

## AFRICA RISK CONSULTING

### Country briefing – Democratic Republic of Congo

31 October 2014

#### 1 Summary

*The ruling elite in Kinshasa is increasingly divided over whether president Joseph Kabila (2001-present) should amend the constitution and run for another term in office in the 2016 election. The prospect of Kabila stepping down has the prime minister and the parliamentary majority leader publicly jostling for position. Ugandan rebel group the Allied Democratic Forces (ADF) kill over 80 people in attacks in the city of Beni, North Kivu. The security situation in the east of the country is affected by other destabilising developments, including a major prison break in Butembo and the Burundian army operating in South Kivu. A visit by president Kabila fails to win back the trust of the local population, who fear further violence. The Congolese government expects growth to reach 10.3% in 2015, fuelled by a 400% increase in gold output. However falling commodity prices may prevent this from happening. The government seeks to increase revenue gained from the mining industry through a new mining code and 40% windfall tax, confirming DRC's low ranking in the World Bank's 2015 ease-of-doing-business rankings where the country rose a mere one place to 178/189 economies.*

#### 1.1 Kabila's future increasingly divides the political elite

There are increasing divisions within the **Democratic Republic of the Congo (DRC)**'s ruling factions over president **Joseph Kabila's** (2001-present) potential successor in 2016. Kabila has been in power since 2001 and won elections in 2006 and (very controversially) in 2011. Under the terms of DRC's 2006 constitution, he is ineligible for another term, but analysts have been reporting for some time that he intends to amend the constitution in order to run again. There is growing debate within the ruling coalition – and beyond – on this issue, effectively splitting Congolese politics into those who support and those who oppose extending Kabila's mandate.<sup>1</sup>

*"There is a growing lack of cohesion amongst the ruling elite over the direction to be taken after 2016."*<sup>2</sup>

Joseph Kabila's political vehicle, the **Parti du Peuple pour la Reconstruction et le Développement (PPRD)**, is leading the efforts to change the constitution.<sup>3</sup> PPRD leader **Evariste Boshab** questioned the validity of the constitution on the public record in July.<sup>4</sup> Other vocal proponents of constitutional change are **Théodore Mugalu**, Kabila's personal chief-of-staff and an influential Protestant preacher, and minister of communications **Kin-Kiey Mulumba**. The influential head of **l'Église du Christ au**

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<sup>1</sup> Congosiasa, 29 Oct 2014

<sup>2</sup> Source: diplomat, Kinshasa

<sup>3</sup> Source, ARC correspondent, Kinshasa

<sup>4</sup> Radio Okapi, 28 Jul 2014

**Congo (ECC), Monsignor Marini Bodho**, former leader of the senate in the 2001-2006 government, has also come out in favour of constitutional change.<sup>5</sup>

In contrast, the **Mouvement Social pour le Renouveau (MSR)**, a key faction in the ruling coalition, has called on Kabila to step down in 2016.<sup>6</sup> MSR leader **Pierre Mumbi** has repeatedly called for open debate on the issue. Other ruling coalition players, such as **Solidarité Congolaise pour la Démocratie (SCODE)** leader **Jean-Claude Muyambo** and **Alliance des Forces Démocratiques du Congo (AFDC)** leader **Modest Bahati**, have also both spoken out against constitutional change.<sup>7</sup>

Opposition figures are opposed to extending Kabila's term, including long-term activists **Jean Claude Mvuemba** and **Felix Tshisekedi**. Opposition leaders **Martin Fayulu** and **Vital Kamerhe** formed a new coalition – **Touche pas à ma constitution** (Don't touch my constitution) – in November 2013.<sup>8</sup> **Cardinal Laurent Mosengwo**, the most senior Roman Catholic leader in DRC, called on his flock to oppose changing the constitution in July<sup>9</sup> and so far no other voices within the church have objected.

