

AFRICA RISK CONSULTING

DRC Monthly Briefing June 2016

DRC Summary 28 June 2016

Opposition parties in the Democratic Republic of the Congo (DRC) look increasingly unlikely to have a strong candidate to take on President Joseph Kabila (2001-present). A court in Lubumbashi sentences leading candidate Moïse Katumbi in absentia to three years in prison and a \$1m fine while Katumbi recovers from injuries sustained during a rally in May. State-owned mining firm La Générale des Carrières et des Mines (Gécamines) announces cuts of 2,000 jobs and plans to reinvest the \$717m in its operations as part of a strategic turnaround plan from 2016 to 2020. An outbreak of yellow fever spreads to DRC infecting a suspected 1,000 people as the government runs out of stocks of its vaccine.

Opposition in disarray as court indicts absentee Katumbi

Opposition parties in the **Democratic Republic of the Congo (DRC)** look increasingly unlikely to have a strong candidate to take on President **Joseph Kabila** (2001-present) in general elections the government originally planned to hold in November. **Moïse Katumbi**, who declared his intention to run for president with the backing of the majority of opposition parties in May, remains in the **United Kingdom (UK)**, receiving medical treatment for injuries sustained during a rally. A court in **Lubumbashi** convicted Katumbi in absentia of selling a house he did not own, and sentenced him to three years in prison and a \$1m fine.¹

The Lubumbashi court ruled that Katumbi sold a house in the city, the capital of former **Katanga Province**, under false pretenses to **Greek** national **Alexander Stuuris**.² Katumbi's lawyers argued that the house was never sold and belongs to Katumbi's older brother **Raphael Katebe Katoto**.³ Katoto produced the legal documents proving his ownership but the judge in the case did not allow the defence to present a case, instead ruling solely on the basis of the prosecution's arguments.⁴ Katumbi's legal team also argued that the courts had violated legal due process by trying Katumbi in absentia, after DRC's prosecutor general had given him permission to leave the country.⁵ Katumbi's legal team asserts that the case is an attempt to make sure that Katumbi cannot return to DRC to contest the presidential elections. According to his lawyer **Barthelemy Mumba Gama**:

"This case flagrantly violates the basic minimum standards in judicial process...it is a politically motivated case against my client to prevent him from contesting in the elections."⁶

The case is not the only one currently open against Katumbi. A court in **Kinshasa** is continuing to allow investigations into Katumbi for hiring mercenaries to overthrow the government.⁷ The charges relate to non-DRC nationals working as security advisers and bodyguards to Katumbi whom the intelligence services arrested during a protest on 24 April (see *ARC Briefing DRC April and May 2016*).⁸ The DRC government released the last of these advisers, **United States (US)** citizen **Darryl Lewis**, on

¹ Radio Okapi, 22 Jun 2016.

² Jeune Afrique, 28 Jun 2016.

³ Radio Okapi, 22 Jun 2016.

⁴ Jeune Afrique, 28 Jun 2016.

⁵ Radio Okapi, 22 Jun 2016.

⁶ Gama in Radio Okapi, 22 Jun 2016.

⁷ Reuters, 8 Jun 2016.

⁸ Reuters, 8 Jun 2016.

8 June into US embassy custody and he will now return to the US pending further investigations.⁹ DRC authorities told the media that they would continue to investigate the case into Lewis and Katumbi.¹⁰ According to a long-standing analyst of DRC politics, Katumbi will face further prosecution if he returns to the country:

“DRC has been this way for 50 years; if you want to stand against the government, you end up in prison...this is less of a problem than Moïse’s health. He could wage a campaign from a jail cell but not from his hospital bed.”¹¹

DRC’s opposition coalitions now find themselves without a presidential candidate. Veteran opposition leader and president of the **Union pour la Démocratie et le Progrès Social (UDPS)** (union for democracy and social progress) **Etienne Tshesikedi** called a meeting of the heads of major parties in **Brussels, Belgium** on 8 June.¹² The meeting included representatives from the **G7** group of political parties that back Katumbi and others from the wider **Front Citoyen (FC)** opposition umbrella movement that also supported Katumbi’s presidential bid.¹³ There is, however, further disunity in the opposition parties after the **International Criminal Court (ICC)** sentenced opposition party **Mouvement pour la Libération du Congo (MLC)** leader **Jean-Pierre Bemba** to 18 years in prison for war crimes and crimes against humanity on 21 June.¹⁴ **Eve Bazaiba**, secretary general of the MLC has vowed to fight the ruling.¹⁵ The MLC were previously the most powerful opposition group in DRC, but have kept out of efforts to unite against Kabila due to the Bemba ruling.¹⁶

