

## AFRICA RISK CONSULTING

### DRC Monthly Briefing March 2017

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#### DRC Summary 28 March 2017

*Primary opposition coalition Rassemblement appoints Felix Tshisekedi, son of late opposition leader Etienne Tshisekedi, president. Tshisekedi's accession was anticipated, but is not universally welcomed amongst the Democratic Republic of the Congo's (DRC) divided opposition parties. The DRC government formally complains to neighbouring Zambia over its decision to allow exiled DRC opposition leader Moise Katumbi into the country to watch a football game. The Banque Centrale du Congo (BCC) (central bank) increases its growth forecast for 2017 to 4.9% of gross domestic product (GDP) from 2.4% due to strong commodity prices. However, the DRC faces a 50% reduction in power output due to low rainfall that will affect commodity output.*

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#### Divisions in opposition as Felix Tshisekedi takes over Rassemblement

**Rassemblement**, the primary opposition coalition in the **Democratic Republic of the Congo (DRC)**, appointed **Felix Tshisekedi**, son of late opposition leader **Etienne Tshisekedi**, leader on 3 March.<sup>1</sup> Tshisekedi's accession was anticipated, but is not universally welcomed amongst DRC's divided opposition. It also keeps the **Union pour la Démocratie et le Progrès Social (UDPS)** party as the leading group within Rassemblement.<sup>2</sup> Felix Tshisekedi has served as national secretary of the party since 2008. The bloc also appointed **Pierre Lumbi**, president of the **G7** group of parties that left the ruling **Majorité Présidentielle (MP)** coalition in 2015, as president of the political bureau.<sup>3</sup> However, sources within the discussions said that at least two of the nine parties that make up Rassemblement objected:

*"Two of the parties did not accept the process where Felix became president of the movement, it was supposed to be decided by consensus but was in the end decided by majority vote."<sup>4</sup>*

**Martin Fayulu**, leader of the **Engagement pour la Citoyenneté et le Développement (ECiDé)** party has publicly voiced his opposition to Tshisekedi and Lumbi taking over.<sup>5</sup> He said that:

*"The population is not going to be happy to know that Felix and his allies forced this through on a majority vote."<sup>6</sup>*

Felix Tshisekedi also faced opposition from within his own UDPS party.<sup>7</sup> The UDPS leadership expelled deputy secretary general **Bruno Tshibala** for contesting the appointment of Felix Tshisekedi on 4 March.<sup>8</sup> Tshibala is vocal in his opposition to Tshisekedi, whom he views as too inexperienced for the job.<sup>9</sup> Tshisekedi has served as a UDPS MP since 2011, but has only taken an active role in the leadership of the UDPS and within Rassemblement since mid-2016.<sup>10</sup> Tshibala held a press conference criticising Felix Tshisekedi, where he wondered:

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<sup>1</sup> La Phare, 3 Mar 2017.

<sup>2</sup> La Phare, 3 Mar 2017.

<sup>3</sup> La Phare, 3 Mar 2017.

<sup>4</sup> Reuters, 3 Mar 2017.

<sup>5</sup> Reuters, 3 Mar 2017.

<sup>6</sup> Reuters, 3 Mar 2017.

<sup>7</sup> Radio Okapi, 4 Mar 2017.

<sup>8</sup> Radio Okapi, 4 Mar 2017.

<sup>9</sup> BBC, 6 Mar 2017.

<sup>10</sup> Radio Okapi, 4 Mar 2017.

*“Where else in the world would someone be put in charge of such an important process... who has only been in the opposition for seven months?”<sup>11</sup>*

Felix Tshisekedi remains a largely unknown quantity. He studied marketing in **Belgium** before returning to DRC in 2011 to stand in the elections.<sup>12</sup> Following Etienne Tshisekedi’s loss in the 2011 elections, he followed his father’s lead to boycott the legislature and was largely out of the public eye in politics until a viral video of him arguing with a policeman during an anti-government rally.<sup>13</sup> Political analysts in DRC confirm that he remains largely untested:

*“He currently has nothing more than the family name, he has never run the party, held any position in office, or had other experience...however he also has no bad marks against his name – he is just a blank canvas.”<sup>14</sup>*

However, the name may be enough to win him significant support amongst the opposition parties:

*“Etienne Tshisekedi was a legend. His name brought people out onto the streets like nobody else in our politics. Having that name has enough power to bring millions of people to the ballot box. If Rassemblement needs a figurehead then he is the best option.”<sup>15</sup>*

The danger lies in whether Felix Tshisekedi will be able to stand up to president **Joseph Kabila** (2001-present) and other longstanding political figures in the government. These are highly experienced political operators who have managed to retain power by playing opposition parties off against each other.<sup>16</sup> The opposition to Felix Tshisekedi is something that Kabila may hope to exploit, not least by choosing him as the opposition nominated successor as prime minister.<sup>17</sup> If Kabila can discredit Felix Tshisekedi by bringing him into the government, his power as a figurehead for Rassemblement may diminish. This could lead the nine parties within the coalition (one of which is the G7, made up of a further seven parties) to fracture, allowing Kabila or a chosen successor to easily win an election later this year.