The perceived possibility that Kabila might step down in 2016 has led some key government figures to position themselves for succession. As an example, open tension has developed between prime minister **Augustus Matata Ponyo** and parliamentary majority leader **Aubin Minaku** over their respective political ambitions. Both men are widely seen as potential successors in the event of a change of leadership and have recently taken to public radio to denounce each other.<sup>10</sup>

*"The conflict between the two heavyweights [has] exposed the internal squabbling over succeeding president Joseph Kabila."<sup>11</sup>*

Kabila summoned Ponyo and Minaku to his farm in **Kingakati, Katanga province**, reportedly to put an end to their disagreements. However, it remains to be seen whether Kabila can get them on the same page: he has had trouble controlling his inner circle since his key adviser, **Katumba Mwanke**, died in a plane crash in 2012. According to local political sources, Mwanke has left a power vacuum at the centre of power that key figures have been vying to fill, and – two years later – he has not been formally replaced. Among other things, Mwanke was responsible for maintaining discipline in Kabila's inner circle.<sup>12</sup>

Kabila has yet to make any declaration either way, both on constitutional change or a potential successor. While international voices have warned against altering the constitution and have implied possible economic sanctions and aid consequences, reporting suggests that figures in Kabila's government do not believe that they will actually withdraw aid or stop funding the major **United Nations (UN)** mission in the DRC, **Mission de l'Organisation des Nations Unies pour la stabilisation en République démocratique du Congo (MONUSCO)** (see below).<sup>13</sup> Therefore, the most likely influences on Kabila's actions relating to the constitution and elections will be the stability and loyalty of his key support factions and advisers in **Kinshasa** and the provinces.

<sup>5</sup> Congosiasa, 29 Oct 2014

<sup>6</sup> Source, ARC correspondent, Kinshasa

<sup>7</sup> Congosiasa, 29 Oct 2014

<sup>8</sup> Kivu-Manga, 10 Nov 2013

<sup>9</sup> TousCongo, 22 Jul 2014

<sup>10</sup> Source, ARC correspondent, Kinshasa

<sup>11</sup> Source: think-tank analyst, Kinshasa

<sup>12</sup> Source: think-tank director, Kinshasa

<sup>13</sup> Congosiasa, 29 Oct 2014

## 1.2 Ugandan rebels kill 80 in Beni over the course of October...

Ongoing rebel attacks, as well as the unreported presence of other countries' armies in DRC, continue to highlight the poor state of the country's security. Militia groups attacked the town of **Beni** in **North Kivu** province during October, killing over 80 people with hatchets and machetes. The worst violence took place on 17 and 18 October when 50 people were killed. According to media reports, the **Allied Democratic Forces (ADF)**,<sup>14</sup> a **Ugandan** Islamist insurgency operating around Beni, carried out the attacks. The ADF has been operating in eastern DRC since 1995.<sup>15</sup> The massacre challenges the government's claim that the **ADF-National Army for the Liberation of Uganda (ADF-NALU)**, one of three ADF factions, was all but defeated.<sup>16</sup>

*"For months, both the government and the UN mission in the DRC have been giving the impression that operations against the ADF have eradicated the terrorist group, but facts are obviously different."<sup>17</sup>*

The **Forces Armées de la République Démocratique du Congo (FARDC)** and MONUSCO launched a joint operation called **Sukola** against ADF-NALU in January. The FARDC claimed that over 700 militants had been killed and their power effectively eradicated.<sup>18</sup> Clearly this was not the case; however, some regional commentators believe that the ADF killings were an act of desperation by a seriously weakened force.<sup>19</sup> Others believe that it was an attempt to discredit Sukola, which has slowed down considerably since March.<sup>20</sup>

The ADF attacks have affected trust between the local population and MONUSCO forces. Locals gathered outside the MONUSCO's base at Beni airport on 21 October demanding that they leave the town for failing to protect its citizens. According to local sources, the UN peacekeepers are often absent from the city and rarely patrol at night.<sup>21</sup> FARDC and MONUSCO forces fired into the air to disperse the protesting crowd, killing two people. This led to further and increased demonstrations against the UN forces the next day, where youths blockaded the **Mbaw** neighbourhood.<sup>22</sup>

