14] Decree No 7-B/00 of February 11, 2000

GRAPH 2: SDM GROSS SALES AND NET PROFITABILITY (2000 – 2005)



Source: SDM Annual Reports

Conclusion 4: The abandonment of industrially non-economic concessions raises the risk of conflict over rights within the former concession areas.

Profound concerns exist over the imminent cessation of industrial mining within the municipality. Potentially two of the three diamond mining companies within the municipality could withdraw from their concessions within a short time frame. Although many skilled staff have been imported into the Cuango Municipality from other areas and will likely return upon the cessation of mining activities, a high proportion of mine workers are locally employed, and would lose their livelihood upon closure.

However, with diamonds still remaining on the terraces of the concessions, the potential for conflict would be substantial. One possible scenario would involve conflict between indigenous persons and Congolese (and other) immigrants for artisanal mining rights, as more people are drawn into the area by mining opportunities. Other conflicts are also likely. Proactive efforts to anticipate and address potential problems including the establishment of a small scale/artisanal licensing mechanism would be highly beneficial. Although a local view exists that the licensing of artisanal miners will bring chaos, there remains no other system than the current dependency upon concession security to handle this problem.

SDM Social Support Activities

With a change in personnel and following a profitable year, the company embarked on a series of social activities that began in 2004. The key activities have focused on Education and Health. Schools were built and supplied with power and materials. Safe water was supplied to schools and nearby communities. Diet was reinforced by the production of soya milk and its daily distribution to local school children. Vaccination of local children and voluntary HIV/AIDS testing are undertaken by the company clinic, while kits including bed nets are distributed to combat malaria.

The womens cooperative demonstrates their produce.

Of late there is a noticeable move toward offering small-scale assistance in skills and income generation. Tools were offered to local farmers,

nets to fishermen, and support to a local woman's cooperative producing and marketing clothing and decorative linens. Education programs include adult literacy classes and information technology (IT) for schools; for example, computers supplied were linked to the company's IT facilities.

In the limited discussions the team had with beneficiaries, all welcomed these initiatives. Although some have been less successful, the major investment in education through the building of schools and the supply of safe water and soya milk has had a measured impact on the percentage of children attending school. Yet many of the projects, especially health and the supply of safe water and soya milk, are solely dependent on the continued presence of the company.

SDM Health Centre[15]

At SDM-Luzamba, the health center normally has one medical doctor attending patients. As of October 2007 the clinic offered services predominantly to workers and some immediate family. Two doctors could be working at the same time, but this is not the norm. The center has five nurses of middle level training, two nurses of lower level training, three lab technicians, 1 X-ray technician, and 3 cleaning staffs. The center is equipped with two examining rooms and eight beds. Up to eight patients can be admitted to the health post for overnight stays. The health post has one ambulance.

The doctor sees patients Monday through Friday from 7:30 am to 12:00 pm. On Saturday and Sunday, the doctor sees patients on an emergency basis. According to the doctor, pregnant women are encouraged to give birth at the health center. When a caesarean birth is needed, women are flown to Luanda or transported to Cafunfo by SDM. The laboratory is described as being fully equipped by national standards and better than the provincial lab in Dundo, the provincial capital. There is never a lack of supplies.

HIV/AIDS

The SDM-Luzamba HIV/AIDS program has received guidance from the Odebrecht HIV/AIDS program, and the health center X-ray technician is responsible for the program. A private room has been dedicated to counseling within the health center. A lab tech and nurse have also been trained and given partial responsibility for counseling and testing. Pregnant women arriving at the health center and patients who show signs of HIV infection are urged to take an HIV test. All HIV testing at the facility is free. In theory even people not associated with SDM can arrive at the Luzamba compound and see the doctor for a free HIV test; however, this rarely or never occurs. According to the doctor, most people who seek testing on their own are younger employees of SDM. Few employees living in the local community seek testing. It appears that the community does not actively seek HIV testing from SDM. The Odebrecht HIV/AIDS program has trained community HIV/AIDS educators in the Cuango Sede area. Participants included sobas and youth, all of whom received counseling and testing.

Vaccination

SDM provides routine vaccination to children according to the recommendations of the Ministry of Health. The company has provided assistance in the form of personnel, transport, and lunches to the national vaccine program (PAV) during national immunization days. Personnel have helped with advertising the campaign and vaccine delivery.

Hemorrhagic disease

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[15] The authors wish to recognize the contribution of Mr John Janeski in providing valuable background and research into Healthcare issues

The doctor reports that the center is equipped and prepared for a highly contagious hemorrhagic disease case. SDM, local private clinics and the local health authorities have coordinated efforts to prepare for a hemorrhagic case. Trainings have been given to communities to help identify a potential case and what action to take. Sobas and youths have been provided with some information, including, for example, how to identify a case of Marburg disease. According to the doctor, the community has been instructed to notify the municipality (police, administration, etc.). SDM should then be notified and the SDM doctor will visit the patient taking bio-security measures. If the case is confirmed as highly contagious, SDM will assist the local health authorities in moving the patient to the Cuango Sede health center.

Comparisons in Education

Despite the brevity of the survey, some comparative data is available for Luremo and Cuango Sede. With similar school populations, Luremo reported just over 40% attended school (3746 out of 8700), while in Cuango Sede, attendance was over 50% (4864 out of 9055). Reasons given for this difference were increased facilities and the supply of milk to children in Cuango Sede. Meanwhile, comparisons of facilities between Luremo, Cuango Sede, and Cafunfo showed a marked disparity. Schools in Cuango Sede and Luremo were more modern and better maintained than those in Cafunfo. Although limited educational data is available, a large private secondary school has recently been built in Cafunfo, reportedly to fill the gap in the availability of quality education delivery.

In Luremo, there is no secondary school. Presently, students completing primary school in Luremo go to the city of Cafunfo or other cities for secondary level studies. The primary school of Luremo is supplied with water by a tanker from local diamond mining company Luminas. Of the 948 students enrolled in the primary school, 28% (266) are girls. A total of 3,746 students are enrolled in the district. Approximately 5000 more primary school aged children are not enrolled.

Cafunfo Secondary School

Luremo classroom

In addition to the primary school in the city, the district has 20 school posts. Thirteen of these posts are located in church buildings. The remaining posts are government school buildings. Twenty-two teachers are employed by the central school. Each of the school posts has 2 teachers, yet only four (8%) of the 50 teachers employed by the district are women. There are presently 13.35 teachers per 1000 students in the district. If all eligible children living in the district (approximately 8,746) were enrolled in school, there would be 5.9 teachers per 1000 students.

Especially noticeable in Luremo was the population divide that supports national demographics. An extremely high percentage of the rural population is of school age, and once youths complete local education, they move away either to find employment or to follow further education.

Comparisons in Health

Government facilities in the municipality of Cuango providing health services as of October 2007 include one health center in the city of Cuango, one health post each in the towns of Luremo (4 beds) and Balabala (one bed), and one hospital in the city of Cafunfo.

The Cafunfo hospital has 120 beds and unofficially serves as the municipal hospital and municipal public health department. The hospital consists of the following: maternity ward, pediatrics, internal medicine, physical therapy, X-ray, laboratory, public health, vaccine program, emergency room, morgue (not functioning), ambulatory care, infectious disease (i.e. TB), human resources, accounting, laundry, and kitchen (not functioning).

Presently, the municipality of Cuango does not have an incumbent Director of Health. The Director of the Cafunfo Hospital maintains the responsibilities of the Director of Health. There is one hospital administrator under the director. Four Vietnamese doctors contracted by the Government of Angola formerly worked in the hospital. Of these, one gynecologist and one surgeon remain. One pediatrician and one orthopedist have left the hospital due to a failure to renew contracts by the GRA. In addition to the physicians, there is one physical therapist with higher level education. The next highest level personnel includes three nurses, one pharmacist, and two lab technicians with middle level training. Fifty-four technicians with basic nursing qualifications are distributed amongst the hospital areas. Other

hospital personnel include 3 secretaries, 22 cleaning staffs, 3 laundry staffs, 4 cooks, 1 “copera” (cares for the dead, but is not a mortician). The hospital has one ambulance.

Cafunfo has 68 private health posts outside the public system. Some of the 79 registered private pharmacies pertain within these health posts. Some health posts have laboratories. Each health post is independent and self contained, according to the hospital administrator.

