

AFRICA RISK CONSULTING

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President Joseph Kabila (2001-present) and opposition parties increase rhetoric over the electoral timetable following the government's failure to hold municipal elections in October. Opposition protests in Lubumbashi turn violent, which analysts believe is a sign of further violent protest to come. The finance ministry revises the growth forecast for 2015 to 7.7% from 8.4% after the price of copper falls 12% across November. The Sicominex joint-venture between state-owned mining company Gécamines and two China-based companies produces its first copper. The mine has a capacity of 400,000 tonnes per annum.

DRC moves towards civil unrest over electoral timetable

Democratic Republic of the Congo (DRC) president **Joseph Kabila** (2001-present) and his ruling **Majorité Présidentielle (MP)** coalition and opposition parties led by the **Union pour la Démocratie et le Progrès Social (UDPS)** are escalating their rhetoric over supposedly forthcoming municipal and general elections. Deputy prime minister **Evariste Boshab** said on 2 November that the president had invited opposition parties to a formal dialogue due to start on 15 November on the municipal elections, which the government had failed to hold in October.¹ Boshab said the UDPS had agreed to participate in the meeting under **Said Djinnit**, the **United Nations (UN)** special envoy for the **Great Lakes**, in the town of **Muanda** to the west of capital **Kinshasa (Bas-Congo)**.² However, according to DRC analysts, Kabila never invited the UDPS leadership to the dialogue, although the party is reportedly willing to have one.³ Similarly, Djinnit's office told journalists that while he would be willing to take on the role of mediator the government had not approached him.⁴

Figures close to the president have said repeatedly throughout November that the dialogue is real. Senate leader **Leon Kengo wa Dondo** repeated the invitation to opposition parties on 9 November and said that Kabila planned to respect the constitution and hold a general election in 2016.⁵ Kabila himself, in a joint press conference with **Zimbabwe** president **Robert Mugabe** (1989-present), said that he would still hold municipal elections prior to general elections in 2016.⁶ However, according to DRC analysts this is now impossible if Kabila wants to stick to the electoral timetable:

*"Even senior government members are saying in private that this isn't possible...it is likely that Kabila will govern after his mandate runs out in November 2016."*⁷

Government figures have provoked further opposition anger by suggesting delaying the elections. MP spokesperson **Atundu Liongo** said on 12 November that DRC should organise a census of the population prior to national elections.⁸ This is the same suggestion that led to protests across the country and violence in capital Kinshasa in January (see *ARC Briefing DRC January 2015*). The new provisional governor of the new province of **Lualaba, André Alain Atundu**, told a press conference

¹ Radio Okapi, 2 Nov 2015

² Radio Okapi, 2 Nov 2015

³ Congosiasa, 7 Nov 2015

⁴ Congosiasa, 7 Nov 2015

⁵ Reuters, 10 Nov 2015

⁶ Congosiasa, 20 Nov 2015

⁷ Senior DRC analyst in, CRG 20 Nov 2015

⁸ La Phare, 12 Nov 2015

on 2 November that the government plans to delay the elections for two to four years.⁹ The presidency was quick to distance itself from the latter comments but it shows a trend of thought within the ruling coalition that has no problem with Kabila ruling beyond November 2016.

The opposition is running out of patience. UDPS spokesperson **Valentin Mubake** said on 18 November that if Kabila did not hold a national dialogue by 2 December, the party would “*enter a different logic*”.¹⁰ Main opposition coalition **Dynamique de l’Opposition** held a large meeting in Kinshasa on 7 November to criticise the government for failing to hold the election.¹¹ The group comprises the **Union pour la Nation Congolaise (UNC)**, **Engagement pour la Citoyenneté et le Développement (ECiDé)**, **Mouvement de Liberation du Congo (MLC)**, **Forces Novatrices pour l’Union et la Solidarité (Fonus)** and other smaller parties.¹² They criticised the UDPS for reportedly agreeing to take part in the alleged dialogue and released a statement saying that the only way to ensure elections was “*a large resistance front to definitively block the path to this abuse of power*”.¹³

This leads analysts to believe that the risk of violent protests in the run up to any elections (or at least on the dates on which the government is supposed to hold elections) is high:

*“Kabila is unintimidated by the kind of opposition violence in neighbouring Burundi or Burkina Faso. He appears to be saying to the opposition ‘bring it on’... the only end point is blood on the streets of Kinshasa.”*¹⁴

The process has already begun. Opposition protests turned violent in Lubumbashi, the capital of **Haut-Katanga** province, in response to the government arresting 15 youth activists of the **Union National des Fédéralistes du Congo (Unafec)** at its party headquarters on 10 November.¹⁵ Several hundred protestors clashed with police who fired tear gas to disperse the protest.¹⁶ Unafec is one of the so-called **G7** parties that the president expelled from the MP in September (see *ARC Briefing DRC September 2015*).

DRC cuts growth forecast on copper price slump....

DRC’s finance ministry has cut its growth forecast for 2016 to 7.7% due to the falling price of copper.¹⁷ The ministry lowered the forecast on 23 November from its earlier projection of 8.4%, which itself was a downgrade from the 10.3% predicted for DRC in May 2015.¹⁸ Prime minister **Augustin Matata Ponyo** made the announcement – Kabila has not filled the finance minister position that Matata Ponyo vacated to become prime minister.

