

AFRICA RISK CONSULTING DRC Monthly Briefing October 2019

DRC Summary 23 October 2019

Former Democratic Republic of the Congo (DRC) presidential candidate Emmanuel Ramazani Shadary announces that former President Joseph Kabila (2001-2018) will return to politics this month. The United States (US) Customs and Border Protection (CBP) issues a Withhold Release Order (WRO) against artisanal gold from small mines in the eastern DRC due to allegations of forced labour. The Banque Centrale du Congo (BCC) (central bank) forecasts the DRC's economy to grow 5.9% in 2019 and 5.4% in 2020, though these high rates are best-case scenarios as long as the government is able to keep foreign companies investing in the country.

Shadary announces that Kabila plans to return to politics

Former **Democratic Republic of the Congo (DRC)** presidential candidate **Emmanuel Ramazani Shadary** announced on 22 October that former President **Joseph Kabila** (2001-2018) will return to politics this month.¹ Although this news is not surprising, its timing was unforeseen since there are still four years until the next elections. The current political arrangement is likely to be under strain as both ruling coalitions look to cement their status in the political environment. Shadary made the comments on the sidelines of a **Parti du peuple pour la reconstruction et la démocratie (PPRD)** assembly in **Lubumbashi (Haut Katanga Province)**.² Shadary is the permanent-secretary of the PPRD, the main member of the coalition **Front Commun pour le Congo (FCC)**, which dominates the national assembly, senate and prime minister's office, and which established a coalition government with President **Felix Tshisekedi's** (2019-present) **Cap pour le Changement (CACH)** coalition.

Shadary stressed that the PPRD is looking to expand its support over the next few years in preparation for the 2023 presidential election, particularly in providing free education across the DRC.³ Shadary told more than 200 PPRD delegates that

"...the PPRD must be even bigger... Our highest ambition, for the good of the country, is to win the greatest number of seats; the absolute majority of seats in all deliberative bodies... The ultimate goal of our ambition is to win as a political formation a victory without appeal in the next presidential election."⁴

Shadary did not explicitly state in what capacity Kabila will return to politics. There is also the question of whether Kabila ever actually left DRC's political arena. Kabila is a senator for life, although he has not yet sat in the new senate,⁵ and he negotiated with Tshisekedi over the formation of the government and the choice of prime minister after the elections. Shadary stated that

"...Joseph Kabila Kabange has decided to make his political comeback in the next few days, after a short time on vacation or leave [which was] very well deserved. To that end, it behooves us to carefully prepare this event that will have a landmark both in [the PPRD] and on the political scene in the DRC."⁶

¹ Jeune Afrique, 22 Oct 2019

² Jeune Afrique, 22 Oct 2019

³ Jeune Afrique, 22 Oct 2019

⁴ Actualite, 22 Oct 2019

⁵ Diaspora RDC, 22 Oct 2019

⁶ Actualite, 22 Oct 2019

Kabila is likely to announce that he will be running as president in 2023, long expected by analysts who compared DRC's December 2018 election to the situation in **Russia**, where President **Vladimir Putin** (2000-2008, 2012-present) supported **Dmitry Medvedev** (2008-2012) in 2008, only to resume his presidency the following term in order to comply with the two consecutive term limit of the constitution. Tshisekedi has yet to comment publicly on Shadary's announcement but is likely to remain quiet as his own team considers the best way to counter Kabila in 2023. Given the power-sharing deal that Tshisekedi made with Kabila (see *ARC Briefing DRC February 2019*), it will be difficult for him to stop Kabila from tampering with election results again, but this time it will be for Kabila's own presidency.

US bans DRC gold imports due to allegations of forced labour

The **United States (US) Customs and Border Protection (CBP)** issued a "Withhold Release Order (WRO)" on 1 October against artisanal gold from small mines in the eastern DRC citing allegations of forced labour at the mines.⁷ The DRC does not export much gold to the US, so while the order will not affect DRC's economy, it does focus attention on the issues of forced and child labour in the region. Much of the region's gold is smuggled to **Uganda** where it is sold legally. The CBP also issued WROs against diamonds from **Zimbabwe** as well as other products from **Malaysia, China** and **Brazil**.⁸

