

AFRICA RISK CONSULTING

Country briefing – DRC

July 2014

Summary

Political instability continues in the Democratic Republic of the Congo (DRC). Militants launch an attack on a military base in downtown Kinshasa, allegedly to free others from imprisonment. The deadlines for demobilising the Forces Démocratiques de Libération du Rwanda (FDLR) and granting amnesty to M23 rebels are approaching, but no more than a few hundred rebels have turned themselves in. President Joseph Kabila (2001-present) dismisses Ahmed Kalej Nkand, CEO of state mining company Gécamines, for allegedly selling mining assets without government permission. The World Bank announces a \$92.1m grant to improve the DRC's telecommunications infrastructure to be delivered as a public-private partnership.

1.1 Militants attack military base in Kinshasa

The Democratic Republic of the Congo (DRC) remains politically unstable despite ongoing efforts to disarm and relocate the rebel groups active in the east of the country. On 22 June militants attacked **Camp Tshatshi**, a military facility in the capital, **Kinshasa**. According to local residents, heavy gunfire started around 2:00 pm and went on for at least 45 minutes and the fighting then spread through downtown Kinshasa.¹ Seven of the assailants and a Congolese soldier were killed.² The attack brought downtown Kinshasa to a standstill as the airport was evacuated and the courthouse and ministerial buildings were closed down.³ Government sources say the assailants had come to break their comrades out of prison, after security forces arrested them a few days earlier.

*“These men are affiliated with the **Enyele** rebellion from **Equateur** province, while others work closely with General **Faustin Munene**, the disgraced former military Chief of Staff.”⁴*

¹ Source, local shopkeeper, Kinshasa

² Le Potentiel, 23 Jul 2014

³ Le Potentiel, 23 Jul 2014

⁴ Source, office of the president, Kinshasa

This is the second time in eight months that there have been attacks in the capital. On 30 December 2013 armed men loyal to **Pastor Joseph Mukungubila Mutombo**, a self-styled prophet who ran unsuccessfully for president in 2006, stormed the offices of the national television station, attacked Camp Tshatshi and briefly occupied several strategic areas in Kinshasa, **Lubumbashi** and **Kindu**. (see *ARC DRC January 2014 Briefing*).⁵

The recent attack in Kinshasa stands as a precursor to more instability in the country. This has an economic as well as a political effect as investors will be put off investing in a destabilising country. The diplomatic community has been actively discouraging foreign businesses from moving in: “*We are telling investors from our country to stay away from the DRC.*”⁶

1.2 Rebel disarmament plans stall

Government plans to disarm rebel groups operating within the country have stalled. The DRC has been attempting to bring greater stability through disarmament and amnesty programmes with rebel groups since February 2014 (see earlier briefings). However the number of rebels demobilising is disputed. Government spokesperson **Lambert Mende** claims that, as of 26 July, 11,000 rebel fighters have already handed themselves in to the **Forces Armées de la République Démocratique du Congo (FARDC)** or to the **Mission de l'Organisation des Nations unies pour la stabilisation en République démocratique du Congo (MONUSCO)**. Mende claimed that 4,000 rebel fighters are following the disarmament, demobilisation, and reintegration process.⁷ Accounts of individual disarming processes of the two major rebel groups however do not appear to support the government's official estimates.

An amnesty programme for **M23** rebels, a **Rwanda**-backed **Tutsi** group which rebelled against the DRC in 2012, has been in place since February 2014. However, as of early July only 30 former rebels had qualified for amnesty.⁸ The Congolese government launched a new amnesty programme for M23 rebels on 11 July, and so far 68 former rebels will benefit from this, bringing the total number of those considered for amnesty to around 100 individuals in the 1,000 strong rebel force. Former M23 rebels claim this number is insufficient and the DRC is not respecting the declaration signed in **Nairobi** in December 2013 that allowed an amnesty to take place. Government negotiator **Francois Mwamba**

⁵ Radio Okapi, 1 Jan 2013

⁶ Source, western diplomat, Kinshasa

⁷ Virunga Business Radio, 26 Jul 2014

⁸ RFI, 13 Jul 2014



has responded that the programme will take time due to the number of M23 rebels outside the DRC in Rwanda and **Uganda**. However time is running out as the amnesty period comes to an end in August.⁹