Opposition parties have rallied round Tshesikedi, but have yet to make any announcement on an opposition candidate to replace Katumbi. International actors have expressed concern over Katumbi’s treatment as well as the arrest of a number of activists at opposition rallies across May (see *ARC Briefing DRC May 2016*).¹⁷ The US has implemented sanctions against **Celestin Kanyama**, the head of the police force in capital Kinshasa, putting him on the **US Specially Designated Nationals List**.¹⁸ The decision, which the US state department took on 23 June, results in all Kanyama’s assets in the US being frozen and prevents him, or anyone he is linked to, doing business with US companies and citizens.¹⁹ Kanayma presided over ‘**Operation Likofi**’ where police dragged opposition activists from their homes at gunpoint; at least 50 people are missing following the operation.²⁰ The **United Nations (UN) Security Council** voted on 23 June to renew UN sanctions in DRC and warned that it would increase pressure if the government did not hold an election by the end of 2016.²¹ However, local sources argue that international pressure will, as ever, have little impact:

“The US and UN can implement all the sanctions they want but it will not hurt Kabila and will not help Katumbi and the opposition. Change in DRC can only come from within.”²²

Gécamines cuts 2,000 jobs and reinvests \$717m

State-owned mining firm **La Générale des Carrières et des Mines (Gécamines)** announced that it would cut 2,000 jobs and reinvest the \$717m in its operations on 8 June.²³ Gécamines carries a debt

⁹ Reuters, 8 Jun 2016.

¹⁰ Reuters, 8 Jun 2016.

¹¹ Source, long-standing DRC analyst, London

¹² Jeune Afrique, 8 Jun 2016.

¹³ Jeune Afrique, 8 Jun 2016.

¹⁴ Reuters, 21 Jun 2016.

¹⁵ Reuters, 21 Jun 2016.

¹⁶ Reuters, 21 Jun 2016.

¹⁷ Reuters, 23 Jun 2016.

¹⁸ US State Department, 23 Jun 2016.

¹⁹ US State Department, 23 Jun 2016.

²⁰ US State Department, 23 Jun 2016.

²¹ UN press release, 23 Jun 2016.

²² Source, director of a think-tank, Kinshasa

²³ Radio Okapi, 8 Jun 2016.

load of roughly \$1.6 billion, which has grown in the past three years due to the persistent low prices of commodities.²⁴ The company employs 12,000 people.²⁵ The cuts and the investment plan are part of a modernisation strategy that company chairman **Albert Yuma** unveiled at a mining conference in Lubumbashi on 8 June.²⁶ The plan runs from 2016-2020 and attempts to push Gécamines into a more active role in DRC's mining sector.²⁷

The plan includes a financing plan and a social plan. The financing plan will include \$717m of investment raised from job cuts and input of \$195m in debt financing from banks. The investments will go towards operational costs at mining sites that Gécamines operates.²⁸ The social plan will "allow for the departure"²⁹ of 2,256 people over the next three months.³⁰ Yuma claims that the retrenchments will be in the form of early retirement packages and severance packages that the company will first offer on a voluntary basis.³¹ It is due to begin immediately and will free up \$114.8m of the total \$717m investment plan, including \$45m immediately.³² Yuma claims that the job cuts will "significantly reduce the expenses of the company".³³

Gécamines' annual copper output in 2015 was just 16,811 tonnes, a small fraction of DRC's total of 995,000 tonnes, most of which is produced by privately held mines.³⁴ The Kabila administration sold off the majority of the company's assets after Kabila came to power in 2001, leaving the company with numerous minority stakes in mines it does not operate.³⁵ Gécamines is working with the **China Nonferrous Metal Mining Company (CNMC)** in order to increase production at its remaining sites (see *ARC Briefing DRC January 2016*).³⁶ The CNMC and Gécamines have entered into a 51/49 joint venture in favour of CNMC to build two factories to increase the production of refined copper at the **Kambove** and **Deziwa** mines in **Kolwezi**.³⁷ The CNMC and Gécamines estimate that this will increase the total output to over 100,000 tonnes per annum.³⁸

The job losses will add to pressure on the mining-reliant regions of DRC, such as the provinces in the Katanga region. The **Chambres des Mines du Congo (CMC)** announced that the sector has lost 3,000 direct jobs and 10,000 subcontractor jobs since January 2015.³⁹ The job losses are primarily linked to the falling price of copper.⁴⁰ Across 2015 **Kazakhstan**-based **Eurasian Resources Group (ERG)** cut 1,300 jobs at its **Frontier** mine, and **Switzerland**-based **Glencore** suspended operations at its **Katanga Mining Unit**, leading to 1,200 job losses.⁴¹ The minerals downturn and subsequent reduction in mining sector output has had an impact on growth. The **Banque Centrale du Congo (BCC)** (central bank) cut its forecast for gross domestic product (GDP) growth for 2016 from 6.6% to 5.3% primarily on the basis of reduced income from the sector.⁴²

²⁴ Radio Okapi, 8 Jun 2016.

²⁵ Radio Okapi, 8 Jun 2016.

²⁶ Radio Okapi, 8 Jun 2016.

