

AFRICA RISK CONSULTING

DRC Monthly Briefing August 2018

DRC Summary 13 August 2018

Democratic Republic of the Congo (DRC) communications minister Lambert Mende announces that President Joseph Kabila (2001-present) will not stand for re-election in the December presidential elections. The ruling Front Commun pour le Congo (FCC) coalition nominates former interior minister Emmanuel Ramazani Shadary as its presidential candidate. Opposition Mouvement de Liberation du Congo (MLC) leader Jean-Pierre Bemba, Union pour la démocratie et le progrès social (UDPS) leader Felix Tshisekedi, and Union pour la Nation Congolaise (UNC) leader Vital Kamerhe register their candidacies for the presidential elections before the 8 August deadline. Major opposition candidate Moïse Katumbi is refused entry to the DRC ahead of the registration deadline. Australia-based mining company Winmar Resources signs a head of agreement with African Holding Investment Company (AHIC) for a 50% interest in the Luapula cobalt processing facility. The health ministry confirms 13 new cases of Ebola, including three deaths.

Kabila names relatively unknown successor as opposition leaders scramble to register

Democratic Republic of the Congo (DRC) communications minister Lambert Mende announced on 8 August that President **Joseph Kabila** (2001-present) will not stand for re-election in the 23 December presidential elections.¹ Mende said the ruling **Front Commun pour le Congo (FCC)** coalition had nominated former interior minister **Emmanuel Ramazani Shadary** as its presidential candidate.² While there has been widespread support for Kabila's decision to step down,³ there are still concerns over the fairness of the December election and whether Kabila will act as a puppet-master for the relatively unknown Shadary.⁴ The **European Union (EU)** imposed sanctions on Shadary in May 2017 for alleged human rights allegations that occurred during his term as interior minister when there was a violent crackdown on opposition politicians and supporters.⁵ The **United States (US)** followed suit a few days later.⁶

Shadary is a loyal follower of Kabila but is relatively unknown politically. According to a **Kinshasa**-based journalist,

*"There were quite a few names thrown around beforehand but Shadary's name never featured. Considering he'll be up against some very big opposition names, the ruling coalition appears to be quite confident in their chances to put up an unknown like Shadary."*⁷

Most of the opposition leaders have registered for the election. Opposition **Mouvement de Liberation du Congo (MLC)** leader **Jean-Pierre Bemba** registered for the presidential elections on 2 August. Bemba returned to the DRC with a hero's welcome on 1 August after the **International Criminal Court (ICC)** acquitted him of war crimes charges in June (see *ARC Briefing DRC June 2018*).⁸

¹ Al Jazeera, 8 Aug 2018.

² Al Jazeera, 8 Aug 2018.

³ Reuters, 9 Aug 2018.

⁴ Al Jazeera, 8 Aug 2018.

⁵ BBC, 8 Aug 2018.

⁶ New York Times, 2 Jun 2017

⁷ Source, journalist, Kinshasa

⁸ IOL, 1 Aug 2018.

Upon his return, large crowds greeted him in Kinshasa and chanted anti-Kabila slogans.⁹ Police cordoned off streets to the presidential palace, despite Bemba owning two homes in the vicinity.¹⁰ After registering for the presidency, Bemba flew back to **Brussels (Belgium)**¹¹ where he hopes to finalise his sentencing at the ICC for witness tampering.¹² ICC prosecutor **Fatou Bensouda** has proposed the maximum sentence of five years for Bemba and his two former lawyers, but has stated she does not oppose a monetary fine.¹³ The judges may decide that Bemba, having spent 11 years in prison before his acquittal for war crimes, has served his time and annul the charge. The ruling **Parti du Peuple pour la Reconstruction et la Démocratie (PPRD)** stated on 27 July that, due to the remaining charge, Bemba should not be allowed to stand in the presidential elections.¹⁴ However, it appears the constitutional court did not act on the PPRD's recommendations.¹⁵ Bemba will return to the DRC in September.¹⁶

Three major opposition presidential candidates registered before the 8 August deadline, but the other major candidate, **Moïse Katumbi**, was refused entry to the DRC ahead of the deadline.¹⁷ **Union pour la démocratie et le progrès social (UDPS)** leader **Felix Tshisekedi** and **Union pour la Nation Congolaise (UNC)** leader **Vital Kamerhe** filed their election papers on 7 August.¹⁸ Katumbi had intended to fly home from self-imposed exile in **South Africa** on 3 August, but permission was not granted for his plane to land in **Lubumbashi**.¹⁹ Lubumbashi mayor **Ghislain Robert Lubara** refused Katumbi entry due to alleged charges of hiring mercenaries and holding an **Italian** passport (DRC law does not allow dual citizenship).²⁰ Katumbi instead flew to **Ndola (Zambia)** and attempted to cross the border on 4 August but was again denied entry.²¹ DRC communications minister Lambert Mende denied this, although Zambian state television confirmed that DRC officials had ordered that Katumbi not be allowed across the border.²²

