

AFRICA RISK CONSULTING

DRC Monthly Briefing May 2015

DRC Summary 29 May 2015

Opposition parties are divided over whether to attend dialogue meetings that President Joseph Kabila (2001- present) is arranging to discuss the upcoming elections. The opposition Mouvement de Libération du Congo (MLC) party refuses to attend but other opposition parties, the Union pour la Démocratie et le Progrès Social (UDPS) and the Union pour la Nation Congolaise (UNC), accept the invitation. China-based Zijin Mining Group Co purchases 47.9% of DRC's largest copper deposit, the Kamao project, from Toronto Stock Exchange-listed Ivanhoe Mining. The mining ministry, which holds a 5% stake in the project, calls for a meeting with Ivanhoe claiming it cannot sell to Zijin without its permission. The separate La Sino-Congolaise des Mines (Sicomines) joint venture between China and DRC is due to start producing 50,000 tonnes of copper per annum later this year. Increased Allied Democratic Forces (ADF) attacks destabilise the security of North and South Kivu provinces. The government claims Forces Armées de la RDC (FARDC) has conducted operations against Rwandan Hutu rebel militia, the Forces démocratiques de libération du Rwanda (FDLR), but local activists accuse the government of failing to address the ADF.

Opposition leaders divided on invitation to election dialogue meeting

President **Joseph Kabila** (2001- present) has invited leaders of the opposition parties, international observers and civil society organisations in the **Democratic Republic of the Congo (DRC)** to a series of political dialogue meetings.¹ The dialogue sessions will focus on the operation of the **Commission Electorale Nationale Indépendante (CENI)** and the upcoming elections.² However, opposition leaders are divided over whether or not to accept the invitation.

The Kabila administration has a poor track record in cross-party consultation. Kabila committed to dialogue as part of a regional peace framework agreement he signed in **Addis Ababa (Ethiopia)** in 2013. He held national consultations at the end of that year but many opposition groups did not take part. Most of the promises Kabila made at the consultations in 2013 remain unfulfilled. Those that have occurred, such as the appointment of a national unity government, did not take place until years later.³

The opposition **Mouvement de Libération du Congo (MLC)** party said it will not attend the dialogue meetings. MLC spokeswoman **Eva Bazaiba** said that as the recommendations from the 2013 consultations were not implemented, the MLC saw no reason to engage with the current dialogue. According to Bazaiba: "what we need are elections".⁴

However the largest of the opposition parties, the **Union pour la Démocratie et le Progrès Social (UDPS)** of long standing opposition figure **Etienne Tshesikedi**, will take part.⁵ A number of smaller parties, such as the **Parti Travailleiste Congolais (PTC)**, who often follow the UDPS lead on policy, will join the UDPS in attending the meetings.

¹ Radio Okapi, 14 May 2015

² Radio Okapi, 14 May 2015

³ Reuters, 16 May 2015

⁴ La Phare, 16 May 2015

⁵ VoA, 16 May 2015

The **Union pour la Nation Congolaise (UNC)** which has a large support base in **North Kivu** and **South Kivu** provinces in the east of DRC is sceptical of the dialogue but will take part. UNC leader **Vital Kamerhe** addressed a rally in **Bukavu**, the capital of South Kivu, on 26 May and explained that the dialogue was taking place in a different context to that of 2013.

“This dialogue has a hidden government agenda to obtain a shift in the electoral process through a new transition [of government], when the mandate of the head of state finishes on the 20 December 2016.”⁶

Opposition parties taking part in the dialogue argue that not participating risks allowing the government to compete on its own terms:

“Those who said yes to elections, but no to dialogue and go into the elections with unclear terms, as is now the case, legitimise the power of current regime. There is no proof that the opposition could win the elections under the current conditions... they refused to send their delegates to CENI. Then [after the invitation dialogue] they say that CENI will get it right; elections, not dialogue, are sufficient. Those of us attending the dialogue want to ensure that we have a truly independent CENI that leads the election process...the other parties are simply dupes.”⁷

The invitation to dialogue is an opportunity for Kabila to divide and conquer the political opposition. There are rumours that Kabila could invite opposition figures into a new government of national unity. Kabila only appointed the current government in December but would gain from a less united opposition going into elections later this year. If positions were offered, opposition figures might be tempted to take them in order to get closer to power:

“Instead of acting to save RDC, certain members of the opposition give the impression that they are engaged in a war with the administration. [However] each of them would like to be the privileged interlocutor of Joseph Kabila...relaying his messages within the political family, or even handing out [ministerial] posts in a future new regime.”⁸