Emergency medical cases that can not be treated by the SDM Clinic, Cuango Sede Health Center, and Luremo Health Post are sent to the Cafunfo Hospital. The hospital also receives emergency cases from the municipalities of Xanuteba, Capenda-Camulemba, and Caumbula. For example, patients needing surgery that cannot be performed at other facilities or municipalities seek services at the Cafunfo Hospital.

Medicines

The government inspects pharmacies regularly to monitor date, origin, and storage of medicine. Pharmacies not registered with the municipality and those with improper storage (poor or no refrigeration) have been closed by authorities. The origin of medicine is not considered when evaluating quality. The pharmacy located a few meters from the hospital had one type of malaria medication available for sale the date of which was not expired. This medicine (Amodiquina) originated from India, as indicated by the package. Three tablets sufficient for malaria treatment, according to the pharmacy, were 50 kwanza (less than one US dollar).

Epidemiologic Surveillance

Data is collected from the health posts, Cuango Sede health center, three diamond mining companies, private health centers, and the “caritas” mission health post weekly. This data is compiled in Cafunfo and sent to Dundo, the provincial headquarters. Data is compiled by the public health department in Dundo and passed on to Luanda weekly.

Priorities

According to the administrator, the most pressing needs of the hospital and city include vehicles, doctors and nurses to work outside of the city, and support for the care of patients coming in from other municipalities.

The lab manager, João Antonio José, reports that the lab is in constant need of reagents for lab tests. There are some gaps in the ordering mechanism between the hospital, Dundo, and Luanda. The lab has also received two visits from Luanda by lab technician trainers. The visits are viewed as worthless as no reagents were available to work with and the trips lasted only one week. Both the lab manager and the administrator described a disconnect between the reality of the needs of the hospital and the support they are receiving from the national level.

Blood transfusions have been suspended for four days as a result of a stock-out of HIV tests. Patients who need blood transfusions are mostly children with anemia, malaria, and other conditions.

NGO Activity

Cafunfo experienced an eight month outbreak of cholera in 2006. Doctors without Borders (Medecins sans Frontiers - MSF) provided aid to the hospital during this period to address the needs of the community associated with increased burden of disease during the outbreak. The Government of Angola provided some training and support following the departure of MSF. An NGO is currently supplying Cholera treatment related supplies. In 2006 UNICEF held two measles campaigns in the municipality. In

addition to the delivery of vaccine, other health products including mosquito nets were distributed to 9000 children under five years old. Five thousand mosquito nets were distributed to pregnant women and children under the age of five in 2007. A new national river blindness program provided treatment and prevention to some communities in the municipality in 2006. There are no plans to repeat this annual campaign in 2007 in the municipality. Red Cross is working in the area implementing a land mine program. No other NGOs have been working in health in coordination with the hospital.

Public Health

The director of public health of municipal level activities is located in the Cafunfo Hospital. All vaccine campaigns, malaria initiatives, epidemiologic surveillance, and infectious disease control in the community are run from this office. Each area has a director. Five community mobilizers are on hand to carry out any public health activity within the community. Examples of activities include mobilizing sobas and youth. The public health department only has one vehicle that is currently not operating.

HIV/AIDS

Little has been done in the area of HIV/AIDS prevention, counseling, and treatment. The only HIV testing performed has been for blood transfusions. Approximately 200-300 tests have been performed since testing commenced two to three years ago. No HIV/AIDS counseling and testing has been performed ever. No adequate physical space has been identified for counseling and prevention efforts. The Municipality of Cuango has been included in the strategy of the National HIV/AIDS Institute, and it appears that the Cafunfo Hospital is the focal point for the implementation of the strategy at the municipal level. Representatives of the hospital have participated in two training meetings in March 2007. One was held in Luanda, the other in Dundo. These meetings served as the first exposure of the Cafunfo Hospital to the National Strategy. Supplies and testing kits have been supplied to the hospital by the Institute.

No HIV/AIDS activity (testing, prevention, and treatment) are taking place in the hospital or public health infrastructure in the Municipality of Cuango despite the availability of resources. This is due to the lack of a medical director, and the hospital has been directed to hold off on implementing any activity until one has been installed. Not only has the HIV/AIDS program implementation been stalled, but the routine practice of HIV testing for blood transfusions (the only current HIV/AIDS related activity) is not available due to a stock-out of HIV tests. As mentioned above, blood transfusions had been suspended for four days including the day of the interview as a result. The pharmacy located a few meters from the hospital offered the Population Services International/GoA “Sensual” condom for sale at a cost of 100 kwanza (US $1.30) for three condoms. One may be able to receive an HIV test at a private pharmacy for approximately US $50.

Vaccination

The national government vaccine program (PAV) provides vaccine and supervision via the provincial capital, Dundo. The Public Health Department of Cafunfo is serving as the PAV base for the Municipality of Cuango. According to the administrator, the GRA has been providing vaccine to the region since 1978. NGOs and UNICEF had provided assistance during times of conflict.

Prior to 1992, the GRA provided routine vaccination services in the area, but in 1992 the government vaccination program was disrupted by conflict. The Director of Public Health reports observing a UNITA vaccine campaign in 1992 in Luremo. The campaign may have included all available childhood vaccines. In 1993 and 1994, there may have been no delivery of vaccine due to conflict. In 1995 an effort was made by UNICEF and UNAV to provide vaccine in the region. The government resumed routine vaccination in 1996. Polio national immunization days are coordinated for the municipality from Cafunfo through the public health department. It is likely that the population of Cafunfo is only receiving routine

immunization against vaccine-preventable diseases at the hospital. Much of the population is probably not covered by basic vaccines.

Hemorrhagic disease

At the time of the assessment, an Ebola outbreak had been reported 21 km north of Lunda Norte in the DRC. The province of Uige, Angola experienced a devastating outbreak of Marburg as a result of little or no preparation for a hemorrhagic disease case. The hospital administration reports that MSF provided some bio-security training to health staff during the Cholera outbreak. Documentation of the MSF training is not available, and no specific preparation has been made to protect against a hemorrhagic disease outbreak.

In Luremo, the health post employs three full time nurses all trained in Dundo, Lunda Norte. Two of the nurses are trained in general practice, the third in first aid. A doctor employed by the local diamond mining company, Luminas, sees patients at the health post every Wednesday from 9-12 pm.

In addition to the Luremo health post, the communa has two other health posts located in the villages of Maussuco and Cachinga. These health posts are not currently operating. The Luremo health post consists of one building with two examining rooms of one bed each, one observation room with two beds, a storage/cold chain room, and a reception area. Untreated water is supplied to the health post tank by a tanker truck from the company. The health post has an electricity generator, the fuel of which is also supplied by the company.

Essential medicines are supplied only by a Ministry of Health "kit" every two months. The director reports that the "kit" is not sufficient and often runs out before it is routinely replaced.

HIV/AIDS

The local mining company Luminas has been providing HIV/AIDS testing to employees for three months, although the number of tests performed was not given. Luminas is part of the ENDIAMA HIV/AIDS committee linked to the National HIV/AIDS Strategy and utilizes material provided by the government HIV/AIDS initiative. It appears that this program is very new at Luminas, and no HIV/AIDS activity is being implemented at the health post or at the community level.

Conclusion 5: Good efforts by SDM with regard to HIV/AIDS awareness have not been matched by the municipal health service

As part of the Odebrecht group, SDM has made conscious efforts to promote HIV/AIDS awareness in support of the national program. Odebrecht banners are predominant around the mine office area and in Cuango Sede. A similar situation was found at the Luminas site. Posters from the consortium, including ENDIAMA, were found in most public places visited. However, a similar level of commitment to curb the spread of HIV/AIDS was not evidenced through the municipal health service. Thus while workers and communities around the companies are exposed to considerable HIV/AIDS awareness, it is doubtful if anything near this level exists within the public health sector.

Agriculture

During the research, limited agricultural development was witnessed. In Luremo a local store owner was engaging a small scale agricultural cooperative producing bananas and pineapples and raising cattle, but in general, most people engaged in the subsistence planting of cassava (manioca). A local milling machine was available to the community for simple processing.