Kabila has reason to be worried about his political opponents. A **Congo Research Group** poll conducted in July found that Bemba would receive 17% of the vote compared to Kabila's 9%, while both Tshisekedi and Katumbi would receive 19% of the vote.²³ The three main opposition candidates – Bemba, Tshisekedi, and Kamerhe – pose a real threat to Kabila and the reign of the FCC and PPRD. Kabila chose Shadary because of his loyalty to Kabila, which will allow Kabila to remain in de facto control of the DRC without fears of mutiny. Shadary's lack of personal political support and personal wealth makes him beholden to Kabila, compared to other potential nominees who had a larger political base, such as the head of parliament, **Aubin Minaku**, or the former prime minister, **Matata Ponyo Mapon**.²⁴

The FCC coalition reportedly was not happy with the choice of Shadary. FCC member **Patrick Muyaya** affirmed that

“Mr. Shadary was chosen by Kabila and Kabila alone. I don't think the coalition would have selected someone under sanction by the EU.”²⁵

⁹ IOL, 1 Aug 2018.

¹⁰ IOL, 1 Aug 2018.

¹¹ News24, 4 Aug 2018.

¹² International Justice Monitor, 11 May 2018.

¹³ International Justice Monitor, 11 May 2018.

¹⁴ Reuters, 27 Jul 2018.

¹⁵ Reuters, 27 Jul 2018.

¹⁶ News24, 4 Aug 2018.

¹⁷ Daily Maverick, 3 Aug 2018.

¹⁸ Multiple sources: Defence Web, 3 Aug 2018; Bloomberg, 7 Aug 2018; News24, 7 Aug 2018.

¹⁹ France24, 3 Aug 2018.

²⁰ France24, 3 Aug 2018.

²¹ News24, 5 Aug 2018.

²² Business Day, 7 Aug 2018.

²³ Africanews, 31 Jul 2018.

²⁴ FT, 9 Aug 2018.

²⁵ FT, 9 Aug 2018.

The selection also raises fears that the December elections will not be free and fair. The opposition leaders have strong support bases and could consolidate their strength if the opposition were to unite behind one leader. However, it may not matter if the ruling coalition plans to win the election fraudulently, which may be necessary for Shandary to win. For Kabila, this may be a plan to eventually take back the presidency after one term, as **Russia's** President **Vladimir Putin** (2000-2008, 2012-present) did to avoid breaching the two-term limit.²⁶

Winmar Resources acquires 50% interest in Luapula cobalt processing facility

Australia-based mining company, **Winmar Resources**, signed a head of agreement with **Lebanon**-based **African Holding Investment Company (AHIC)** on 23 July for a 50% interest in the **DRC**-based **Luapula** cobalt processing facility.²⁷ The Luapula facility is located near **Likasi** in **Haut-Katanga Province**.²⁸ Winmar Resources will pay \$5.5m and issue up to 300 million shares to AHIC: 100 million shares once the agreement is executed; 100 million shares once production starts; and a final 100 million shares if the plant exceeds 1,000 tonnes of contained cobalt in concentrate sales.²⁹ AHIC is also entitled to 1-3% of royalty sales revenue for 15 years.³⁰

Winmar Resources will become the operator and manager of the joint venture with AHIC.³¹ The agreement gives Winmar Resources sole ownership of exploration licences near the Luapula plant for a further \$1.2m to compensate AHIC for historic exploration and development costs.³² Winmar has all sale and marketing rights to the cobalt and copper concentrates, and is responsible for all costs associated in re-starting Luapula's operations.³³ AHIC had ceased production in late 2016 to complete a feasibility study on upgrades to produce high grade cobalt hydroxide products.³⁴

The Luapula processing facility, constructed in 2014, has capacity to produce 12,000 tonnes per annum of high-grade cobalt and copper concentrates.³⁵ In addition to its capital-raising measures in March, Winmar Resources will issue 333.3 million new shares to raise \$5.92m to fund the acquisition.³⁶

Winmar Resources first moved into the cobalt sector in January 2018 with the acquisition of three claims in **Canada**,³⁷ and then raised \$2.3m in March to support acquisitions of mining licences in the **DRC**.³⁸ Winmar Resources CEO **Jason Brewer** appears unperturbed by the new mining code that President Joseph Kabila enacted in May (see *ARC Briefing DRC May 2018*), despite the concern of other large mining firms, such as **Switzerland**-based **Glencore** or **South Africa**-based **Randgold Resources**.³⁹ This may be due to their relatively small size in the **DRC's** mining sector, or it may be due to the increasing price of cobalt. Brewer stated that they are comfortable with the "high-level terms" of the mining code:

*"It's now just a question of getting the details associated with how you actually implement that."*⁴⁰

²⁶ Africa Confidential, 10 Aug 2018.