## 1.3 ....demonstrating the continuing poor security situation...

The ADF attacks are the latest example of the continuing poor security situation in the east of the DRC. The area is home to dozens of roaming rebel and militant groups, especially in the provinces of North and **South Kivu**. Militants broke 300 prisoners out of the central prison in **Butembo**, North Kivu on 18 October. Government forces managed to recapture 30 of the escaped prisoners but the rest remain at large. Local officials believe that local bandit gangs or rebel '**Mai-Mai**' militia were behind the prison break as both had significant members among the escaped prisoners.<sup>23</sup>

There is still little progress in the ongoing disarmament of the **Forces Démocratiques de Libération du Rwanda (FDLR)** rebels, former **Rwandan** government forces with links to the 1994 genocide, that also remain active in the east. The **UN Security Council** issued a further ultimatum to the rebels to disarm by January 2015 or face potential military action.<sup>24</sup> However, up to 1200 fighters remain at

<sup>14</sup> 7sur7, 16 Oct 2014

<sup>15</sup> Congosiasa, 21 Oct 2014

<sup>16</sup> AFP, 16 Oct 2014

<sup>17</sup> Source: security analyst, Kinshasa

<sup>18</sup> Congosiasa, 21 Oct 2014

<sup>19</sup> Reuters, 28 Oct 2014

<sup>20</sup> Congosiasa, 21 Oct 2014

<sup>21</sup> Reuters, 22 Oct 2014

<sup>22</sup> Reuters, 22 Oct 2014

<sup>23</sup> Reuters, 19 Oct 2014

<sup>24</sup> New Times, 3 Oct 2014

large. Alongside the FARDC and MONUSCO forces, **Southern African Development Community (SADC)** forces are also involved in the operation. However, the three parties have different views on how to proceed, from reliance on force alone or by offering the FDLR more incentives to disarm. Both **Tanzania** and **South Africa** have voiced concerns over the safety of the estimated 100,000 Rwandan refugees in DRC if a military operation is launched.<sup>25</sup> A variety of self-appointed 'FDLR leaders' have made a range of demands, mostly centred on securing repatriation talks with the Rwandan government – talks the Rwandans are not willing to hold.<sup>26</sup> For the moment the impasse looks set to remain, giving the FDLR room to continue work to delay/defer international action.

A range of other countries' military forces also continue to operate in the area, almost at will. Usually the problem is incursions from Rwanda. Most recently, **Burundian** troops moved in to South Kivu, ostensibly in pursuit of Burundian rebel groups. Eventually, they were forced out of the town of **Uvira**, South Kivu on 8 October, after international and media pressure forced Kinshasa to act.<sup>27</sup>

According to local residents, the Burundian forces had been operating on the DRC/Burundi border for several months. The DRC government had denied their presence, but sources in Kinshasa reported that the troops were deployed as part of a secret deal between Burundi and the DRC to "*halt incursions into Burundi from [rebel insurgents] operating across the border.*"<sup>28</sup> However, human rights activists in Burundi have claimed that the Burundians were in fact training pro-government militia forces to orchestrate violence in the upcoming elections in Burundi in 2015.<sup>29</sup>

#### 1.4 ...and weakening trust in Kabila's government.

President Kabila visited Beni on 29 October to assess the security situation and – publicly, at least – to show Kinshasa's political reach to its residents.<sup>30</sup> The people gave Kabila a lukewarm welcome at best:

*"Contrary to his last visit to Beni, the president did not get an enthusiastic welcome...we noticed a genuine fear on the face of the population as we drove through town."*<sup>31</sup>

Sources close the president say that the Kabila administration hoped that the visit would strengthen the resolve of the local population against the ADF:

*"By walking into a war zone, the president is showing that he is with his population...and that should have an effect on the enemy."*<sup>32</sup>

However, there is little evidence that either the visit, or promises of more equipment for FARDC forces in the area, comforted the population. The visit could at best build some 'national' political capital for the president in Kinshasa, but will do little else.<sup>33</sup>

Any trust that the population of South Kivu may still have in the government has been eroded further with the revelation that Kinshasa knew about the Burundian operation and sought to hide it from the local population and international community. In fact, the Burundian forces were exacerbating tensions between local ethnic groups, and their prolonged presence could have sparked violence.