Milling in Luremo

The lack of major agricultural development can be attributed to a number of factors, both products of diamond resource management and current social trends. We were informed that during the colonial era, DIAMANG, the former diamond paratstatal, did not permit agriculture in diamond producing areas. Instead, huge farms were developed in other regions to feed the population within the mining zones and keep their shovels out of the soil. Secondly, current laws would require consent of concession owners to develop land in restricted areas. While concession owners are responsible to compensate farmers for crops destroyed through their operations, evidence suggests that with the lack of agricultural development such compensation is seldom required.

Conclusion 6: Non-mining economic activities in the region exist, but are limited.

The Diamond law protects large areas of land, thus restricting agricultural development. It also limits freedom of movement of goods and supplies. Large population concentrations such as Cafunfo create a local market for goods and services including food production. The spread of mobile phone coverage to the area has stimulated local economic activity in the provision of phone related materials and also public phone booths. The presence of the mining companies also drives some local agricultural production, but most activity witnessed is at a subsistence level reflecting the limited market opportunities. The lack of livelihood opportunities also fuels the migration of youths from rural areas to urban centers as they seek employment, thus depriving rural areas of the labor needed for agricultural expansion.

Fundaçao Brilhante

Established in 2004 as the social arm of ENDIAMA, *Fundaçao Brilhante* is supposed to implement cultural and social community development projects. However while posters present at the mine sites depict the foundation as 'the social face of ENDIAMA', an information video attests to the construction of schools, clinics and other social programs, including the supply of milk to schools. It is evident that the programs in and around Cuango Sede are the same programs provided by SDM. As ENDIAMA is a shareholder in the mining concessions, it is not surprising that its social arm will also claim some merit from such programs.

What is unclear is the presence of any independent role for the foundation. Concessionaires claim that limited activity has taken place, while the *Fundaçao Brilhante* Director of Projects admits to limited funds for implementation of projects. Future plans of the foundation include the development of a large rice farm in Lunda Norte where funds generated are expected to be used for the sustainability of the foundation.

Conclusion 7: The recent initiative to decentralize some budget allocation for municipal social development is a useful step but it is doubtful whether the funds earmarked will, by themselves, have a significant impact upon the local community.

While municipal staff portrayed confidence in their ability to deliver services, significant shortages in resources may undermine such delivery. External technical assistance, in addition to the training and assistance provided by other levels of the Government of Angola, is desirable.

Projects undertaken by companies have increased the municipal services capabilities in terms of education and health, but these initiatives will eventually become the responsibility of the local

administration - adding an additional financial burden - or they will disappear. Despite the apparent diamond wealth of the region, there is no allocation of funds from the proceeds returned for development purposes, and no intervention from *Fundaçao Brilhante* was witnessed in the municipality. It is vital that central government becomes involved in maintaining the efforts mining companies have undertaken. Without central support it is unlikely that the Municipal Authority will in future be able to maintain the current level of services, let alone increase their service delivery.

The Role of Security

The nature of the diamond industry necessitates a strong security element to protect diamonds and property. Within SDM, property can be determined as staff, equipment, and the concession reserves. There are five tiers of security evident at SDM. Within the local municipality, the National Police force is evident, while a barracks for the FAA (Angolan Armed Forces) is located at the main gate to the mine. Within the mine, three further security forces exist. The Corpo Especial de Fiscalizaçao e Segurança de Diamantes (CSD) maintains vigilance over diamond mining and processing operations on behalf of the government. The company then retains the privately owned security company Alpha 5,[16] whose role is to maintain the integrity of the concession borders and maintain checkpoints on roads leading into the concession itself. SDM then maintains its own internal security force made up of staff from areas to the south of Angola who are housed within the camp, having no contact with the local community. There are special flights every two weeks that rotate security personnel. This system is contrary to the contractor Alpha 5, whose staff lives within the local community and is seldom rotated.

The responsibility for mining property security is, as detailed in the law, placed firmly in the hands of the company. Illicit miners active within company working areas are constantly apprehended by SDM's own security. Often equipped with modern equipment – pumps, diving gear, boats and dredging materials – apprehended miners have their equipment seized and they are then transported back to the local community. A seven-day sample showed an average of 42 persons arrested daily. Over 40% were non Angolans, predominantly from DRC. The number of buying offices in Cuango municipality, especially Cafunfo, is testimony that, despite the level of apprehensions, many illegal miners do succeed. National 'unofficial' production statistics also implies a degree of economic success in illegal mining activities.

Conclusion 8: Until other (or additional) sources of security of property and persons are reliably provided, legalized artisanal mining and the enhanced livelihoods that it might provide are unlikely.

Consistent, profitable alluvial diamond mining, both industrial and artisanal, requires effective, affordable security of property and persons. Well-capitalized industrial diamond mining concessionaires are able to produce (or contract) adequate security services. Under current Angolan law, concessionaires are required to identify areas within their respective concessions that are unsuitable for industrial-scale mining and to open such areas to artisanal mining. However, concessionaires do not do so, because the law also requires them to be responsible for maintaining order within the areas opened to artisanal production.

Experimentation with potential institutional arrangements for secure artisanal mining activities by the relevant agencies of the government (including municipal authorities in alluvial diamond production areas), current concessionaires, and donors is a high priority activity with substantial payoffs. Such efforts might usefully involve cooperatives of artisanal miners, envisioned in current law.

[16] Endiama is a 30% shareholder of Alpha 5

Human Rights and Civil Society

Although the mining law of 1994 entrusted security responsibilities to mining concessionaires, national security operations have attempted to reduce the level of illicit 'garimpeiro' operations, especially targeting illegal immigrants. In 2004 'Operation Brilhante' enforced the repatriation of a reported 150,000 to 300,000[17] illegal immigrants from mining areas, with many incidents of alleged human rights violations. The majority of those repatriated were Congolese; therefore, the border with DRC north of Luremo remains highly secured to prevent their return. Yet considerable numbers of Congolese remain or have returned, attested to by the apprehension figures of SDM and the authors' interviews with Congolese in Cafunfo.

Indeed, controls inside concession areas are sometimes lax. The town of Muxinda[18] lies in a southern area of the SDM concession, just outside the boundaries of Cuango Municipality. Officials from SDM informed the authors that in the past five years the town has grown to a population of 100,000 from a small hamlet, driven by alluvial diamond finds. This area is deemed as not economically viable for the company's highly industrialized mining activities. Thus the presence of a large number of illegal miners within concessions is tolerated.

During the team's initial meetings in Luanda, four organizations highlighted their work or potential work in the field of Human Rights within the Lundas, including training of trainers within the police and the establishment of networks of human rights monitors. Although our assessment of the Cuango Municipality was short, limited evidence of any organized civil society was found, and apart from the rare meeting of an assessment mission by the International Committee of the Red Cross, no evidence of organized NGO activity was found. No incidents of human rights abuses were witnessed, and one interviewee suggested that since the change of the head of the local Police, incidents and tension had decreased.

Yet perhaps the key to development within the Cuango municipality lies within public perceptions. Dr. Lillian Wong in her recent address[19] described a deep rooted suspicion and even mistrust of motives within Angolan society, stemming from a more austere era, a view shared by the Council on Foreign Relations[20]. In attempting to understand the level of community participation within the development and implementation of projects, the team asked community members if anyone represented their views to the company. Following negative answers, the team asked how such a body could be established. Concern was expressed as to how anyone representing the community would address the issue of a request that could not be fulfilled. When SDM personnel were asked if some form of representation with the community could be established, the team was given a description of the character the company would select.

The above characteristics imply an environment where participation and freedom of expression are not common. This view was shared by some of the Luanda based NGOs; reasons that they believe have limited the creation of a vibrant civil society and also presenting a major barrier to future development within the region.

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[17] A study of 4 media reports all gave varying figures – no official number was found

[18] Human rights issues within Cuango municipality and Muxinda are highlighted by Rafael Marques in his account *Lundas – The Stones of Death* 2005

[19] Address to the British Angola Forum, London July 9, 2007

[20] *Toward An Angola Strategy: Prioritizing US – Angola Relations*: Council on Foreign Relations, 2007

Conclusion 9: Municipal Development is a partial solution to the social and economic needs of Cuango.