²⁷ Mining Weekly, 23 Jul 2018.

²⁸ www.winmarresources.com

²⁹ Mining Technology, 25 Jul 2018.

³⁰ Mining Technology, 25 Jul 2018.

³¹ Mining Weekly, 23 Jul 2018.

³² Mining Technology, 25 Jul 2018.

³³ Mining Weekly, 23 Jul 2018.

³⁴ www.winmarresources.com

³⁵ Mining Weekly, 23 Jul 2018.

³⁶ Mining Technology, 25 Jul 2018.

³⁷ www.winmarresources.com

³⁸ Proactive Investors, 20 Mar 2018.

³⁹ Mining Weekly, 21 Jun 2018.

⁴⁰ Jason Brewer quoted in Bloomberg, 21 Jun 2018.

Cobalt prices have tripled over the past two years and mining companies will be able to absorb the higher royalty payments as a result. In addition, the average cost of cobalt production in the DRC is 30% lower than in the rest of the world.⁴¹ However, if the DRC decides to classify cobalt as a “*strategic substance*”, the royalty rate would increase to 10% which slightly negates the low production cost.⁴² However, the high grade of cobalt in the DRC means that few companies would decide to leave.⁴³ For Winmar Resources and other mining companies, the short-term issue to contend with is not the mining code but the upcoming elections, which look increasingly likely to result in conflict.

Second Ebola outbreak

The health ministry confirmed on 4 August that there were 13 new cases of **Ebola**, including three deaths.⁴⁴ The new outbreak comes just weeks after the **World Health Organisation (WHO)** declared the end of the Ebola outbreak on 24 July.⁴⁵ The first instance of the new outbreak was the death of a 65-year old woman in **Mangina**, which led to the infection of several of her relatives in **Beni**, only 50 kilometres from the **Ugandan** border and in the middle of a conflict zone.⁴⁶ The new outbreak is located more than 2,500 kilometres away from the initial outbreak, but its location in conflict-prone **North Kivu** has exacerbated the problems.⁴⁷

The ongoing fighting between 100 armed groups has made it difficult for government and international aid agencies to contain the Ebola virus. There are fears that refugees fleeing the DRC to Uganda, **Tanzania** or **Burundi** may cause the outbreak to spread across the region.⁴⁸ The WHO’s deputy director-general of emergency preparedness and response, **Dr. Peter Salama**, stated that there was “*no evidence*” that there was a link between this new outbreak and the previous one, though both reportedly share the same Ebola strain.⁴⁹ If it is the same strain, Salama said the vaccine employed in the previous outbreak may be used:

“It’s good news and bad news. The bad news is this strain of Ebola carries the highest case-fatality-rate of any Ebola strains ... it’s the most deadly variant of Ebola strains we have, that’s the bad news. The good news is we do have – although it’s still an investigational product – a safe and effective vaccine we were able to deploy last time around.”⁵⁰

As of 13 August, 52 people are reported to be infected.⁵¹ Vaccines have arrived in the DRC and there are more than 3,000 doses in stock in Kinshasa.⁵² Unnecessary travel to the affected areas is not advised, though the area has had limited tourism or economic activity due to the ongoing conflicts. The major risk is the spread of the virus through refugees and those fleeing the area, which may spread the outbreak across the region.

Planner

23 Dec 2018 **(DRC)** Presidential, legislative and provincial elections scheduled

9 Jan 2019 **(DRC)** Electoral results published

13 Jan 2019 **(DRC)** President to be sworn into office

⁴¹ Bloomberg, 21 Jun 2018.

⁴² Bloomberg, 21 Jun 2018.

⁴³ Bloomberg, 21 Jun 2018.

⁴⁴ VOA, 4 Aug 2018.

⁴⁵ Mail & Guardian, 24 Jul 2018.

⁴⁶ Science, 6 Aug 2018.

⁴⁷ VOA, 4 Aug 2018.

⁴⁸ VOA, 4 Aug 2018.

⁴⁹ Defence Web, 7 Aug 2018.

⁵⁰ Defence Web, 7 Aug 2018.

⁵¹ Reuters, 7 Aug 2018.

⁵² Reuters, 7 Aug 2018.

