

AFRICA RISK CONSULTING DRC Monthly Briefing October 2018

DRC Summary 30 October 2018

Opposition supporters in the Democratic Republic of the Congo (DRC) protest in Kinshasa, Goma, Bukavu and Bunia against the use of electronic voting machines in the December presidential elections. The government signs a joint \$14 billion development agreement with China-based companies China Three Gorges and State Grid International Development, and Spain-based companies Actividades de Construcción y Servicios SA and AEE Power Holdings, to construct the Inga 3 hydroelectric dam. South Africa-based mining company Randgold Resources agrees to a deal with the DRC finance ministry for a \$218m value added tax (VAT) refund incurred during the Kibali gold mine development. DRC state-owned Société Minière de Kilo-Moto SA (Sokimo) protests that it was not informed of Barrick Gold's acquisition of Randgold and threatens to "assert its rights" in regards to the Kibali mine.

Opposition parties protest electronic voting machines

Opposition supporters in the **Democratic Republic of the Congo (DRC)** protested in **Kinshasa, Goma, Bukavu and Bunia** on 26 October against the use of electronic voting machines in the December presidential elections.¹ Opposition parties argue that the **South Korean**-manufactured machines will allow President **Joseph Kabila** (2001-present) to fraudulently win the elections for his favoured successor, **Emmanuel Ramazani Shandary**.² However, Shandary's strongest opponent, **Felix Tshisekedi**, chose not to take part in the protests against the electronic voting machines.

Kinshasa governor **Andre Kimbuta Yango** unexpectedly authorised the protests, as opposition protests are rarely allowed.³ However, security forces were out in force in the major cities during the protests. Police in **Lubumbashi** warned citizens against protesting, stating that

"...anyone who dares to march will find the police on their path."⁴

Although election campaigning officially begins on 22 November,⁵ candidates have already started on the campaign trail. Shandary gave his first speech on 27 October at the **Tata Raphael Stadium** in Kinshasa, reportedly drawing more than 50,000 Kabila supporters.⁶ Shandary declared himself as "*Joseph Kabila's candidate*":

"After him we are going to continue the work to rebuild our country."⁷

Most of the 21 candidates have little chance of garnering the support needed to take on Shandary. The **Commission Electorale Nationale Indépendante (CENI)** (independent national electoral commission) barred Kabila's main competitors – **Jean-Pierre Bemba** and **Moïse Katumbi** – from entering the race in August and September, leaving Tshisekedi as the main opponent (see *ARC Briefing DRC August and September 2018*).

Opposition leaders met in **Johannesburg (South Africa)** for two days on 23-24 October to decide whether to participate in the polls despite their mistrust of the electronic voting machines, and to

¹ Times Live, 26 Oct 2018

² Times Live, 26 Oct 2018

³ Times Live, 26 Oct 2018

⁴ Times Live, 26 Oct 2018

⁵ EWN, 27 Oct 2018

⁶ EWN, 27 Oct 2018

⁷ EWN, 27 Oct 2018

agree to have a joint candidate.⁸ The parties which participated in the meeting include the **Union pour la Démocratie et le Progrès Social (UDPS)**; the **Mouvement de Libération du Congo (MLC)**; the **Union pour la Nation Congolaise (UNC)**; the **Ensemble pour le Changement**; **Dynamique pour l'Unité d'Action de l'Opposition**; **Nouvel Élan**; **Synergie électorale Notre Congo (Syenco)**; and independent candidate, **Mabaya Gizi**.⁹ Tshisekedi, Bemba and Katumbi did not attend the meeting¹⁰ but Bemba, Katumbi, and other opposition leaders are likely to choose Tshisekedi as their joint candidate.¹¹ The choice of candidate will be announced on 15 November.¹²

The decision by opposition parties to contest the vote, and later to protest against the use of electronic voting machines, is peculiar, as at this late stage electronic voting machines are the only option for the election to take place.¹³ There are also concerns that the unity among opposition politicians will not last. According to a Kinshasa-based journalist,