*"Their prolonged stay would have been a formula for disaster in community relations here."*<sup>34</sup>

<sup>25</sup> Reuters, 22 Oct 2014

<sup>26</sup> Reuters, 22 Oct 2014

<sup>27</sup> Radio Okapi, 8 Oct 2014

<sup>28</sup> Source, western intelligence operative, Kinshasa

<sup>29</sup> Source, human rights activist, Bujumbura

<sup>30</sup> Source, presidential entourage, Beni

<sup>31</sup> Source, presidential entourage, Beni

<sup>32</sup> Source, senior intelligence official, Kinshasa

<sup>33</sup> Source, senior political commentator, Kinshasa

The region's history of brutal violence at the hands of forces from neighbouring countries, countless militia groups and even the Congolese government itself, means that local residents view Kinshasa as a distant power rather than a functioning local authority, and have little faith in their ability or even desire to protect them.<sup>35</sup> The government's eagerness to deny knowledge of the presence of foreign forces does nothing to help this.<sup>36</sup>

## 1.5 Increased gold output raises hopes of high growth...

Prime minister Matata Ponyo's office released the DRC's 2015 budget on 13 October. The government predicts growth of 10.3% next year, well above the **International Monetary Fund (IMF)** estimate of 8.5%. Total government spending will be \$8.5 billion, and inflation is forecast to slow sharply from 9% to 3.5%.<sup>37</sup> This rosy economic picture is heavily reliant on high production of, and prices for, key strategic metals. The government admits that it depends on the mining sector to drive an increase in growth.<sup>38</sup> Copper prices have recovered from a five-month low of \$6,600 per tonne in early October to \$6,850 on 31 October.<sup>39</sup> Gold hit a new low for 2014 of \$38.3 per gramme on 3 October and, despite a recovery in the middle of the month, fell back to \$38.5 on 29 October.<sup>40</sup>

However, an increase in the DRC's gold output gives some hope that something close to double-digit growth for the country in 2015 may be achievable. Mines minister **Martin Kabwelulu** announced on 22 October, at the **iPAD** mining conference in Kinshasa, that the DRC's gold output is set to jump to 18 tonnes in 2014, a more than 400% increase on 2013 production of only 4.1 tonnes. DRC's gold mining industry has only recently picked up pace; in 2007 the country produced just 100kg of gold.<sup>41</sup> South African mining firms **Randgold Resources** and **Anglo-American** opened their **Kibali** gold mine in May 2014, which (alone) has a projected output capacity of 15 tonnes of gold per year, making it one of the largest gold mines in Africa.<sup>42</sup> Kibali is largely responsible for this year's jump in output.<sup>43</sup> However:

*"DRC will not achieve its double digit growth unless there is a jump in the prices of copper and gold in 2015. This would require demand, especially in **China**, to increase."*<sup>44</sup>

## 1.6 ...but proposed mining tax reflects low 'ease of doing business' ranking

The DRC government has sought to capitalise on renewed mining interest in the country by updating the country's mining code. Prime minister Matata Ponyo has said that the planned revenue raised from mining taxes will increase from 14.5% in 2014 to 29% by 2016.<sup>45</sup> The government and mining companies have been in negotiations over the new mining code for months, the particular sticking points being a proposed 40% windfall tax on miners, the length of stability clauses, and the base rates