The primary reason for the lowered forecast is decreasing commodities prices – primarily copper – which are low due to decreased demand from **China**.¹⁹ Copper fell to a new low of \$4,444 per tonne on 23 November, and has recovered slightly to \$4,530 at time of writing.²⁰ The slump represents a 12% fall across the month from \$5,150 per tonne on 1 November.²¹

Copper and cobalt, DRC’s other primary commodity export, accounted for 79% of foreign export receipts in the first half of 2015 according to central bank, **Banque Centrale du Congo (BCC)**.²²

⁹ Congosiasa, 2 Nov 2015

¹⁰ Radio Okapi, 18 Nov 2015

¹¹ La Phare, 7 Nov 2015

¹² La Phare, 7 Nov 2015

¹³ La Phare, 7 Nov 2015

¹⁴ Senior DRC analyst in, CRG 20 Nov 2015

¹⁵ Reuters, 10 Nov 2015

¹⁶ Reuters, 10 Nov 2015

¹⁷ Radio Okapi, 23 Nov 2015

¹⁸ Reuters, 23 Nov 2015

¹⁹ Radio Okapi, 23 Nov 2015

²⁰ Infomine.com

²¹ Infomine.com

²² Reuters, 24 Nov 2015

Ponyo promised that the government was looking at measures to “*diversify the economy*”.²³ However, he did not go into any details. According to economic analysts DRC will not be able to diversify its economy in the short or medium term:

*“The building blocks of economic diversity: infrastructure – power, transport – a functioning legal system, a growing middle class, strong export links, simply aren’t there... the government is facing the perfect storm of low copper and low oil prices – its two biggest commodities. However, all it can do is try to use the low prices to attract more investment and ride out the [commodities] supercycle.”*²⁴

The falling copper price has hurt copper miners operating in DRC. **Switzerland-based Glencore Plc** announced in October that it would shut its **Katanga Mining** operation for 18 months to implement cost-cutting measures (see *ARC Briefing DRC October 2015*). The mine produced 15% of the DRC’s copper in 2014.²⁵ Ponyo told the media at the time of the announcement that the 18-month closure would cost the government \$215m in lost tax revenues.²⁶

...as Sicomin produces first copper

Despite the low growth outlook for 2015 due to the decreased copper price, DRC’s copper output is set to increase as the mines ministry announced that **Sicomines** joint venture has started producing copper.²⁷ Mines minister **Martin Kabwelulu** attended a ceremony at the mine to celebrate the first copper production on 6 November. The mine is a joint venture between DRC state mining company **La Générale des Carrières et des Mines (Gécamines)**, **Société Immobilière du Congo**, and two China-based companies **Sinohydro Corp** and **China Railway Group Ltd**. It was part of a deal in 2007 to provide infrastructure in return for stakes in DRC mineral deposits.

The **China Export-Import Bank (China Exim)** financed the project which involved \$3 billion in roads, railways, water and power infrastructure in return for a 68% share in the copper mine and a related cobalt mine.²⁸ The mine, located in the **Katanga** region, will have a full operating capacity of 400,000 tonnes per year, approximately 40% of DRC’s current copper production.²⁹ When complete it will increase the total production of the company to 1.5 million tonnes per annum, strengthening the country’s position as the largest copper producer in **Africa**.³⁰ Increasing the supply of copper may have a negative impact on the commodity price, especially as demand slows further. However sources in the DRC copper industry are positive about the long-term outlook:

*“Until they find a better, cheaper material for electric wiring, copper can only fall so far... we have an entire continent [Africa] which is rapidly electrifying ... demand will pick up, and so will the copper price.”*³¹

A number of delays held up the development of the mine. Work on the project began in 2008 but was delayed due to poor infrastructure at the mining site.³² China Exim pulled out of the deal in 2012 due to a disagreement with the mines ministry over the structuring of the deal.³³ This delayed the development of the mine for two years until the bank agreed a restructured deal with the government

²³ Radio Okapi, 23 Nov 2015

²⁴ Source, developmental economist, Durban

²⁵ Radio Okapi, 22 Oct 2015

²⁶ Radio Okapi, 22 Oct 2015

²⁷ Reuters, 7 Nov 2015

²⁸ Reuters, 7 Nov 2015

²⁹ Mining Weekly, 19 Jun 2015

³⁰ Mining Weekly, 19 Jun 2015

³¹ Source, owner of a copper mine, DRC

³² Africa Report, 4 Aug 2014

³³ Africa Report, 4 Aug 2014

in mid-2014.³⁴ The rest of the development has gone according to schedule as the mine has hit its target of first copper before the end of 2015.³⁵

Implications

The government and opposition are assessing each other's capacity over the electoral process. It is becoming increasingly clear that the process of *glissement* (sliding) that political observers both domestically and internationally feared is already underway. Both sides seem committed to testing each other through the politics of protest and the accompanying government crack-down alongside electoral negotiations. It is understandable that after years of national dialogues – held across DRC and around the globe – that opposition groups are wary of Kabila's invitation to another round of talks. Genuine organisational and funding hurdles remain for DRC to be able to hold any form of election, which only cross-party talks and agreements can realistically solve. However, the issue is now so highly politicised that no matter what the government does it has the potential to spark further unrest.

In order for DRC to diversify its economy effectively the country needs to embark on a widespread and effective development programme. This would take years to implement in any country, even without DRC's vast size, infrastructure deficit, and entrenched local government inefficiency. The government reportedly has such a plan – which it has never fully published – but until it is able to implement it, the economy will remain commodity dependent. A combination of copper, oil and cobalt prices will determine the level of government revenues.

Projects such as the new Sicomines venture show that DRC has the potential to expand its resource-based economy even further. It effectively represents a 40% increase in total copper production. When the commodities super-cycle turns again it will provide a significant boost to government revenues. However, whether this leads to a more diversified and balanced economy is less certain. The infrastructure projects in the Sicomines deal are primarily aimed at ensuring that the mine is able to function profitably, and the government's own efforts to improve infrastructure have yet to lead to significant improvements.

³⁴ Africa Report, 4 Aug 2014

³⁵ Reuters, 7 Nov 2015

About Africa Risk Consulting:

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