Zijin's entry into Kamoia mine prompts government anger

China-based Zijin Mining Group Co purchased 47.9% of DRC's largest copper deposit, the **Kamoia** project in **Katanga Province**, from **Toronto Stock Exchange (TSE)**-listed **Ivanhoe Mining**. Zijin's subsidiary **Gold Mountains International Mining Company Ltd** will purchase 49.5% of Ivanhoe's DRC-based subsidiary **Kamoia Holding Ltd**, which owns 95% of the Kamoia project, for \$412m.⁹ The Kamoia project is the development of a 100,000 tonne copper mine which is estimated to cost \$1.4 billion. A second phase will add a smelter and expansions to the mine with a projected potential output of 300,000 tonnes per annum. Ivanhoe acquired the permits for the site in August 2012.¹⁰

The government called Ivanhoe executives into the mining ministry for a meeting which will take place on 3 June. Ministry chief of staff **Valery Mukasa** said that the government was explicitly opposed to the deal. The government currently holds a 5% interest in the Kamoia project, and claims it was not consulted prior to the sale.¹¹ Mines minister **Martin Kabwelulu** said that the sale cannot take place without government consultation, but that the government is willing to work with Ivanhoe to find a solution to the issue.¹² Ivanhoe chairman **Robert Friedland** said that the company was confident the sale would go ahead. In the past Friedland has written to Kabila offering to sell the government a further 15% stake in the project.¹³ Zijin and the government have clashed before over

⁶ Source, UNC, Bukavu

⁷ Source, PTC, Kinshasa

⁸ Source, senior journalist, Kinshasa

⁹ Reuters, 26 May 2015.

¹⁰ Reuters, 27 May 2015.

¹¹ Bloomberg, 28 May 2015.

¹² Bloomberg, 28 May 2015.

¹³ Reuters, 27 May 2015.

the company's attempts to enter DRC's copper sector. In 2010 the government blocked Zijin's \$230m bid to acquire a 40% stake in **Platimin Congo**, a subsidiary of Zambia-based **Copperbelt Mining Company**.¹⁴

One reason for the opposition to Zijin's entry into the market is possibly the existing minerals for infrastructure deal between the Chinese and DRC governments. The \$6 billion deal, signed in 2009, guaranteed that Chinese companies would build \$3 billion of infrastructure (including roads, schools and hospitals) in return for a 68% share in a joint-venture (JV) with state-owned mining company **La Générale des Carrières et des Mines (Gécamines)**. Gécamines (32%), **Sinohydro Corp** (34%) and **China Railway Group Limited** (34%) own the JV company **La Sino-Congolaise des Mines (Sicomines)**.¹⁵ The company will operate mining assets in Katanga and the mines ministry announced on 21 May that the production of 50,000 tonnes per annum would begin by autumn 2015. The Sicomines sites have a combined total potential output of 400,000 tonnes per annum and are expected to reach that in 2035.¹⁶

*"The government is concerned about China gaining too much of a foothold in DRC...but Ivanhoe is paying for lots of infrastructure around Kamoa and need Zijin's money to do that, the deal should go through."*¹⁷

FDLR campaign 'going well' but increased ADF attacks show regional instability

The **Forces Armées de la RDC (FARDC)** operations against **Rwandan** rebel **Hutu** militia, the **Forces démocratiques de libération du Rwanda (FDLR)** are progressing but the **Ugandan** anti-government rebel force, the **Allied Democratic Forces (ADF)**, continues to attack civilian targets in the region. The FARDC are carrying out the operations without the support of **Mission de l'Organisation des Nations Unies pour la Stabilisation en RDCongo (MONUSCO)** troops. Despite claims that their operations against the FDLR are progressing, the operations are not achieving security in the eastern regions.

DRC's **United Nations (UN)** ambassador **Ignace Gata Mavita** wrote to MONUSCO on 8 May saying that the FARDC operations against the FDLR were progressing well. Mavita said that the army had cleared the **Uvira**, **Shabunda** and **Mwenga** roads in South Kivu and was now moving on to focus on the **Kalehe**, **Kabare** and **Walungu** roads in North Kivu.¹⁸ However sources in South Kivu say that while the army has cleared FDLR camps there is little evidence that they have dented the group's numbers:

*"Government soldiers go up and down the roads and clear the camps but the FDLR just move up into the hills and the FARDC make no effort to chase them...it is a hollow exercise."*¹⁹