<sup>34</sup> Source: civil society organiser, South Kivu

<sup>35</sup> Radio Okapi, 8 Oct 2014

<sup>36</sup> Source, senior political commentator, Kinshasa

<sup>37</sup> Reuters, 13 Oct 2014

<sup>38</sup> Reuters, 22 Oct 2014

<sup>39</sup> Infomine.com

<sup>40</sup> Infomine.com

<sup>41</sup> Reuters, 22 Oct 2014

<sup>42</sup> SAPA, 3 May 2014

<sup>43</sup> Reuters, 22 Oct 2014

<sup>44</sup> Source: commodities analyst, Johannesburg

<sup>45</sup> Reuters, 22 Oct 2014

of taxation on precious metals.<sup>46</sup> Randgold CEO **Mark Bristow** told the iPad conference on 21 October that the government could not afford to make the DRC an uncompetitive market by introducing high levels of taxation. He also accused the Congolese government of putting short-term gain ahead of long-term investment and growth with the proposed windfall tax.<sup>47</sup>

*“The government and the mining companies have been trying to sort out the code for months; the problem is that Kabila’s government needs the cash, especially with more military action planned against rebel groups in the east.”<sup>48</sup>*

The DRC is a risky place to operate and has a history of expropriation of resources, particularly mining concessions. The latest **World Bank** ease-of-doing-business rankings, released on 29 October, rank the DRC at 178 out of 189 economies, a mere one place higher than in the 2013/2014 rankings.<sup>49</sup> According to the rankings, the DRC has made it easier to open a new business and collect taxes. Legal reforms have notionally increased protections available to minority investors.<sup>50</sup> Access to electricity has also been made simpler – notionally – through reforms of **L’agence d’électricité de Kinshasa**. However, licences for property, building permits, and credit were all harder to secure than in 2013.<sup>51</sup>

## 2 Implications

As the DRC moves towards the 2016 elections, the political stability of the country is looking shakier. The ruling coalition’s internal tensions and disagreements over 2016 are evidently exerting more of an impact on Kabila’s thinking than continuing international pressure. The ruling alliance is fragile and could easily fracture, leaving Kabila at risk of defeat even if he does succeed in changing the constitution to stand. Kabila’s tactical silence shows that he is assessing the political landscape and, before announcing any formal decision, identifying allies and enemies, as well as gauging how serious the international community might be in their threats. There seems little doubt that Kabila wants to stand again: the key question is whether he can muster the internal support he will need.

The attacks in eastern DRC over the course of October are a reminder that Kinshasa still does not have complete control of security and is, at worst, complicit in the instability. The entry of Burundian troops into South Kivu undermines directly the objective of the presidential visit to North Kivu. Kabila won DRC’s 2006 presidential election on the back of support from the east of the country and his promises to end militia violence. Failure to tackle the ADF, the FDLR, the **Mouvement du 23-mars (M23)**, Mai-Mai, plus continuing discipline problems in the FARDC, suggests that he may now have ‘lost’ the region in political terms.

The DRC’s official budget for 2015 shows the vast economic potential of the country. Private sector mining investment and the prospect of more oil revenue from the concessions around **Lake Albert** could in theory propel growth into double figures. Unfortunately, the government’s estimates seem unrealistic given the current state of global commodities markets.

The plans for windfall taxes in the new mining code – which are reminiscent of the one-off cash-grabs under the rule of Kabila’s father **Laurent Kabila** (1997-2001) and under **Mobutu Sese-Seko** (1965-1997) – seem more closely linked to electoral politics than sound economics. If Kabila wants to change the constitution and stand again, he will now evidently need more money to buy off his own

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<sup>46</sup> Reuters, 22 Oct 2014

<sup>47</sup> Reuters, 21 Oct 2014

<sup>48</sup> Source: western diplomat, Kinshasa

<sup>49</sup> Radio Okapi, 29 Oct 2014

<sup>50</sup> Radio Okapi, 29 Oct 2014

<sup>51</sup> World Bank, 29 Oct 2014



camp, never mind key opponents. The increased political temperature – as well as increasing the cost of governing – could place the country’s recent but fragile economic development in jeopardy. Further, there is no guarantee that the proceeds from windfall taxes wouldn’t simply be funnelled directly into the pockets of Kabila and his allies in case the political climate moved decisively against them. Commentators in Kinshasa have been speculating that the sudden collapse of president **Blaise Compaoré’s** (1987-2014) rule in **Burkina Faso** shows what can happen to presidents with political legitimacy problems.