While the CBP order bans the importation of gold from the DRC to the US, the DRC government can re-export any detained shipments or submit information to prove that the gold imports are not in violation and that the gold was not produced using forced labour.⁹ However, the government is unlikely to do either of these because there are many verified reports that forced and child labour is still ubiquitous in eastern DRC and much of its gold is now smuggled to the **Middle East**.¹⁰ A **Reuters** investigation in April found that the **United Arab Emirates (UAE)** imported \$1.51 billion worth of gold from **Africa** in 2016, but much of this gold was not recorded as exports, meaning that the African states producing the gold are not paying taxes.¹¹ The report stated that

*"[The DRC] is a major gold producer but one whose official exports amount to a fraction of its estimated production: Most is smuggled into neighbouring Uganda and Rwanda."*¹²

A **Belgium**-based research group, **International Peace Information Service (IPIS)**, estimates that 75-98% of the DRC's gold crosses the border into Uganda illegally and is mined by artisanal miners whose works helps sustain the plethora of armed groups in eastern DRC.¹³ IPIS found that in visits to over 2,000 mining sites in the eastern DRC, armed groups were present at 64% of them, and it is the armed groups which force children and adults into working at the mines to increase their income to sustain their operations.¹⁴ The gold that is legally exported is usually found to be from conflict zones. Fixers in Uganda are able to fraudulently complete the documents and pay the taxes in Uganda before exporting the gold to the UAE or China, showing Uganda as the country of origin.¹⁵ This has allowed Ugandan gold exports to jump 23% year-on-year in 2018, becoming Uganda's top foreign exchange earner and overtaking coffee.¹⁶ While Uganda does produce gold, its production numbers have stayed steady, raising the question of where the excess gold is sourced.¹⁷ The DRC is the likely answer.

The **US Bureau of International Labour Affairs** claims that child labour and forced labour is used to mine gold, tungsten ore, tin ore and tantalum in the DRC.¹⁸ There have also been several reports on

⁷ IOL, 2 Oct 2019

⁸ IOL, 2 Oct 2019

⁹ IOL, 2 Oct 2019

¹⁰ Reuters, 24 Apr 2019

¹¹ Reuters, 24 Apr 2019

¹² Reuters, 24 Apr 2019

¹³ Deutsche Welle, 1 Aug 2019

¹⁴ Deutsche Welle, 1 Aug 2019

¹⁵ Deutsche Welle, 1 Aug 2019

¹⁶ Reuters, 26 Feb 2019

¹⁷ Al Jazeera, 19 Jul 2019

¹⁸ www.dol.gov

forced and child labour to mine for cobalt.¹⁹ While this is documented, it remains to be seen whether the US CBP will investigate and track gold that may be imported legally from Uganda, but of which much likely came from the DRC.

Central bank forecasts 5.4% economic growth in 2020 in “best-case” scenario

The **Banque Centrale du Congo (BCC)** (central bank) forecasts the DRC’s economy to grow by 5.9% in 2019 and 5.4% in 2020. These rates are best-case scenarios, as long as the government is able to keep foreign companies investing in the country.²⁰ The DRC’s economy has much potential but is still hamstrung by the political environment – and this is expected to continue. The BCC’s forecast is higher than that of the **International Monetary Fund**, which forecasts 4.3% growth in 2019 due to lower copper and cobalt prices.²¹

The IMF’s forecast is likely more realistic than that of the BCC given the economy’s reliance on natural resources, particularly in mining, for revenue and to keep the economy afloat. The copper price is forecast to fall until at least 2022 – the copper market is currently in surplus, and consumption, particularly in China, remains weak.²² The price of cobalt, a major component in batteries for electric vehicles, is also forecast to remain constant until 2022, when electric vehicle sales are expected to increase significantly as batteries become cheaper and there is more supply from automobile manufacturers.²³ There is also a possibility that electric vehicle makers, such as US-based automotive and energy company **Tesla**, will work to reduce the amount of cobalt needed in their batteries due to the DRC’s poor human rights and labour record. This would negatively affect the DRC’s economic growth.