Strengthening the service delivery and policy development capabilities of Cuango Municipality is desirable because it would increase the likelihood that SDM's social development activities can be sustained. The municipal government might elect to take over some of SDM's current social development activities and it is, given the feeble state of local civil society, the logical forum within which the future of these activities ought to be addressed. A USAID-SDM Municipal Development activity in Cuango Municipality is likely to substantially enhance municipal capacity to decide and address ongoing issues concerning the sustainability of SDM's social development activities and to enhance municipal capacity to decide and deliver other important local public services.

However, municipal development is a partial solution. Certain aspects of the current situation seem unlikely to be addressed by a typical municipal development activity. This includes the need for security of property and persons in the potentially soon to be abandoned mining concessions and the need to identify alternative livelihoods and expand economic opportunities for the vast majority of municipal residents. Solutions to these looming, very serious problems will require engagement with and by a wide variety of actors, including industry participants and those agencies of the Government of Angola responsible for the diamond mining industry.

USAID and Global Development Alliances

The Global Development Alliance (GDA) represents a commitment by USAID to change how it provides resources to development programs. In the 1970s, 70 percent of resource flows from the United States to the developing world were from official development assistance and 30 percent were private. Today, 85 percent of resource flows from the United States to the developing world are private and 15 percent are public. The involvement of foundations, corporations, and individuals has allowed USAID to strengthen the overall effectiveness of programs through the inclusion of new and increasingly important actors.

In Angola, a series of partnerships with international corporations have been established that have the potential to multiply the effectiveness and reach of USAID programs. Such partnerships include the creation of a private sector alliance against HIV/AIDS with Odebrecht and a partnership with Lazare Kaplan International that has extended assistance to the Municipal Development Program in Lunda Norte.

Conclusion 10: SDM and USAID have somewhat inconsistent views regarding the nature and scope of potential joint activities in Cuango.

The authors of this study have the impression that USAID/Angola and SDM corporate management have not fully explored the range of alternative scopes of activity that a joint project might take. SDM tends to see joint activities as limited to continuation or expansion of their ongoing social development activities, with explicit focus on ensuring sustainability of these activities as close-out looms. While USAID recognizes SDM's interest in sustaining current social development activities, it is prepared to consider a much broader project. In particular, USAID is interested in improvements to governance in Cuango Municipality and, perhaps, throughout the diamond "sector." USAID may also be interested in supporting improved livelihood strategies for municipal residents. If joint activities are eventually agreed, particular attention will be required to a detailed agreement of the scope of activities.

RECOMMENDATIONS

THE DIAMOND MINING BACKGROUND

For any USAID-SDM agreement, the inclusion of the wide discussion on diamond mining in the unofficial sector in the Cuango municipality is necessary. The overall lack of alternative employment further drives the unofficial diamond sector. Such action is not only in keeping with the Terms of Reference, but also to ensure that both parties to any potential agreement are fully aware of the effect of the industry on the community. It is the key driver of the local economy and of the social makeup of the area.

The argument to create some structure to artisanal mining remains, not only from a governance perspective but also to increase benefits to local, currently illegal, miners. As the GRA is a 50% shareholder of SDM, it is recommended that the discussion forum be widened to engage government in the evaluation of what is practical and acceptable within Lunda Norte. Such discussions may also mandate *Fundaçao Brilhante* to undertake a recognized program in Cuango Municipality.

CONTINUING ACTIVITIES

SDM has undertaken a number of activities that may be unsustainable at the point of closure of operations. It is recommended that discussions begin with the municipal authorities in Cuango to formulate handover actions. Meanwhile, as an initial activity, the provision of safe water through the provision of bore holes or deep wells in the communities and schools currently being provided water from the company is suggested. Such provision should include community water management systems to ensure supply is sustained.

The effectiveness of the USAID/Odebrecht private sector alliance for promoting HIV/AIDS awareness is seen to be far greater than the national campaign within the Cuango Municipality. It is recommended that - with the support of SDM - the focus of this program be widened to include Cafunfo.

FUTURE ACTIVITIES

Any further programs, either independent or joint, should consider an approach to sustainable development through the inclusion of Government, Business, and Communities. Income generation activities undertaken by the company (although small) are a preferred model for future activities. Meanwhile income generation through improved agriculture or fishing is seen to be dependent upon the availability of and access to local markets. The economy of Cafunfo can be used as a driver for products and services. An early analysis of the economic opportunities present in Cafunfo is recommended.

Meanwhile in support of the intended wider Municipal profile of Cuango, the authors believe future plans would be enhanced by further studies into:

- Identification of community needs
- What communities identify as barriers to development
- Agricultural Production Opportunities Study

The above could be covered through an in-depth livelihoods analysis of the municipality.

The weakness of civil society within the region is a concern, and attempts to engage available local organizations in studies and dialogue should be considered.

TIME SCALE

Initial water supply and study recommendations will by nature be short term exercises, potentially within a one year time frame. It is envisaged that any future agreement will have Medium and Long Term objectives – objectives that may well exceed the life of SDM's mining activities in Cuango municipality. SDM is active in the prospecting of other mining areas. It is recommended that the parent company Odebrecht also be engaged as party to any agreement that could continue on a longer-term basis within newly developed mining areas.

ENDNOTES

The authors wish to acknowledge the support and hospitality of the management and staff of SDM both in Luanda and Luzamba, USAID, and those members of the Government of the Republic of Angola whose comments have helped to shape this report.

We are also grateful to the numerous contributors who through formal or informal meetings in Luanda and around the Cuango Municipality gave a greater understanding of the current situation but for various reasons remain anonymous.

ANNEX 1: SCOPE OF WORK

Purpose of Assessment

This diagnostic and feasibility assessment forms a foundation for both parties to examine the potential for joint activities toward development within the municipality. It must enable USAID and SDM to realistically assess the prospects for and path to a longer-term partnership capable of contributing to rapid improvement of social development activities in Cuango Municipality. This assessment should identify specific activities to improve economic development, citizen welfare and subnational governance in Cuango Municipality over medium- (3 years or less) and long-term (greater than 5 years) time frame and suggest terms and mechanisms of partnership in order to increase prospects for success.

Scope of Work

The Cuango Development Assessment is intended to realize the following:

- Gather, synthesize and report information on the legal and institutional frameworks regulating the Angolan diamond industry and related operational practices as they pertain to the citizens and transient workers resident in Cuango municipality.
- Collect, analyze and report on information drawn from a wide cross-section of the local community pertaining to the attitudes, feelings, opinions, aspirations, knowledge of rights and responsibilities, and practices associated with the dynamics of mining in Cuango region.
- Assess the corporate social responsibility projects undertaken by SDM in Cuango municipality.
- The assessment will examine:
- How well the legal and institutional arrangements as well as the economic incentives established by the government are serving their intended purposes. These measures would include licensing, revenue collection, and other regulatory systems applicable to miners and dealers operating in the informal sector.
- To what degree and the manner in which anti-smuggling and other law enforcement measures with respect to diamonds are working.
- Residents' and public and private authorities' perceptions of the effectiveness and appropriateness of the law enforcement and security measures in place to combat illegal smuggling.
- Land use rights and the potential for agriculture and other non-mining economic endeavours.
- What communities identify as major barriers for their community development.
- Current local government service delivery capability and the potential for augmenting locally generated revenues for social development purposes.
- Effectiveness of community development programs sponsored by the private sector with a special emphasis on SDM's corporate responsibility efforts.
- Existing efforts to curb the spread of HIV/AIDS within the formal and informal sector workforces.

ANNEX 2: THE DIAMOND LAW

NATIONAL ASSEMBLY

LAW Nº 16/94

OF 7 OCTOBER 1994

A diagnosis of the present position of the diamond mining industry in Angola, has implied a detailed analysis of the applicable legislation in force and its influence on the operation of the establishment, on the activities of mining companies and on the social-economic situation of the population of the Lundas and that of the country in general. Such a diagnosis showed the existence of an extremely accelerated process of increase of illegal digging and diamond theft within concession areas, which has resulted in an uncontrolled dilapidation of the richest deposits, the social and economic deterioration of the population, the inevitable leaking of extraordinary foreign currency amounts out of the country, great difficulties for the concession holding companies, all this resulting in the flagrant violation of the Constitutional Law and of the legislation approved by the authorities, with the consequent discredit of the State and breach of authority of the institutions.