*"I'm not sure they have a plan going forward. The only two candidates that could challenge Kabila, via Shandary, is Tshisekedi and maybe **Vital Kamerhe**. But the government appears to have all the leverage in the lead up to the election and, as [government spokesperson] **Lambert Mende** said, the only recourse the opposition will have once they lose is to challenge it in the courts, which the government also controls."*¹⁴

Violence and conflict after the election are extremely likely, no matter who wins. A Shandary win is the most probable outcome of the election: Kabila has stacked the deck by removing major opponents, controlling how people vote, and denying any outside support from the international and regional community.¹⁵

DRC signs an accord to move forward with 11,000 megawatt Inga 3 hydropower plant

The government signed a joint \$14 billion development agreement on 22 October with **China**-based companies, **China Three Gorges** and **State Grid International Development**, and **Spain**-based companies, **Actividades de Construcción y Servicios SA** and **AEE Power Holdings**, to construct the **Inga 3** hydroelectric dam.¹⁶ The Inga 3 project has been delayed for close to a decade due to the government's inability to find funding, considering the risks of investing in the DRC.¹⁷ The new development agreement puts the responsibility of finding funding on the Chinese and **European** consortiums, which may be more difficult in view of continuing political instability and increased project costs. The dam has been redesigned to produce 11 gigawatts instead of 5 gigawatts.

The two groups of investors have until 10 November to submit a joint proposal to go forward with the project, which must include a financial model and timeline.¹⁸ The investors must both attract financing and find buyers of the electricity.¹⁹ If the proposal is approved, the government will grant the investors an exclusive collaboration contract and a concession to construct and manage the Inga 3 project.²⁰ The government would have a 5% free stake in the special purpose vehicle which would construct and manage the venture.²¹

The Inga 3 project will help to increase electricity access for DRC's population. At present, only 15% of the population has access to electricity. The dam is the first phase of the **Grand Inga** hydropower

⁸ VOA, 26 Oct 2018

⁹ Actalite, 22 Oct 2018

¹⁰ Actalite, 22 Oct 2018

¹¹ Times Live, 26 Oct 2018

¹² Times Live, 26 Oct 2018

¹³ Africa Confidential, 12 Oct 2018

¹⁴ Source, journalist, Kinshasa

¹⁵ Daily Maverick, 15 Oct 2018

¹⁶ ESI Africa, 22 Oct 2018

¹⁷ ESI Africa, 22 Oct 2018

¹⁸ Business Day, 22 Oct 2018

¹⁹ Business Day, 22 Oct 2018

²⁰ Business Day, 22 Oct 2018

²¹ Business Day, 22 Oct 2018

scheme, which aims to generate 40 gigawatts of electricity once complete.²² If all goes to plan, the Inga 3 project will be completed in the late 2020's.²³

However, there are many obstacles before this can be realised. Critics question whether the dam is necessary. A **University of California** report from September 2017 found that renewable energy may be a better way to enhance the DRC's energy needs.²⁴ The project will negatively impact the ecosystems of the lower **Congo Basin** and displace more than 10,000 people.²⁵ Without financing and construction of infrastructure to transmit the electricity, increased power generation may not improve access levels. Transmission lines are focused on urban areas, so electricity access would not improve for the majority of the population living in rural areas. Finally, there is the major risk that corruption and politics would lead to delays and increased costs. The investors will have difficulties finding funding for this deal given the elevated risks of corruption, expropriation and inflated costs.

Randgold Resources gets VAT refund

South Africa-based mining company **Randgold Resources** agreed to a deal with the DRC finance ministry on 22 October for a \$218m value added tax (VAT) refund incurred during the **Kibali** gold mine development.²⁶ The VAT refund may be a conciliatory measure to placate Randgold Resources CEO **Mark Bristow** over the new mining code, which increases royalties on minerals (see *ARC Briefing DRC March 2018*). The agreement also states that Randgold's Kibali mine will be VAT exempt on local goods and services.²⁷ This is a positive deal for Randgold, considering that Kibali is operating at or above its designed throughput and is poised to start returning capital to investors.²⁸