ADF attacks in the **Beni Region** continue to destabilise North Kivu. ADF forces killed two and wounded 13 **Tanzanian** MONUSCO peacekeepers on 5 May, prompting the UN force to send reinforcements.²⁰ ADF forces killed six civilians on Beni's outskirts on 12 May and exchanged fire with FARDC forces. The group killed a further seven people in overnight attacks in the area that week.²¹ On 22 May the ADF killed 28 people at **Mbutaba**, 28km north of Beni.²²

The FARDC has made some progress in operations against the ADF. The FARDC killed 16 ADF soldiers at the cost of four of their own in fighting in **Kokola**, 45km north of Beni, on 5 May.²³ The ADF's

¹⁴ China Daily, 13 May 2010

¹⁵ Reuters, 21 May 2015

¹⁶ Reuters, 21 May 2015

¹⁷ Source: DRC analyst, London

¹⁸ MONUSCO website, 2015

¹⁹ Source: civil society organiser, Goma

²⁰ AFP, 5 May 2015

²¹ Reuters, 12 May 2015

²² Reuters, 22 May 2015

²³ Radio Okapi, 5 May 2015

leader, **Jamil Mukulu**, was also reportedly arrested in Tanzania in late April. **Uganda** and DRC have both petitioned for his extradition. The Ugandan government also has doubts over the identity of the arrested man.²⁴

The local population criticises the government, FARDC, MONUSCO and the international community for failing to dedicate sufficient resources to prevent the attacks. Local activists point to the diversion of resources from military operations against the ADF launched in October 2014 to fight the FDLR in early 2015 as evidence that their problems are being ignored.

*"It is beyond belief that Kabila sends troops to hunt the FDLR and takes resources away from keeping Beni safe from the ADF."*²⁵

A group of six Roman Catholic bishops from dioceses in North and South Kivu travelled to Beni in May to report on the situation. They wrote an open letter to the government saying the security situation in the east of the country had continued to deteriorate. The bishops criticised the local authorities for not prioritising the security of residents in the region and said that the government was *"either unable or unwilling to, or an accomplice"*²⁶ of the ADF.

The UN published a report on 13 May saying that the ADF may have committed crimes against humanity. The report details the large number of deaths – 237 in the last quarter of 2014 – and ADF attacks using hatchets and machetes in night time raids. The report said the attacks *"may amount to war crimes and crimes against humanity"*.²⁷ However, as MONUSCO troops are currently not involved in any joint operations with FARDC in the area, it is not clear if this will help the situation on the ground.

*"The UN should be involved in both operations...taking their principled stand against the FARDC generals involves them sitting back and watch the situation destabilise."*²⁸

Implications

Kabila's dialogue meetings have succeeded in dividing the already divided opposition further. The loose coalitions they form to fight Kabila on an election-by-election basis have always failed to hold. While anti-government sentiment is running high in some regions, such as **Bas-Congo** and the Kivus, the government is careful to ensure that their strongholds are better governed. Whether they attend the dialogue meetings or not, the Kabila administration will still work hard to make sure that any elections that do happen fall in its favour. The greatest threat to Kabila at the moment remains from within his ruling coalition, or even from within his own **Peuple pour la Reconstruction et la Démocratie (PPRD)** party.

DRC's copper production is at record levels and the government views it as a potential source of revenue. The government is also in the process of introducing a new mining code that greatly increases the equity stake it is entitled to carry. In this context, the outcry at the sale of 50% of a major asset to a company with which the government has a bad past relationship makes more sense. The government has to enter into negotiations with another player in order to increase its value at one of the country's largest copper deposits. The government's own major plans with the Chinese government have come to fruition so there is little threat to Sicominex from Zijin's entry, as there might have been in 2010. Kabila's administration needs to ensure that it can keep all major players on board to allow the copper sector to help drive economic growth.

The FARDC's reports about the operations against the FDLR are highly difficult to verify, but the view from the ground is that the operations to date were either ineffective or designed not to work. With the FDLR, this approach has not resulted in civilian casualties; with the ADF the same approach will

²⁴ AFP, 5 May 2015

²⁵ Source: civil society organiser, Goma

²⁶ Radio Okapi, 23 May 2015

²⁷ Reuters, 13 May 2015

²⁸ Source: DRC analyst, London

only result in more attacks. The FARDC forces in Beni are understaffed and the MONUSCO forces are also spread thin over the large area in which the ADF operates. Unless either the UN or the DRC is willing to deploy (and pay) considerably more manpower to the region, there is little reason the attacks will slow down or stop.

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential online business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an online information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.briefing.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)