One of the fundamental reasons for the situation now prevailing in the diamond operation areas results from the application of Law 30/91, which liberalized diamond possession and trading, creating the idea that any citizen may take possession of a resource which, in constitutional terms, belongs to the State and must be exploited in the benefit of the whole Nation. Such liberalization, besides having extremely negative consequences for the Angolan economy, created the false impression that circulation of people and goods is totally free throughout the whole Angolan territory and does not tolerate restrictions and conditionings, which goes against the Constitutional Law, besides having created a situation which, to say the least, is out of control in respect of prevention and repression of illegal diamond traffic, as penal rules regarding this matter are, at present, no longer being applied.

Therefore, the need to radically alter the current situation becomes obvious, creating new legal basis which make it possible to protect a national resource which, due to its importance, requires a technically and politically careful treatment, as a State protected and controlled diamond activity, in a sensible manner, will result in benefits to the Nation in general, and particularly to the population of the Lundas.

It has, therefore, been decided that, first of all, the State must have at its disposal a body, which must be a company, Empresa Nacional de Diamantes, to carry out its policies of diamond mining and trading, and to which, or to any mixed companies of which it is part, exclusive mining rights in respect of diamonds must be granted. On the other hand, if such an exclusive status is to be granted to ENDIAMA, this company will be reduced to the role of operator in very unfavourable competition with foreign investors. However, such an exclusive regime does not imply that, for each project, ENDIAMA does not have to apply for the concession of the respective mining rights, and these applications will be appreciated by the Government, case by case, taking the State's interests into account.

Therefore, and looking forward to Angola becoming once again a major diamond producer, ENDIAMA must be maintained and made stronger, not only to play the role of competing with investing companies, but to represent the minimum necessary but essential Government's intervention and company participation agent, in the complex and delicate technical-commercial diamond activities.

Secondly, it has been decided that a rationalization of diamond mining and trading is not compatible with legalizing diamond possession and sale, even when acquired outside the mining concession areas, as Law

Nº 30/91 unleashed an opposite operation: that of illegal digging and theft of diamonds within those areas.

Thirdly, and with the purpose of avoiding the shock of a radical change in the prevailing situation, this Law introduces the main innovation of admitting artisanal mining of diamond deposits selected according to their special characteristics, following logical rules and in a controlled way. This type of mining will fall upon those deposits which are minable on an industrial scale and will only be allowed within areas surrounding present or future demarcated areas for industrial mining (protection areas). The present Law also created the so-called "reserved areas", which are areas with deposits where future projects will be carried out, and the whole of the territory of the Lunda Norte and Lunda Sul Provinces are henceforward considered as a "reserved area", due to the great number of deposits occurring there.

Naturally, this Law deals with the question of investments in diamond operations, in view of their specific nature, and creates new rules regulating the circulation of people and goods in diamond mining areas and in reserved areas, not only in the Lundas but also in any part of the Angolan territory, permitting industrial mining by national or foreign companies, as long as they possess all necessary conditions to do so.

Finally, this Law defines the bodies in charge of surveillance, security and control of the above mentioned areas, allowing for the operation of private security companies, as well as re- expressing all matters relating to prevention and repression of illegal traffic of diamonds. In these terms, under paragraph m) of article 89 of the Constitutional Law and using the powers bestowed on me by paragraph s) of article 66 of that same Law, the National Assembly approves and I sign and send for publication the following:

DIAMOND LAW

CHAPTER I

SCOPE AND CONCESSION OF MINING RIGHTS

Article 1

(Scope)

This law is applicable to operations of prospecting, research, reconnaissance, mining, treatment and trading of rough diamonds within the territory of the Republic of Angola.

Article 2

(Concession of mining rights)

1. The mining rights for prospecting, research, reconnaissance, mining, treatment and trading of rough diamonds within the whole of the Angolan territory, including the continental shelf and the exclusive economic zone, will be exclusively granted to ENDIAMA, UEE or to mixed companies of which it is part, in terms of Law Nº 1/92.

2. The above mentioned rights may be pursued directly by ENDIAMA, UEE or by mixed companies of which it is part, in terms of Law Nº1/92, and will be granted, case by case, by means of concession contracts to be approved by the Cabinet Council, in terms of that same law.

3. For the case of ENDIAMA, UEE's own projects, the Cabinet Council will approve the respective project and no contract will be entered into.

4. For the case of investment projects for the formation of mixed companies with the participation of ENDIAMA, UEE, the contract will be negotiated between ENDIAMA, UEE and the other partners in the company to be formed.

5. ENDIAMA may also pursue the rights it is granted through associations in partnership or by means of other contracts to be negotiated with Angolan or foreign companies, which may take any of the patterns internationally used in mining operations.

6. The participation of Angolan companies must be encouraged, as long as they possess the required technical and financial conditions.

7. The contract granting mining rights must include specific rules for the fiscal, foreign exchange and customs regimes, without prejudice to fiscal and foreign exchange obligations due to legislation in force.

8. ENDIAMA's associated or contracted partners may only subcontract other companies in terms of Nº 5 of Article 6 and Nº 6 of Article 11 of Law Nº 1/92.

9. Rendering of services or supply to diamond projects by ENDIAMA's associated or contracted partners is not allowed, except with the express permission of the Cabinet Council.

10. The interdiction mentioned in the previous paragraph does not include companies in which ENDIAMA's associates or partners have shares.

11. In order to pursue the mining rights to be granted, ENDIAMA, whenever it finds it convenient to do so, may open a tender for contract or association with other entities.

CHAPTER II

FOREIGN INVESTMENTS IN THE DIAMOND AREA

Article 3

(Legislation on foreign investments)

Law Nº 13/88, in its substantive part, is applicable to foreign investments due to this law.

Article 4

(Investment procedures)

The procedure in respect of foreign investment is governed by the following rules:

a) As a rule, in contracts concerning diamond operations, a form of contract in two stages must be adopted, when there is room for geological-mining investigation stage.

b) For the geological-mining investigation stage, the potential investor must submit to ENDIAMA a statement of intent, defining the area and work schedule, with successive stages referred to in Law Nº 1/92.

c) For the mining stage, the investor must submit a technical-economic feasibility study which, once approved, will become an integral part of the contract granting the concession of mining rights.

d) When the project concerns diamond deposits with calculated reserves and other data allowing the immediate preparation of a technical-economic feasibility study, ENDIAMA will, preferably, organise a public or limited tender.

e) ENDIAMA will be sole negotiating speaker, and must always consult the Ministry of Geology and Mines, the Ministry of Finance, the Angolan National Bank and the Government Authority of the Province in which the investment is to be made.

f) Once the contract has been negotiated, and if a mixed company is formed, ENDIAMA will send the respective Statutes to the Ministry of Geology and Mines for a written opinion, which must be given within a period of thirty days.

g) The Ministry of Geology and Mines, after agreement with ENDIAMA and if the written opinion implies alterations to the project, will send the same to the Cabinet Council.

h) After approval of the Cabinet Council regarding the concession of mining rights, they will be sent to the Ministry of Geology and Mines, who will send copies to ENDIAMA, to the Ministry of Finance, to the Angolan National Bank and to the Authority of the Province concerned.

CHAPTER III

ARTISANAL PRODUCTION

Article 5

(Artisanal mining)

1. ENDIAMA may authorise demarcation of areas for the artisanal mining of diamond occurrences which cannot be economically mined through the normal operations of the concession holder.

2. Artisanal mining will be done using exclusively artisanal means and methods, that is, without the intervention of mechanical means and mining technology.

Article 6

(Areas for artisanal mining)

1. Artisanal mining may only be authorised within protection areas, as defined in Article 15 of this Law.

2. In case of Article 15, Nº 1, paragraph a), demarcation for the purposes of artisanal mining will be proposed to ENDIAMA by the respective concession holder.

3. In case of Article 15, Nº 1, paragraph b), it is ENDIAMA's duty to proceed directly with demarcation on its own initiative, whenever the prospective licence holder will not apply for the mining rights concession title.

Article 7

(Licensing for artisanal mining)

1. Licences for artisanal mining, in previously demarcated areas, may only be granted to Angolan citizens residing for more than five years in the communes around the areas allotted for artisanal mining.

2. The above mentioned residence must be certified by the traditional authorities of the respective area. In case of doubt, an appeal will be made to the communal administrator.

3. Licences for artisanal mining may only be applied for by citizens over 18 years of age, and for that effect they must submit their Identity Card or other official document proving their identity.