Chronology

10 Aug 2018 **Kinshasa (DRC)** *News24* In a working visit to DRC, South Africa's President **Cyril Ramaphosa** praises DRC President **Joseph Kabila** for respecting the constitution;

10 Aug 2018 **Kinshasa (DRC)** *Mining MX*. Jersey-headquartered gold mining company **Randgold Resources'** CEO, **Mark Bristow**, states the company is not yet paying higher royalties and taxes as per DRC's new mining code;

10 Aug 2018 **Lusaka (Zambia)** *Town Press*. President **Edgar Lungu** meets with South Africa's President Cyril Ramaphosa to discuss the situations in the DRC and **Zimbabwe**;

9 Aug 2018 **Kinshasa (DRC)** *EWN*. **Anglo-Swiss** commodity trading and mining company **Glencore** CEO **Ivan Glasenberg** says the company is considering legal action against the DRC's new mining code, although talks are ongoing;

8 Aug 2018 **Kinshasa (DRC)** *New York Times*. President **Joseph Kabila** agrees to step down and names **Emmanuel Ramazani Shadary** as the candidate for the December elections;

6 Aug 2018 **Kinshasa (DRC)** *News24*. The **African Union** calls for the rights and freedoms of all **Democratic Republic of the Congo (DRC)** citizens to be upheld amid tensions over the presidential elections;

5 Aug 2018 **Kinshasa (DRC)** *New24*. The health ministry reports up to 43 people may have contracted the **Ebola** virus in a new outbreak in the DRC;

5 Aug 2018 **Kinshasa (DRC)** *FT*. The **United States** is reportedly prepared to impose new sanctions on President **Joseph Kabila** to dissuade him from remaining in power;

3 Aug 2018 **Ndola (Zambia)** *Reuters*. Authorities refuse DRC opposition leader **Moïse Katumbi** entry into the DRC from **Zambia** at **Kasumbalesa** border post;

2 Aug 2018 **Luanda (Angola)** *africanews*. DRC President **Joseph Kabila** visits **Angola** on an official visit;

2 Aug 2018 **Kinshasa (DRC)** *France24*. Opposition **Mouvement de Liberation du Congo (MLC)** leader **Jean-Pierre Bemba** submits his application to run in the December presidential elections;

1 Aug 2018 **Kinshasa (DRC)** *Herald*. Opposition leader **Jean-Pierre Bemba** returns to the **Democratic Republic of the Congo (DRC)** to file an application to run in the December presidential elections;

1 Aug 2018 **North Kivu Province (DRC)** *Al Jazeera*. Health minister **Oly Ilunga** confirms four new cases of **Ebola** after stating that the outbreak was over;

1 Aug 2018 **Johannesburg (South Africa)** *africanews*. Exiled opposition leader **Moïse Katumbi** plans to return to the DRC on 3 August;

31 Jul 2018 **Johannesburg (South Africa)** *News24*. **Moïse Katumbi** seeks permission to return to the DRC to contest the presidential elections;

30 Jul 2018 **Kinshasa (DRC)** *FT*. **Switzerland**-based mining company, **Glencore**, reports increased output of 35,600 tonnes of copper from DRC-based assets in three months to June compared to 27,000 tonnes in previous quarter;

28 Jul 2018 **Goma (DRC)** *Reuters*. The ruling **Parti du Peuple pour la Reconstruction et la Démocratie** wants opposition leader, **Jean-Pierre Bemba**, declared ineligible for the presidential election due to his **International Criminal Court** witness tampering conviction;

25 Jul 2018 **Kinshasa (DRC)** *News24*. The **Democratic Republic of the Congo** opens a two-week period for candidates to register for the 23 December elections;

24 Jul 2018 **Kinshasa (DRC)** *Al Jazeera*. Health minister **Oly Ilunga** declares the **Ebola** outbreak contained and over in the **Democratic Republic of the Congo (DRC)**;

24 Jul 2018 **Kinshasa (DRC)** *Reuters*. Opposition leader **Jean-Pierre Bemba** plans to return to the DRC next week to submit his candidacy for president;

23 Jul 2018 **Kinshasa (DRC)** *eNCA*. Former vice-president **Jean-Pierre Bemba** plans to return to the **Democratic Republic of the Congo** by 1 August;

23 Jul 2018 **Kinshasa (DRC)** *News24*. Opposition parties sign a joint statement calling for President **Joseph Kabila** to step down and the removal of electronic voting machines, but pledge to not boycott the election;

23 Jul 2018 **Kinshasa (DRC)** *Mining Weekly*. **Australia-based Winmar Resources** signs an agreement with **African Holding Investment Company** for a 50% interest in the **Luapula** cobalt processing facility in the DRC;