The demobilisation of the **Forces Démocratiques de Libération du Rwanda (FDLR)** which has been underway since April, has not progressed since June. Only 300 FDLR fighters and their dependents have laid down their weapons and joined the programme. The government had hoped that around 1,400 fighters would disarm, but the majority remain at large. The head of public information of MONUSCO, **Amadou Ba**, also confirmed that the gathering of rebel fighters who have voluntarily laid down their weapons is still going on.¹⁰

The diplomatic and international community are also sceptical about how effective the disarmament process actually is:

*“The FDLR demanded the ceasefire, said they would only surrender to **SADC [Southern African Development Community]** forces and effectively delayed a military action against them by FARDC and MONUSCO. Now only a handful has disarmed and there can be no action against them while the SADC remain in the country.”¹¹*

Even if the demobilisation efforts are successful, the repatriation plans face opposition from inside the DRC. The government plans to move FDLR fighters to the northeastern city of **Kisangani** pending further repatriation.¹² However there has been opposition from those who are aware of the activities of the FDLR in **North** and **South Kivu**. Church groups (such as the protestant **Church of Christ in Congo**) and members of parliament from North and South Kivu, and from Equateur province have called for the rebels to be moved back to Rwanda.¹³ There is also concern that continued FDLR presence in DRC will provoke further Rwandan attacks:

“Rwanda has invaded our country several times since 1996, claiming the FDLR was a looming threat to their national security.”¹⁴

Facing both internal and external opposition, the government will have to either produce large numbers of demobilised fighters to demonstrate its success, extend the deadline again, or resort to different tactics to bring political stability.

⁹ RFI, 11 Jul 2014

¹⁰ Virunga Business Radio, 26 Jul 2014

¹¹ Source, western diplomat, conflict resolution specialist, Kinshasa

¹² Le Potentiel, 24 Jul 2014

¹³ Radio Okapi, 14 Jul 2014

¹⁴ Source, MP South Kivu, 2014

1.3 Kabila fires Gécamines CEO

President **Joseph Kabila** (2001-present) dismissed state-owned mining company **Gécamines** CEO **Ahmed Kalej Nkand** on 26 July. Prime minister **Augustin Matata Ponyo** announced the dismissal, saying that it was for “*gross negligence*”.¹⁵ The mines ministry has since clarified that the dismissal was due to alleged illegal sales of mining sites, that it had found only Kalej to be at fault, and that it would release more information following a thorough investigation.¹⁶

In 2013, the government had publicly warned Gécamines about selling off national mining sites without its permission. Concerns over the transparency of Gécamines’ operations are not new. The DRC has recently been re-admitted to the **Extractive Industries Transparency Initiative (EITI)**, which promotes good management of oil, gas and mineral resources. The EITI expelled the DRC in mid-2013 for failing to address issues raised in a 2010 report, published in 2013, which showed a lack of transparency in state-owned and private companies, and raised numerous concerns about Gécamines operations. After expelling the DRC, the EITI demanded an independent audit of a \$6.3m joint venture between Gécamines and a **Chinese** consortium.¹⁷ **London**-based think-tank **Global Witness** as well as **Kofi Annan’s Africa Progress Panel** criticised a Gécamines deal with **Israeli** investor **Dan Gertler** (a long-standing friend of Kabila) in 2011 in which it sold its stake in **Glencore Xstrata’s Mutanda** and **Kansuki** mining projects to Gertler.¹⁸

Gécamines has been under considerable pressure in recent months and admitted, during a strike by employees in Katanga in June, that it lacked \$160m needed to pay severance pay to 12,000 of its workers as part of its restructuring plan (see *ARC DRC June 2014 Briefing*).¹⁹ Kalej had been at the helm since 2010, moving across from the central bank,²⁰ and was the architect of the ambitious strategic plan to turn the company around. His dismissal raises questions about Gécamines’ ability to hit its ambitious copper production target of 60,000 tonnes in 2014, increasing to 100,000 tonnes in 2015.²¹

“It is highly possible that he [Kalej] has been operating in a corrupt way; he is an experienced technocrat and knows how to play the system. However, he has also been turning the company around...the most important thing is that they appoint someone to carry on that work.”²²

¹⁵ Radio Okapi, 26 Jul 2014

¹⁶ Bloomberg, 27 Jul 2014

¹⁷ East African, 4 Jul 2014

¹⁸ Bloomberg, 27 Jul 2014

¹⁹ Reuters, 27 Jul 2014

²⁰ Reuters, 13 Feb 2013

²¹ Bloomberg, 24 Jun 2013

²² Source, business journalist, Kinshasa

A booming mining sector has been behind an upswing in the DRC's macro-economic performance in the past year, with year-on-year inflation down to 1.4% and growth set to rise to 8.7% in 2014, from 8.5% in 2013. The country produced a record 942,000 tonnes of copper in 2013.²³ The price of copper also rose from \$6,691/tonne in June to \$7,130/tonne in July.²⁴ It remains to be seen if Gécamines' production falls back as a result of Kalej's dismissal. If so, government could lose much-needed revenue.