### **DRC complains to Zambia over hosting Katumbi**

The DRC government formally complained to neighbouring **Zambia** over its decision to allow exiled DRC opposition leader **Moïse Katumbi** into the country to watch a football game on 17 March.<sup>18</sup> The fact the DRC is putting pressure on regional leaders to prevent Katumbi from entering their countries demonstrates that Kabila still views Katumbi as a threat. A picture posted on social media showed Katumbi sitting next to Zambia presidential spokesperson **Amos Chanda** during the semi-final match between Zambia and **South Africa** in the under-20 **African Cup of Nations (AFCON-U20)** tournament in **Lusaka** on 9 March.<sup>19</sup> The DRC embassy wrote to Zambia’s home affairs department on 17 March to formally complain that it had granted Katumbi a visa to enter the territory.<sup>20</sup> The letter, which the Zambian home affairs ministry leaked to the media, argues that as Katumbi has declared himself a rival to president Kabila, has argued for sanctions against DRC by the international community, and has outstanding criminal charges against him in DRC, the Zambia government’s decision to grant him a visa placed the two countries’ relationship in danger.<sup>21</sup> The letter goes further in its allegations against Katumbi stating that:

<sup>11</sup> BBC, 6 Mar 2017.

<sup>12</sup> Daily Maverick, 10 Mar 2017.

<sup>13</sup> Daily Maverick, 10 Mar 2017.

<sup>14</sup> Source, director of a thintank, Kinshasa

<sup>15</sup> Source, DRC analyst, Nairobi.

<sup>16</sup> Daily Maverick, 10 Mar 2017.

<sup>17</sup> Source, director of a thintank, Kinshasa

<sup>18</sup> Lusaka Times, 17 Mar 2017.

<sup>19</sup> Lusaka Times, 17 Mar 2017.

<sup>20</sup> Leaked DRC embassy letter, 17 Mar 2017.

<sup>21</sup> Leaked DRC embassy letter, 17 Mar 2017.

*“According to sources, Katumbi is prepared to set up a militia in charge of the destabilisation of the institutions of DRC. He is also pushing the Congolese population to an uprising that is likely to plunge the DRC into indescribable chaos.”<sup>22</sup>*

The potential for a relationship between Zambia and Katumbi clearly rings alarm bells for the DRC government. Katumbi remains the owner of the **TP Mazembe** football team in **Lubumbashi (Katanga Province)** and, as such, has good reason to attend high profile international football tournaments.<sup>23</sup> However, it is the proximity to Chanda which will have scared the DRC government. Kabila’s father, president **Laurent Kabila** (1997-2001), launched his insurgency against then president **Mobutu Sese Seko** (1965-1997) from **Tanzania** with the backing of **Rwanda, Angola** and **Uganda**. Zambia also lent military support to Kabila’s forces.<sup>24</sup> While it is unlikely that Katumbi would launch an armed insurgency from Zambia, the DRC has approximately 65 insurgency groups currently active many of which are indirectly backed by regional governments.<sup>25</sup> Regional intervention remains the largest threat to Kabila’s continued rule:

*“The one thing that could move Kabila on swiftly would be the regional powers deciding that DRC needs a new leader. To Kabila, Katumbi meeting high profile figures in Zambia looks like him gathering support to overthrow the government.”<sup>26</sup>*

The allegations that Katumbi is gathering a militia to overthrow the government are unlikely to be true. However, he is likely gathering support for the opposition and to negotiate a way back into DRC in time to compete against Kabila in the elections. Zambia does not play a significant diplomatic role in the **Great Lakes** region but it could lend some support to Katumbi’s cause. The Zambian government has not commented on the message from DRC indicating that the diplomatic relations between the two are unlikely to alter as a result.