4. The application for artisanal mining may be made in writing or verbally to the concession holder or to ENDIAMA, in accordance with paragraphs 2 and 3 of the previous article.

5. The licence will be granted by the Ministry of Geology and Mines, on an individual basis, and the formation of companies, associations or cooperatives for the purpose of artisanal mining is not permitted.

6. The Ministry of Geology and Mines may delegate to ENDIAMA the power to grant licences for artisanal mining.

7. Once the application has been granted and the area for artisanal mining has been demarcated, copy of the file will be sent to the communal and municipal authorities, and to the Provincial Government.

CHAPTER IV

DIAMOND TRADING

Article 8

(Diamond trading)

1. Trading of diamonds must take into account their specificity and highly specialised valuation and the particular characteristics of the international market and, as far as possible, get the best value for this national resource.

2. Trading of diamonds is exclusively carried out by ENDIAMA or by a company to be formed expressly for the specific object of trading, safeguarding the legitimate interests of producers.

3. Without prejudice to anything which may be contractually provided in this respect between the diamond producing companies to which concessions have been granted and the trading company, the latter will be entitled to a commission, to cover operation costs, which may not exceed 2.5% of the value of the exported diamonds.

4. ENDIAMA contractors sharing in the results of the diamond production are entitled to negotiate and participate in the preparation of diamond trading contracts or agreements which are made with ENDIAMA.

Article 9

(Granting of export licences)

Exports will be the object of licensing by the relevant authority of the Ministry of Trade, and the Ministry of Geology and Mines will be informed thereof.

Article 10

(Valuation)

1. Before export, ENDIAMA will sort and valuate the diamonds received from producers.

2. While ENDIAMA does not have appropriate offices to carry out the final valuation in Angolan territory, a provisional valuation will be carried out, and the final valuation will take place in the purchaser's office, with the intervention of an internationally recognised valuator, who will be engaged both for the provisional valuation, and to participate and certify the final valuation.

3. The producer has the right of using a valuator of his own choice at all stages of valuation proceedings.

Article 11

(Trading of accessory minerals)

Trading of accessory minerals occurring in the mining deposits is free, except for gold, where the whole production must be sold in terms of the legislation in force.

Article 12

(Valuation and trading of artisanal production)

1. Diamonds, as well as accessory minerals extracted in artisanal mining areas, must be sold compulsorily to the concession holder in the case referred to in Article 6, Nº 2, and to ENDIAMA or to the mixed company specialized in diamond purchasing of which ENDIAMA is a partner, in the case of Article 6, Nº 3.

2. Before the diamonds mentioned in the previous paragraph are sold, a local valuation will be carried out, to determine the buying price.

3. When this valuation is carried out by the concession holder as mentioned in Article 6, Nº 2, ENDIAMA valuators will always take part in the proceedings.

4. The value of each purchased parcel of diamonds will be paid immediately after valuation.

CHAPTER V

CONTROL OF PEOPLE AND GOODS WITHIN DIAMOND AREAS

Article 13

(Limits to circulation of people and goods)

1. Access to, circulation of people and goods, residence and exercise of economic activities may be controlled, limited or prohibited within the mining production areas or those reserved, established within areas with diamond occurrences in terms of the provisions of the following articles.

2. For the purposes of this Law, production areas are divided into RESTRICTED AREAS and PROTECTION AREAS.

3. Areas demarcated for artisanal mining purposes are also protection areas.

Article 14

(Restricted areas)

1. RESTRICTED AREAS are mining areas demarcated under Law 1/92.

2. RESTRICTED AREAS must be marked "in loco" by plainly visible and legible landmarks and signboards, facing outwards and located at the vertices of the geometrical shapes which define them, as well as at the crossing points of roads and public paths, containing the words "Restricted area. Access forbidden” and bearing the name of the concession holder.

3. It is the duty of the concession holder to build, at its own cost and according to the route proposed by the relevant authorities, thoroughfares alternative to the roads and public paths which pass through a restricted area.

4. The concession holder may, in his own interest and without need for permission, build a continuous boundary for the whole or part of restricted areas and the deposits, mines or plants within them.

Article 15

(Protection areas)

1. PROTECTION AREAS are:

a) those areas corresponding to strips of land surrounding restricted areas within a distance to be established, up to 5 Km from the external boundaries of the mining demarcation lines;

b) those areas corresponding to diamond concessions found under a prospecting licence, adding a surrounding area within a distance to be established, up to 5 Km from the external boundaries of protected deposits or mines, during the period from discovery of the occurrences to the concession of mining rights.

2. Protection areas must be marked with plainly visible and legible signboards, placed at the crossing points of roads and public paths, containing the words "Diamond protection area. Loitering forbidden" and bearing the name of the concession holder.

3. The protection areas mentioned in Nº 1, paragraph b) must be maintained, with the same or with other boundaries, in cases where protected diamond occurrences are also areas demarcated for artisanal mining.

4. Protection areas are established by the Ministry of Geology and Mines, upon request of the concession holder and have the purpose of preventing subtraction, extraction and illegal diamond traffic.

Article 16

(Reserved areas)

1. RESERVED AREAS are parts of the territory which, although they have not yet been the object of any granting of titles for mining rights, are demarcated with a view to future development of diamond operations.

2. It is for the Cabinet Council to establish reserved areas at ENDIAMA's request, whenever there is knowledge or well founded foreknowledge of diamond occurrences in any part of the Angolan territory.

3. The whole territory of the Provinces of Lunda Norte and Lunda Sul which is not covered by restricted areas, protection areas and artisanal production areas is, as from now, considered to be a RESERVED AREA.

4. Reserved areas must be marked "in loco" with plainly visible and legible landmarks and signboards, located at the vertices of the geometrical shapes which define them, as well as at the crossing points of roads and public paths, containing the words "Reserved area. Limited circulation, permanence and economic activity".

5. The provisions of the previous paragraph are not applicable to the reserved area defined in number 3 of this article.

Article 17

(Access to diamond areas)

1. Access to restricted areas is forbidden, except for personnel connected with diamond production operations.

2. However, such access is allowed for people and entities travelling to restricted areas on official business, for State authorities and for other entities or people invited or specially authorized by the concession holder.

Article 18

(Circulation of people)

1. Circulation of people within restricted areas is regulated by the respective concession holder.

2. Circulation within protection areas can only take place using public roads and paths, and people circulating there must carry:

a) Identity Card, or another document proving their identity.

b) Permit issued by the services to which they belong, by the administration authority of their area of residence or by the concession holder.

3. The Provincial Governor, at ENDIAMA's request, may establish other restrictions to the movement of people within protection areas, whenever the need for security of mining operations so demands.

Article 19

(Circulation of goods)

1. No goods may enter or leave a restricted area without permission of the concession holder.

2. The circulation of goods through protection areas is allowed, but they must be accompanied by a dispatch bill clearly identifying, discriminating and showing the quantities of such goods, or by a credential issued by the concession holder.

Article 20

(Economic activities)

1. All kinds of economic activities foreign to diamond mining, of whatever nature, be it industrial, commercial, agricultural or others are forbidden in restricted areas and in protection areas.

2. It falls to concession holders to indemnify the owners of commercial and industrial institutions and agricultural or animal husbandry farms or of any other installations existing at the time of creation of restricted areas and protection areas, for damages caused to them by the prohibition mentioned in the previous paragraph.

3. Expropriation for public utility both in favour of the State or of the concession holder is permitted in restricted areas and in protection areas.

Article 21

(Residence)

1 Residence in restricted areas and in protection areas is forbidden, except for people linked with mining operations.

2. The population residing in restricted areas or in protection areas at the time they are established must be regrouped outside such areas, as near to them as possible, and in such cases, the concession holder must guarantee:

a) building of suitable accommodation, never inferior to the one the displaced people had before;

b) building of social and community infrastructures, namely schools, community centres, churches, water supplies and others, in at least the same conditions as those existing in the displaced settlements.

3. The provisions of a) and b) of the previous paragraph are not applicable to buildings located in restricted areas and in protection areas which are expropriated for public utility.

4. It falls to the Provincial Governor to approve the regrouping proposed by the concession holder.

5. The Provincial Governor may condition the project to the submission of economic assistance and social promotion supported by the concession holder.