1.4 World Bank announces grant for telecoms industry

The **World Bank** announced on 22 July it would be providing a \$92.1m grant to boost the DRC's telecoms industry as part of its **International Development Assistance (IDA)** programme. The grant is part of the fifth phase of the bank's so-called **Central African Backbone Program (CAB Program)**. World Bank vice-president, **Makhtar Diop** made the announcement during a four day visit by to the country from 22 to 26 July.²⁵

The bank aims to use the grant to develop faster internet speeds, greater internet access as well as more efficient telephone calls. The bank said that the infrastructure built as a result of the grant should greatly lower the prices of both telephone calls and internet connections by linking the DRC's main economic clusters to each other and to regional and global networks in neighbouring countries.²⁶

The telecoms industry in the DRC lags behind many of its neighbours by using coaxial cables which provide poor telephone signals and do not allow for high speed internet. It started a programme to introduce high speed fibre-optic cables in 2012.²⁷ However, inefficiency in the national telecoms operator, the **Société Commerciale des Postes et Télécommunications (SCPT)** has hampered the programme, with base stations designed to link the DRC to the **West African Cable Network (WACN)** being built to the incorrect specification in 2012.²⁸ In addition, telecoms operators hesitated to buy into the new capacity, being distrustful of the SCPT's ability to maintain the infrastructure and the cables' reliability – once they were finally laid in 2013.²⁹

²³ Reuters, 27 Jul 2014

²⁴ Quotenet 30 Jul 2014

²⁵ Reuters, 27 Jul 2014

²⁶ CIO East Africa, 23 Jul 2014

²⁷ HG Legal, Dec 2012

²⁸ VOA, 25 May 2012

²⁹ Kongo Times, 28 Aug 2013

The bank will distribute the grant through public-private partnership tenders over the course of five years. It hopes that the partnership model will bring badly needed private sector investment into the country.³⁰ However, local sources are sceptical that any programme involving the DRC government could be pulled off successfully:

“If the funds are managed by the government of DRC it is likely that they will be embezzled by officials...the World Bank should let a credible organisation manage these funds.”³¹

2 Implications

The renegade violence in Kinshasa is part of a medium-term pattern and indicates that the country is still some way from political stability, even at the centre. Media coverage of the Kinshasa violence has raised international alarm and anecdotal evidence suggests that investors – already very hesitant to get involved in the DRC – have become even more risk-averse. Western nations have already scaled back aid programmes in the DRC due to Kabila’s thinly-disguised efforts to change the constitution so that he can run for election again in 2016 (having ‘won’ a widely-criticised election in 2011). There is a chance of modest macro-economic stability going forward if mineral prices maintain their recent strong performance and industry delivers on its production targets.

In the farther reaches of the country, progress towards disarming a range of rebels – from former Rwandan genocidaires like the FDLR to Rwandan-backed Tutsi groups like M23 – is proving to be at best illusory and at worst a sham. There may well be 11,000 or more active rebels operating in DRC, but so far the government has only managed to get a few hundred to hand themselves in. If anything the authorities risk making the situation worse by relocating rebels to places like Kisangani where the local population has negative memories of Rwandans from past conflicts. The Congolese rumour mill works with such alarming speed that the local population could see them as agents of the Rwandan government or as a serious liability destabilising the region further. Based on the lack of progress and the pattern of previous official disarmament ‘deadlines,’ the government is likely to extend this one indefinitely with no likelihood of significant progress in the short term.

Kabila has long exerted strong control over the mining sector and is widely regarded to have picked up interests through his relationship with Gertler. His dismissal of Ahmed Kalej Nkand is less about corruption per se – though that may have been a legitimate justification – and more a move to re-assert his control in a key cash-generating enterprise as elections loom in 2016.

³⁰ CIO East Africa, 23 Jul 2014

³¹ Source, thinktank analyst, Bukavu



Corruption remains a major risk of investing in the DRC. The World Bank telecoms grant could be excellent news for the country's long-suffering small and mid-cap companies. However, analysts are already warning of the need for close monitoring of the money to ensure that the government spends it properly and effectively.