### **Growth projections increased to 4.9% for 2017 despite risk of power crisis**

The **Banque Centrale du Congo (BCC)** (central bank) increased its growth forecast for 2017 to 4.9% of gross domestic product (GDP) on 6 March.<sup>27</sup> DRC’s growth measurements are strongly tied into the value of commodities, but are also a difficult measure by which to gauge economic development and prosperity to the large size of the informal economy outside of the extractive sectors. The new projections also do not take into account a looming power crisis that threatens commodity production this year. The BCC increased its estimates from 2.9%, a projection it made in December 2016 due to the low predicted prices of copper and cobalt.<sup>28</sup> BCC governor **Mutombo Nyembo** told the media that an improved global outlook, particularly for copper, had shifted the bank’s predictions considerably.<sup>29</sup> Commodities make up 95% of DRC’s export revenues.<sup>30</sup>

The price of copper has increased from \$4,600/tonne in September 2016 to \$5,670/tonne at time of writing, a 23% increase across the six-month period.<sup>31</sup> This puts the price of copper at its highest point since June 2015, but still well below the \$8,000/tonne level it sustained between June 2012 and March 2013 – the height of **Chinese** demand for the commodity.<sup>32</sup> Analysts predicted at the end of 2016 that copper would be the strongest performing commodity for 2017 due to an increase in demand from China and a bullish futures market anticipating major infrastructure investment from

<sup>22</sup> Leaked DRC embassy letter, 17 Mar 2017.

<sup>23</sup> TP Mazembe website, 2017.

<sup>24</sup> Congo Research Group, 18 Mar 2017.

<sup>25</sup> Congo Research Group, 18 Mar 2017.

<sup>26</sup> Source, political analyst, Goma.

<sup>27</sup> Radio Okapi, 6 Mar 2017.

<sup>28</sup> Radio Okapi, 6 Mar 2017.

<sup>29</sup> Radio Okapi, 6 Mar 2017.

<sup>30</sup> Radio Okapi, 6 Mar 2017.

<sup>31</sup> Investmine.com

<sup>32</sup> Investmine.com

the **United States (US)**.<sup>33</sup> Year-long forecasts put the commodity price between \$5,200 and \$6,000 across the year.<sup>34</sup> Cobalt, another major DRC export, has increased sharply in value across the past six months from \$25,000/tonne in September 2016 to \$55,000/tonne at time of writing.<sup>35</sup> Increased battery demand continues to be the driver of the increase in price of the commodity, and also affects lithium – another key DRC export.<sup>36</sup>

*“The BCC’s assessment of the DRC economy is correct if you look solely at the price of commodities; bar the oil price, every major export will be up this year.”<sup>37</sup>*

However, some sources argue that the economic assessment fails to take into account barriers to growth. In order to effectively extract commodities, miners require infrastructure to be in place – notably a regular power supply. DRC derives most of its power from hydro-electric plants along the **Congo River** and its tributaries.<sup>38</sup> However, the river is at its lowest level for over 100 years and the upcoming dry season (June-September in the north of the country and May-October in the south) could lead to major power shortages.<sup>39</sup> **Medard Kitakani**, spokesperson for the state-owned power utility **Société Nationale d’Electricité (SNEL)**, said that water levels in the river have fallen 50% across 2016, and that could lead to 350-400MW less in power generation for 2017.<sup>40</sup> Currently SNEL generates 800MW on average across the year – and the impact of the loss over 50% of the generation capacity would be severe.<sup>41</sup> The mining industry is already aware of the issue and **Charles Kyona**, president of the **Chambre des Mines de RDC** (DRC chamber of mines) told the media that mining companies were concerned about the shortfall:

*“Without electricity, we don’t have the means to effectively work.”<sup>42</sup>*

DRC’s growth forecasts are often political. The Kabila administration has an incentive to put out a strong growth story in order to increase faith in the market from both national and international observers. The increase in commodity prices will have a positive impact for companies working DRC’s mining sector. However, the potential benefits will be of little help if they are unable to produce to full capacity due to power shortages. Neighbouring Zambia faced a 30% reduction in output across the latter half of 2016 due to power shortages – with a 50% cut in generation the DRC’s primary source of income would be at risk.

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<sup>33</sup> Mining.com, 15 Jan 2017.

<sup>34</sup> Mining.com, 15 Jan 2017.

<sup>35</sup> Investmine.com

<sup>36</sup> CRU Group, 21 Sep 2016.

<sup>37</sup> Source, commodities analyst for central Africa, Nairobi.

<sup>38</sup> Reuters, 8 Mar 2016.

<sup>39</sup> Reuters, 8 Mar 2016.

<sup>40</sup> Reuters, 8 Mar 2016.

<sup>41</sup> Reuters, 8 Mar 2016.

<sup>42</sup> Reuters, 8 Mar 2016.

### About Africa Risk Consulting:

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