Bristow will need to reassure the DRC government that Randgold's acquisition by **Canada**-based **Barrick Gold** (see *ARC Briefing South Africa October 2018*) will not impact the Kibali mine. DRC state-owned mining company **Société Minière de Kilo-Moto SA (Sokimo)** protested on 28 September that it was not informed of the acquisition and threatened to "*assert its rights*" in regards to the Kibali mine.²⁹ Mines minister **Martin Kabwelulu** also stated that as per the new mining law, all takeovers of mines require government approval.³⁰ Barrick will become the new owner of Kibali once the acquisition is finalised.³¹ Randgold owns 45% of the mine while Sokimo holds a 10% interest. **AngloGold Ashanti Ltd** holds the remaining 45% stake.³² The government worries that the merger will introduce a new partner into the mine, though Randgold stated that the deal "*would have no effect*" on the ownership of the Kibali mine.³³

Bristow is likely to have foreseen Sokimo's move and sees it for what it is – a shakedown for further funds paid to the government. Sokimo's threats did not stall the negotiations or rattle the market, and the government is likely to continue these arguments until some sort of deal is reached in which Sokimo gains further interest in Kibali or other concessions. Sokimo's tactics are reminiscent of the \$100m settlement that state-owned **Gecamines** received in 2016 after **United States**-based mining company **Freeport-McMoRan** sold its stake in the **Tenke** copper mine to China-based **China Molybdenum**.³⁴ Bristow would rather not face the government-aligned courts in the DRC and a settlement – most likely similar to Freeport's value – may be on the cards in the near future.

²² CCE, 24 Oct 2018

²³ CCE, 24 Oct 2018

²⁴ International Rivers, Sep 2017

²⁵ CCE, 24 Oct 2018

²⁶ FT, 22 Oct 2018

²⁷ FT, 22 Oct 2018

²⁸ Mining Weekly, 22 Oct 2018

²⁹ Business Day, 28 Sep 2018

³⁰ Business Day, 28 Sep 2018

³¹ TRT World, 30 Sep 2018

³² www.miningdataonline.com

³³ Business Day, 28 Sep 2018

³⁴ TRT World, 30 Sep 2018

Planner

23 Dec 2018 **(DRC)** President, legislative and provincial elections scheduled
 9 Jan 2019 **(DRC)** Electoral results published
 13 Jan 2019 **(DRC)** President to be sworn into office

Chronology

30 Oct 2018 **Kinshasa (DRC)** *East Africa Monitor*. Opposition parties protest against the use of electronic voting machines for the December presidential elections;

28 Oct 2018 **Kinshasa (DRC)** *Business Day*. State-owned mining company **Sokimo** plans to assert its rights to the **Kibali** mine after **Canada**-based **Barrick Gold** acquired Sokimo's partner in Kibali, **South Africa**-based **Randgold Resources**;

28 Oct 2018 **Kinshasa (DRC)** *Al Jazeera*. The ruling coalition, the **Front Commun pour le Congo**, holds its first campaign gathering, attracting tens of thousands of supporters;

25 Oct 2018 **Kinshasa (DRC)** *New Vision*. Opposition parties agree to name a unity candidate by mid-November;

25 Oct 2018 **Kinshasa (DRC)** *Reuters*. **Switzerland**-based mining giant **Glencore Plc** reports a 12% increase in copper production and a 44% increase in cobalt production at its restarted **Katanga** mine;

24 Oct 2018 **Kinshasa (DRC)** *Business Day*. Opposition parties plan to hold a protest on 26 October against the electronic voting machines to be used in December elections;

23 Oct 2018 **Kinshasa (DRC)** *Reuters*. The **US Department of Justice** seeks documents from **Switzerland**-based mining company **Glencore** regarding its intermediary companies in **Nigeria** and the **Democratic Republic of the Congo (DRC)**;

22 Oct 2018 **Kinshasa (DRC)** *News24*. Ruling coalition spokesperson **Andre-Alain Atundu** claims someone fired bullets at his house on the night of 21 October;

22 Oct 2018 **Kinshasa (DRC)** *FT*. **South Africa**-based mining company **Randgold Resources** reportedly concludes a deal with the **Democratic Republic of the Congo (DRC)** over a \$218m refund of value added tax;

22 Oct 2018 **Kasai Oriental Province (DRC)** *Cemnet*. **South Korean** investors visit the **Bakwa Tshiluila** limestone deposit to investigate the feasibility of the project;