The DRC has significant potential to improve its economic growth by diversifying its economy into energy (through the **Grand Inga 3** and **Ruzizi III** hydroelectric power projects) and improving its infrastructure and regulatory environment. Tshisekedi’s government knows this, but these projects will not be feasible unless there is political and regulatory stability and a real crackdown on corruption. With Kabila and his allies still holding power and influence in government, the needed changes still seem far off. The BCC’s growth numbers are ambitious and reachable, but not without major political and administrative changes.

¹⁹ Multiple sources: FT, 7 Jul 2019; The Guardian, 12 Oct 2018

²⁰ CNBC Africa, 30 Sep 2019

²¹ CNBC Africa, 30 Sep 2019

²² AG Metal Miner, 2 Oct 2019

²³ Investor Intel, 13 Aug 2019

Planner

22 Nov 2019 **Johannesburg (South Africa)** InvestDRC Forum;
 10-12 Dec 2019 **Kinshasa (DRC)** DRC Power, Oil and Gas Conference and Exhibition;
 16 Jan 2020 **(DRC)** Heroes' Day (Laurent Kabila);
 17 Jan 2020 **(DRC)** Heroes' Day (Patrice Lumumba);
 30 Jun 2020 **(DRC)** Independence Day;
 2023 **(DRC)** Scheduled presidential and parliamentary elections;

Chronology

22 Oct 2019 **Kinshasa (DRC)** *Jeune Afrique*. Former presidential candidate **Emmanuel Ramazani Shadary** announces that former president **Joseph Kabila** will make a political return in the next few days, increasing chances that Kabila will run for president again in 2023;

21 Oct 2019 **Goma (DRC)** *CIDRAP*. Health authorities confirm 10 new cases of **Ebola** in three days in eastern **Democratic Republic of the Congo (DRC)**;

16 Oct 2019 **Kinshasa (DRC)** *EWN*. Environmental NGO **International Rivers** calls on **South Africa** to not import power from the **Inga 3** project, claiming it would be more expensive than domestic power;

14 Oct 2019 **Kinshasa (DRC)** *Reuters*. Health authorities say they will use the new **Johnson&Johnson Ebola** vaccine in November to counter the Ebola outbreak;

14 Oct 2019 **Kinshasa (DRC)** *FT*. **Switzerland**-based commodity trader **Trafigura** invests \$450m in a copper and cobalt processing plant at the **Mutoshi** mine;

10 Oct 2019 **Kinshasa (DRC)** *Reuters*. The **World Health Organisation** says the **Ebola** epidemic is confined to a small rural area but militias and moving people make it hard to eradicate;

8 Oct 2019 **Kinshasa (DRC)** *Mining Weekly*. **Canada**-based **Ivanhoe Mines** has appointed **Mark Farren** as CEO of the **Kamoa-Kakula** copper mine;

7 Oct 2019 **Kinshasa (DRC)** *MiningMX*. The government says the **International Monetary Fund** may renew its financial support within six months;

2 Oct 2019 **Kampene (DRC)** *Al Jazeera*. A collapse at an unlicensed gold mine kills 15 people;

1 Oct 2019 **Kinshasa (DRC)** *I dex*. The **United States Customs and Border Protection** names the Democratic Republic of the Congo and **Zimbabwe** as two of five countries which are barred from importing gold due to suspicions of forced labour;

30 Sep 2019 **Kinshasa (DRC)** *CNBC Africa*. The **Banque Centrale du Congo** (central bank) says that economic growth will slow to 5.4% in 2020, down from a forecasted 5.9% growth in 2019;

24 Sep 2019 **Kinshasa (DRC)** *Contagion*. Health officials plan to introduce a second experimental **Ebola** vaccine in mid-October to fight the Ebola outbreak;

18 Sep 2019 **Kinshasa (DRC)** *Al Jazeera*. **Forces Armées de la République Démocratique du Congo** spokesman **Richard Kasonga** says the army killed **Sylvestre Mudacumura**, a commander of **Rwandan Hutu** fighters who was wanted for war crimes by the **International Criminal Court**;

16 Sep 2019 **Kinshasa (DRC)** *Yahoo*. President **Felix Tshisekedi** arrives in **Belgium** on his first official visit to **Europe**;

15 Sep 2019 **Kinshasa (DRC)** *RFI Afrique*. President **Felix Tshisekedi** meets with the finance inspector-general **Victor Batubenga** over \$15m missing from the treasury.

About Africa Risk Consulting:

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