Article 22

(Restrictions in artisanal mining areas)

1. Access, circulation and permanence in areas marked for artisanal mining are only permitted to licence holders, and any economic activity not connected with diamond mining is strictly forbidden.

Article 23

(Restrictions in reserved areas)

Restrictions to access, circulation of people and goods, and residence, as well as any economic activities in reserved areas, will be established by special legislation.

Article 24

(Control of people and goods)

1. The vigilance and control of people and goods in restricted areas and in protection areas, as well as the security if its respective deposits and diamond mining operations, fall to concession holders, either by using their own resources and personnel recruited by themselves, through a self-defence system, or by contracting specialized security companies, in the terms permitted by law.

2. The vigilance and control of people and goods in areas marked for artisanal production fall to concession holders, or to ENDIAMA or to the mixed company which replace it, in terms of the provisions of article 15.

3. The vigilance and control of people and goods in reserved areas fall to the National Police, however the Cabinet Council may authorize, in terms of the law, specialized security companies to support the Police and cooperate in their vigilance and control operations or, in special cases, eventually, substitute them.

4. The powers of vigilance and control of people and goods given to the entities mentioned in Nºs 1 and 2 of this article do not prejudice the general powers given by law to the National Police.

5. The Mining Police and the Industrial Security and Vigilance Force are hereby abolished, and the Ministry of Home Affairs and ENDIAMA must, within a period of 120 days, propose what to do with their respective contingents.

CHAPTER VI

ILLEGAL DIAMOND TRAFFIC

Article 25

(Prevention and repression of illegal traffic. Powers)

1. The prevention and repression of illegal diamond traffic fall, in the whole of the Angolan territory, to the usual State criminal prevention and repression authorities, in terms of procedural penal legislation.

2. The provisions of the previous paragraph do not prejudice the duties which, in matters of vigilance, security and control of people and goods, fall to concession holders, and to private companies specialized in security within restricted areas, protection areas, reserved areas and areas demarcated for artisanal mining, in terms of this law.

Article 26

(Duties of concessionaires and security companies)

1. When performing their duties due to the law concerning vigilance, security and control of people and goods, concession holders and security companies must:

a) keep under constant surveillance the areas under their control and check the movement of people and goods;

b) prevent the residence, transit, exercising of any economic activities and access of people and goods to the areas forbidden by law;

c) prevent all unauthorized prospecting, research, reconnaissance and mining of diamonds;

d) guarantee the protection of deposits and occurrences, opposing all unauthorized diamond prospecting and mining operations;

e) guarantee the security of plants, goods, services and people engaged in diamond operations.

2. When performing their duties, the entities and persons in charge of controlling people and goods may:

a) identify and carry out routine searches of its own workers and people in general entering or leaving restricted areas or circulating or finding themselves in any other areas under their control, as well as objects and goods they may be carrying or which are under their responsibility;

b) require the showing of access permits and passes, credentials or way-bills for merchandise and goods;

c) preventively detain "flagrante delicto" the culprits of the crimes due to this Law;

d) confiscate the product or object of violation, the instruments used in such violation and, generally, all material proof susceptible of being lost or destroyed or concealed;

e) resort to the use of force when it becomes absolutely necessary to carry out their duties effectively.

3. For the purposes of the provisions of paragraph d) above, means of transport, arms and materials or camping gear found in possession of the violators are instruments of crime.

4. The goods apprehended and people detained must be handed over to the Public Prosecutor or to the office of the National Police closed to the place of detention or confiscation, in terms of and within the period of time due to article 9 of Law Nº 18-A/92, of 17th July.

5. It falls to concession holders to issue internal regulations on the subject of vigilance, security and control in restricted areas applicable to their workers and to people authorized by law or invited to enter such areas.

Article 27

(Cooperation)

The staff of concession holders or specialized security companies in charge of controlling people and goods in diamond areas, when preventing and combating illegal diamond traffic or any other illegal activities due to this Law, must act in close cooperation with the police, criminal instruction and judicial authorities, and in keeping with the most scrupulous respect for legitimate people's rights and the provisions of legislation in force.

Article 28

(Investigation and instruction)

The security agents mentioned in the previous article may not, under any circumstances whatsoever, carry out investigation and criminal instruction activities, except for those established in this Law.

Article 29

(Unauthorized entry into a restricted area)

1. The access to and permanence of people in restricted areas, outside the cases permitted by law, are punished with prison and fine up to two years.

2. In case of negligence, the prison sentence is up to six months and fine up to one year.

Article 30

(Circulation and permanence in protection areas)

1. Circulation and permanence of people in protection areas, except under the conditions provided in Article 18, are punished with prison up to one year and fine up to one year.

2. In case of negligence, the prison sentence is up to three months or fine up to six months.

Article 31

(Circulation of goods)

1. Circulation of goods, except under the conditions provided in Article 19, is punished with prison up to one year.

2. In case of negligence, the prison sentence is up to three months or fine up to six months.

Article 32

(Restrictions in reserved areas)

1. Anyone who does not respect the rules imposing restrictions to residence, circulation and economic activities in reserved areas is punished with prison up to one year and fine up to one year.

2. In case of negligence, the prison sentence is up to three months and fine up to six months.

Article 33

(Illegal entering into artisanal mining areas)

1. Anyone entering an area marked for artisanal diamond mining without permission will be punished with prison up to six months or fine up to one year.

2. If the violator is a foreigner, or if, although being an Angolan citizen, he has no permanent residence in that area, the sentence is prison and fine up to two years.

3. In case of negligence, the prison sentence is up to three months or fine up to six months.

Article 34

(Conditions of punishment)

Perpetrators of the crimes described in articles 29 to 33 will only be punished if they are caught "flagrant delicto".

Article 35

(Illegal prospecting)

Diamond prospecting, research and reconnaissance without a prospecting licence is punishable with 8 to 12 year imprisonment.

Article 36

(Illegal mining and extraction)

Diamond mining, as well as simple extraction without a title granting mining rights, will be punished as a crime of theft and with 8 to 12 years imprisonment except if, in case of extraction, a more severe sentence is not applicable, due to the value of the diamonds extracted.

Article 37

(Theft of diamonds)

Theft of rough diamonds is punishable with 8 to 12 years imprisonment, if a more severe sentence is not applicable due to the value of the stolen diamonds and the circumstances under which the crime was committed.

Article 38

(Illegal possession of diamonds)

Possession or mere keeping of rough diamonds, except in legally authorized circumstances, is punishable with 8 to 12 years imprisonment.

Article 39

(Illegal diamond traffic)

1. Buying and selling, donation in payment or any other form of transmission, as well as withdrawal from Angolan territory of rough diamonds, except in legally authorized circumstances, is considered to be illegal diamond traffic.

2. Illegal diamond traffic is punishable with 8 to 12 years imprisonment.

Article 40

(Illegal introduction of diamonds into Angolan territory)

Unauthorized introduction of rough diamonds into Angolan territory is punishable with 2 to 8 years imprisonment.

Article 41

(Traffic of non-valuable stones)

Traffic of non-valuable stones as if they were diamonds is punishable with 2 to 8 years imprisonment.

Article 42

(Preparatory action, complicity and reception)

In the crimes described in Articles 35 to 40:

a) Preparatory action is punishable with the corresponding imprisonment and fine;

b) Accomplices are punishable with the sentences applicable to the respective perpetrators, with attenuation;

c) Concealment is punishable with 2 to 8 years imprisonment.

Article 43

(Accessory fine)

1. In case of condemnation for any of the crimes due to Articles 35, 36, 37 and 39, the sentence may be increased by a fine of not less than NKZ 5,000,000.00 and never higher than one third of the value of the diamonds object of the crime.

2. If the crime is perpetrated by representatives, proxies or company employees or other artificial persons on their behalf, they will be solidarily responsible for payment of the fine.

Article 44

(Security measures)

1. In case of condemnation, perpetrators of fraudulent crimes due to this Law who are foreigners may be expelled from Angolan territory after they have served their sentence.

2. If the perpetrators of those same crimes practice a profession or economic activity subject to licensing, or are managers or directors of a legally formed company, they may be precluded from

practising their profession, activity, management or directorship for a period of one to five years.

3. The provisions of paragraph 5 of Article 70 of the Penal Code, with the required adaptations, are applicable to the above mentioned interdiction.