²⁷ Radio Okapi, 8 Jun 2016.

²⁸ Radio Okapi, 8 Jun 2016.

²⁹ Yuma in Radio Okapi, 8 Jun 2016.

³⁰ Radio Okapi, 8 Jun 2016.

³¹ Radio Okapi, 8 Jun 2016.

³² Radio Okapi, 8 Jun 2016.

³³ Yuma in Radio Okapi, 8 Jun 2016.

³⁴ Congomines.org

³⁵ Jeune Afrique, 8 Jun 2016.

³⁶ Jeune Afrique, 8 Jun 2016.

³⁷ Jeune Afrique, 8 Jun 2016.

³⁸ Jeune Afrique, 8 Jun 2016.

³⁹ Reuters, 7 Jun 2016.

⁴⁰ Reuters, 7 Jun 2016.

⁴¹ Reuters, 7 Jun 2016.

⁴² Radio Okapi, 13 Jun 2016.

Yellow fever epidemic strikes as vaccines run out

A regional epidemic of yellow fever has reached DRC, with the government monitoring over 1,000 suspected cases of the virus.⁴³ Cases are concentrated in the capital Kinshasa and the **Kongo Central** and **Kwango Provinces**.⁴⁴ The water-borne haemorrhagic virus is a major concern in DRC's densely populated urban areas, where health services struggle to contain the spread of the disease.⁴⁵ Health minister **Felix Kabange** told the media on 27 June that there were 67 confirmed cases in Kinshasa but that a further 1,000 were being monitored; a total of 5 people have died from the disease so far.⁴⁶ The yellow outbreak originated in **Angola** and 58 of the 67 confirmed cases are imported from there; the government estimates seven were locally transmitted within DRC.⁴⁷

The government runs an active immunisation programme for the disease, and ran an emergency vaccination drive with the **World Health Organisation (WHO)**, **United Nations Children's Fund (UNICEF)**, **International Federation of Red Cross and Red Crescent Societies** and medical charity **Médecins sans Frontières** in late May and early June.⁴⁸ This led to the vaccination of roughly 2 million people, however vaccine stocks have now run out.⁴⁹ Kinshasa's central hospital holds the remaining stocks of the vaccine and is charging \$35 per person for doses, roughly 10% of DRC's annual salary of \$380 per annum.⁵⁰ According to **Eugene Kabambi**, the WHO's coordination spokesperson in DRC, the **International Coordinating Group** for the regional outbreak has promised DRC more than 1 million doses of the vaccine, however transport and cost are a factor:

"That requires either a cargo flight, in which case it would come very quickly but cost a lot, or if it's by boat, it could take a few weeks."⁵¹

Implications

Kabila has completed his action against Katumbi by ensuring he faces a prison sentence should he re-enter the country. This is a move clearly designed to discourage Katumbi from returning when, or if, he recovers. The opposition lacks a credible and united candidate; Tshesikedi is old and lives in Brussels where he is in and out of hospital with health problems of his own. Another candidate could be **Vital Kamerhe**, the president of opposition party **Union pour la Nation Congolaise (UNC)**, who has considerable support in the eastern provinces of **North Kivu** and **South Kivu**. However, he lacks support in Katanga, Kinshasa, and other major opposition centres. It is likely that the opposition parties will take several months to find a new candidate. This is time that the Kabila administration will spend ensuring that, if a vote does happen, it will be in a position to control its outcome.

Gécamines is a company badly in need of reform. Kabila sold off almost all of its assets to a few figures in the mining industry, notably **Israel-based mining magnate Dan Gertler**, in the first few years of his administration. However, the company has continued to operate at a considerable loss as it lacked the money to turn around the mines it had left, and was unwilling or politically unable to cut workers to increase capital. However, the broader job losses in the sector are driving down growth projections. For as long as the price of copper remains low, Gécamines and other mining companies will struggle to turn their operations around.

DRC is practised at handling disease epidemics and was able to deal quickly with an outbreak of Ebola in 2015. The yellow fever outbreak is still in its early stages and containment is essential. The fact that DRC has run out of vaccines means that it is unable to operate the normal containment strategy,

⁴³ Reuters, 22 Jun 2016.

⁴⁴ Reuters, 22 Jun 2016.

⁴⁵ Reuters, 22 Jun 2016.

⁴⁶ Reuters, 27 Jun 2016.

⁴⁷ Reuters, 27 Jun 2016.

⁴⁸ Reuters, 27 Jun 2016.

⁴⁹ Reuters, 27 Jun 2016.

⁵⁰ Reuters, 27 Jun 2016.

⁵¹ Kabambi in Reuters, 27 Jun 2016.

which involves mass immunisation of people in affected areas. Global stocks of the vaccine are reportedly in short supply and if the outbreaks in neighbouring Angola are not contained, more pockets of the disease could appear in DRC. The government may decide to close the borders to contain it, which will lead to a negative impact on business in the region.

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)