20 Oct 2018 **Kinshasa (DRC)** *Reuters*. Security minister **Henri Mova Sakanyi** states that the electronic voting machines are due to arrive by the end of October from **South Korea**;

20 Oct 2018 **Kinshasa (DRC)** *Al Jazeera*. Police release five journalists who were arrested 19 October for publishing articles about alleged government corruption;

17 Oct 2018 **Kinshasa (DRC)** *Small Caps*. **Dubai**-based fund, **FT General Trading**, grants a \$35m loan to **Australia**-based gold explorer, **Vector Resources**, to fund its acquisition of the **Adidi-Kanga** gold project;

17 Oct 2018 **Kinshasa (DRC)** *Reuters*. Foreign minister **Leonard She Okitundu** summons **Angola's** ambassador over the expulsion of **Democratic Republic of the Congo** migrants from Angola;

17 Oct 2018 **Kinshasa (DRC)** *FT*. **Chinese** and **European** consortiums sign an agreement to jointly develop an expanded **Inga 3 Project**, which would build an 11,000 megawatt

hydroelectric power station on the **Congo River**;

16 Oct 2018 **Kinshasa (DRC)** *The Observer*. Rebel group, the **Lord's Resistance Army**, reportedly attacks several areas of the DRC, becoming active again in rural areas;

16 Oct 2018 **Kinshasa (DRC)** *Al Jazeera*. The health ministry states that 24 people have died of **Ebola** in the past week;

10 Oct 2018 **Kinshasa (DRC)** *Al Jazeera*. The government plans to deploy security forces to protect teams transporting **Ebola** victims' bodies for burial after several attacks on health workers;

9 Oct 2018 **Kinshasa (DRC)** *News24*. Presidential candidate **Emmanuel Ramazani Shadary** asks the **European Union** to lift its sanctions on him and 14 other **Democratic Republic of the Congo (DRC)** officials;

8 Oct 2018 **Kinshasa (DRC)** *African Law & Business*. **Canada**-based mining company **Ivanhoe Mines** discovers a new copper deposit at its **Makoko** site;

6 Oct 2018 **Kinshasa (DRC)** *Al Jazeera*. At least 50 people are killed when an oil tanker collides with a vehicle in **Mbuba** village;

5 Oct 2018 **Kinshasa (DRC)** *FT*. Opposition leaders **Jean-Pierre Bemba** and **Moïse Katumbi** promise to back one opposition candidate for the December presidential elections;

29 Sep 2018 **Kinshasa (DRC)** *Reuters*. Opposition leader **Felix Tshisekedi** warns that the government plans to rig votes to win the presidential elections;

29 Sep 2018 **Kinshasa (DRC)** *Reuters*. The government insists that it must authorise **Canada**-based **Barrick Gold Corp's** acquisition of **South Africa**-based mining company **Randgold Resources'** stake in a DRC-based mine;

28 Sep 2018 **Kinshasa (DRC)** *New York Times*. The **World Health Organisation** says the risk of **Ebola** spreading from the DRC to **Uganda** is very high;

25 Sep 2018 **Kinshasa (DRC)** *Reuters*. A **Kinshasa** court sentences four pro-democracy activists to one year in prison for inciting protests against President **Joseph Kabila**;

25 Sep 2018 **Kinshasa (DRC)** *Reuters*. President Kabila pledges at the **United Nations** that elections will be held in the **Democratic Republic of the Congo (DRC)** this year;

24 Sep 2018 **Beni (DRC)** *Al Jazeera*. Aid agencies stop **Ebola** outreach activities after a rebel attack kills 21 people in **Beni**;

23 Sep 2018 **Beni (DRC)** *Al Jazeera*. Reported **Allied Democratic Forces** rebels kill 16 people in **Beni**;

22 Sep 2018 **Tchomia (DRC)** *africanews*. Authorities state that a confirmed **Ebola** case is found close to the **Ugandan** border, stoking fears of a further regional outbreak;

22 Sep 2018 **Kinshasa (DRC)** *Mining Review*. **Australia**-based gold explorer **Vector Resources** states it is close to acquiring a 60% interest in the **Adidi-Kanga** gold project.