Article 45

(Goods lost in favour of the State)

In fraudulent crimes provided in Articles 17 and 19, both goods circulating in conditions other than those established in Article 19, as well as the vehicles in which such goods and the crime perpetrators are transported, must be declared as lost in favour of the State, except when both of them belong to people who have taken no part in the crime and who acted in good faith.

Article 46

(Confiscated diamonds)

1. Confiscated diamonds must be submitted for examination and valuation by experts duly accredited by the Ministry of Geology and Mines, and then delivered to ENDIAMA UEE, who will act as faithful keeper.

2. Confiscated diamonds are finally delivered to:

a) The holder of prospecting licences or mining titles, when it has been clearly determined that they were extracted or stolen from areas covered by such licences or titles.

b) The State, in the remaining cases.

3. People who, through denunciation or in any other form, assist in the confiscation of diamonds, are entitled to a premium equivalent to 25% of their respective value.

Article 47

(Special attenuating circumstances and exemption from penalty)

1. In case of confession useful to the discovery of the crime and its perpetrators, the court may exceptionally substitute any fixed imprisonment penalty by simple imprisonment or fine or exempt the defendant from the penalty.

2. The Court may also reduce any imprisonment penalty down to the minimum of one year or substitute it by correctional imprisonment of never less than one year whenever circumstances are proven which justify an extraordinary attenuation of the penalty, and the damage or the danger of damage are of reduced or insignificant value.

Article 48

(Territorial scope of this Law)

This Law is applicable to all the crimes mentioned in it committed in any part of the Angolan territory by either Angolan or foreign citizens.

CHAPTER VII

FINAL AND TEMPORARY PROVISIONS

Article 49

(Closing of buying offices)

1. Diamond buying offices authorized in terms of Law Nº 30/91, of 27th December and Decree Nº 20/92, of 15th May, will be immediately closed, without prejudice to the rights recognized to the respective companies by Article 5 of the last document mentioned above.

2. For the purposes of the previous paragraph, the owners of diamond buying offices must declare to the Ministry of Geology and Mines, within a period of five days, all diamonds purchased up to the date of enforcement of this Law and which are still in their possession.

Article 50

(Provisional demarcation)

For the areas where ENDIAMA has geological-mining operations in course and which have not yet been the object of a mining concession title, ENDIAMA will apply to the Ministry of Geology and Mines for provisional demarcation of restricted areas and respective protection areas.

Article 51

(Special remuneration regimes)

The Cabinet Council may establish special regimes of remuneration for the National Police, the magistrates, justice officials and other workers of the remaining criminal prevention and repression offices, placed in Lunda Norte and Lunda Sul, and extend them to other areas of the country, whenever the need to prevent and repress illegal diamond traffic so requires.

Article 52

(Revoking of legislation)

Laws Nºs 7/85 of 3rd August, and 30/91 of 27th December, Decrees Nºs 79/71 of 27th December, 1/89 of 7th January, 50/89 of 4th September, 20/92 of 15th May, and any other legal provisions which contradict this Law are hereby revoked.

Article 53

(Effective date)

This Law becomes effective ninety days after its publication.

Examined and approved by the National Assembly

To be published.

Luanda .....

The Chairman of the National Assembly, Fernando José de França Dias Van- Dunem

The President of the Republic, José Eduardo dos Santos.

ANNEX 3: MEETINGS

Angola Meetings List

Date	No	Person	Role	Organisation
Oct 3	1	Susan Brems	Mission Director	USAID
	2	Mervyn Farroe	Program Officer	USAID
	3	Romulo Peixoto	D&G Specialist	USAID
	4	Ranca Tuba	Team Leader D&G	USAID
	5	Vic Duarte	General Development Officer	USAID
	6	Mitchell Ferguson	Political Econ Councillor	US Embassy
	7	Mark Schall	Economic Secretary	US Embassy
	8	Dr. Mauricio Neves	Director General	SDM
Oct 4	9	Ingle	Human Rights Officer	Friedrich Ebert Stiftung
	10	Dimitry Voegler	Political Officer	Dutch Embassy
	11	Vegard Bye	Chief of Office	UNHRO
	12	Joao Neves	Consultant	JMJ
	13	Fern Teodoro	Director	World Learning
Oct 5	14	George Sherrell IV	Managing Director	KWORUM (LKI)
	15	Elias Isaac	Programme Manager	Open Society
	16	Mustaque Ahmed	COP MDP	CARE
	17	Robert Jan Bulten	Country Director	CARE
	18	Allan Cain	Director	Development Workshop
Oct 9	19	Teresa Muniz	Head Human Resources	SDM
	20	Robert Jones	Operations Director	SDM
	21	Leila Salomao	Consultant	SDM
	22	John S. Janeski	Doctorate/Consultant	SDM
	23	Pedro Luveso	Teacher/IT	SDM
	24	Commandant Pei	Chief of Police	Cuango Municipality
	25	Paulo Passos	Administrator	Cuango Municipality
	26	Joao Katanga	Administrative Assistant	Cuango Municipality
	27	Mona Caia	Regiedor (Head Soba)	Cuango Municipality
Oct 10	28	Jean Bernardo	Administrator	Luremo
	29	Acacio Goncalves	Manager LAM	Luremo
	30	Nascimento	Community Liaison	Luremo
	31	Laurenso	The School Kid	Luremo
	32	Sen Marcos	Communa Head of Education	Luremo
	33	Damiao Mucoso	Communa Head of	Luremo

Date	No	Person	Role	Organisation
			Secretariat	
	34	Manual Costa	Head Human Resources	Luminas Luremo
Oct 11	35	Sr. Domingos	Interin Head of Municipal Hospital	Cafunfo
	36	Jacques	ASCORP Rep	Cafunfo
	37	Viriato Melo	Airport Manager - ENANA	Cafunfo
	38	Donna Maria	Shop Owner	
	39	Albino Jose Capinagola	Delegate –Guicango Commercial	
	40	Manuel Muleno	Manager	Banco BIC
	41	Caxita	Ass Promocau Deve Social	Cafunfo
	42	Jean Pierre	Fisher of Rivers - Congolese	Cafunfo
Oct 12	43	Jim	Head of Security	SDM
	44	Robert Jones	Operations Director	SDM
	46	Richard Barnes	Geologist	SDM
Oct 17	47	Dr Mankenda Ambriose	Vice Minister	Minsitry of Geology and Mines
Oct 19	48	Francisco Fernandez	DCM	US Embassy
	49	J Francisco Ganga	Director of Planning	*Fundaçao Brilhante*

ANNEX 4: WORLDWIDE ROUGH DIAMOND PRODUCTION – 2006

Rough Diamond Production Statistics - 2006			
Country	Carats	Value	Average Value
			per carat
Angola	9,175,060.73	$1,132,514,825.77	$123.43
Australia	29,940,451.30	$559,573,074.71	$18.69
Botswana	34,293,401.00	$3,207,570,684.00	$93.53
Brazil	94,010.00	$6,279,020.00	$66.79
Canada	13,206,357.00	$1,397,443,872.32	$105.82
Central African Republic	419,528.35	$59,066,866.49	$140.79
China - People's Republic	74,080.20	$1,240,000.00	$16.74
Congo, Democratic Republic of	28,990,241.43	$431,931,171.00	$14.90
Ghana	972,647.88	$30,910,703.33	$31.78
Guinea	473,862.25	$39,884,880.00	$84.17
Guyana	350,518.00	$44,387,773.00	$126.63
India	10,278.95	$1,763,359.00	$171.55
Indonesia	51,603.06	$10,643,234.50	$206.25
Lesotho	112,408.46	$83,545,876.40	$743.23
Namibia	2,402,477.34	$900,977,934.05	$375.02
Russian Federation	38,360,810.00	$2,574,280,850.00	$67.11
Sierra Leone	603,566.07	$125,304,842.46	$207.61
South Africa	14,934,706.23	$1,361,816,225.26	$91.18
Tanzania	272,161.41	$25,553,133.25	$93.89
Togo	28,176.00	$3,221,570.00	$114.34
Venezuela	16,980.73	$1,181,020.04	$69.55
Zimbabwe	1,046,025.45	$33,853,837.81	$32.36
TOTAL	175,829,351.84	$12,032,944,753.39	$68.44

ANNEX 5: MAP OF ANGOLA