

AFRICA RISK CONSULTING

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DRC Summary 16 August 2019

President Felix Tshisekedi (2019-present) and former President Joseph Kabila (2001-2019) agree to form a government, six months after Tshisekedi assumed the presidency. Kabila's Front Commun pour le Congo (FCC) coalition will control most of the major ministries. Delays in naming ministers are likely as Tshisekedi tries to win back some influence by rejecting any Kabila allies under sanctions or with corruption allegations against them. Switzerland-based mining company Glencore Plc plans to stop production at its Mutanda cobalt mine due to increased costs and lower battery metal prices. The planned closure will bolster the cobalt price but may also give Glencore leverage in future negotiations over the Democratic Republic on the Congo's (DRC) controversial 2018 mining code. The World Health Organisation and the United States (US) National Institute of Allergy and Infectious Diseases report that two new drugs trialed in the DRC have significantly reduced death rates compared to previously used drugs.

Tshisekedi and Kabila agree to form a government

President **Felix Tshisekedi** (2019-present) and former President **Joseph Kabila** (2001-2019) agreed on 27 July to form a government, six months after Tshisekedi assumed the presidency of the **Democratic Republic of the Congo (DRC)**.¹ Kabila's **Front Commun pour le Congo (FCC)** coalition will control most of the major ministries but delays in naming ministers are likely as Tshisekedi tries to win back some influence by rejecting any Kabila allies under sanctions or with corruption allegations against them. Tshisekedi was unable to form a government unilaterally, as the FCC won an overwhelming majority in the upper and lower houses of parliament as well as in provincial assemblies during elections in December and March respectively.² Formal consultations with prime minister **Sylvestre Ilunga Ilunkamba** began on 7 August.³

The new government will comprise 65 members – 42 from the FCC and 23 from Tshisekedi's coalition, the **Cap pour le Changement (CACH)**.⁴ A leaked document shows the split of ministries between the FCC and CACH, and some of the major ministerial allotments:⁵

FCC	CACH
Justice	Interior
Defence	Foreign affairs
Decentralisation	Communication and media
Human rights	Defence
Mines	Hydrocarbons
Finance	Budget

¹ AFP, 27 Jul 2019

² AFP, 27 Jul 2019

³ The East African, 7 Aug 2019

⁴ AFP, 27 Jul 2019

⁵ Jeune Afrique, 31 Jul 2019

The ministerial allocation is similar to that which opposition leader **Martin Fayulu** predicted on 16 April. Fayulu claimed in April that Kabila's alleged agreement with Tshisekedi – in which Kabila altered the December election results to allow Tshisekedi to win – will give Kabila control over the mining and finance ministries as well as over state-owned mining company **Gecamines** (see *ARC Briefing DRC May 2019*).

Ministers' names have yet to be released. Both the FCC and the CACH reportedly handed over their lists of proposed ministers to Ilunkamba on 11 August.⁶ According to a source, Tshisekedi rejected the first draft of the proposed cabinet as it did not have adequate female representation according to constitutional requirements.⁷ However, while the constitution states there must be gender parity in government institutions, there is no legal quota.⁸

According to a Congolese businessman currently travelling in **Kinshasa**,

*"It is not surprising that Kabila will take the defence, finance, justice and public enterprises portfolios. This would give the FCC control of Gecamines, the military, the treasury and the judiciary, while CACH would control foreign affairs, the interior ministry and budget and economy. At the end of the day, the FCC will wield the majority of power if this is the split that is agreed."*⁹

Tshisekedi may be using the excuse of gender parity to buy more time for negotiations. No doubt aware that his power will be significantly weakened by the FCC's control of key ministries, Tshisekedi will fight to ensure that major Kabila-era cronies, particularly those under sanctions or with corruption allegations against them, are not included as ministers in the new government. While it would be a small victory, there is a greater chance that new FCC ministers, who have not been involved with Kabila since the beginning, may be more likely to work with Tshisekedi and the CACH coalition.

Glencore to shut DRC cobalt mine

Switzerland-based mining giant **Glencore Plc** plans to stop production at its **Mutanda** cobalt mine due to increased costs and lower battery metal prices.¹⁰ The planned closure will bolster the cobalt price but may also give Glencore leverage in future negotiations over the controversial 2018 mining code. Glencore plans to stop production at the end of 2019.¹¹ The mine will not be closed permanently and could re-open if the cobalt price increases or if the DRC government makes concessions on the new mining code. Glencore CEO **Ivan Glasenberg** has continually opposed the new code¹² and it is more than likely that Glencore made the decision to close the world's largest cobalt mine in order to push the government into tax concessions. Kabila signed the DRC's new mining code into law on 9 March 2018. The law significantly increases taxes and royalties on mining companies, particularly on 'strategic metals' such as cobalt (see *ARC Briefing DRC March 2018*).



⁶ L'Interview, 12 Aug 2019

⁷ Jeune Afrique, 15 Aug 2019

⁸ Jeune Afrique, 15 Aug 2019

⁹ Source, businessman, Kinshasa

¹⁰ Bloomberg, 6 Aug 2019

¹¹ Bloomberg, 6 Aug 2019

¹² MiningMX, 7 Aug 2019

The price of cobalt – now hovering around the 2016 low – is a significant factor in Glencore’s decision to close the mine. The Mutanda mine supplied 45% of Glencore’s **African** cobalt output¹³ and contributed roughly 20% of global cobalt supply,¹⁴ so its closure may affect the cobalt price sooner rather than later. Closure of the Mutanda mine will reduce global cobalt supply, which may in turn help to raise the cobalt price.¹⁵ Cobalt’s price has dropped 40% in 2019, leading to a 32% drop in earnings year-on-year for the first half of 2019.¹⁶ Much of the price drop has been due to a glut in supply. The price of cobalt spiked in 2017, due to increasing demand for lithium-ion batteries, which are used in electric vehicles. Electric vehicle manufacturers are working to use less cobalt in their batteries, largely to mitigate the risk of ‘blood minerals’ from the DRC, which holds more than half of the world’s cobalt supply.¹⁷

The mine’s closure will result in a large loss of revenue for the government and employment options, giving Glencore leverage in any future negotiations over the mining code. While it is doubtful that Tshisekedi – or the Kabila-allied FCC members who will be in charge of the mines ministry and state-owned mining company Gecamines – will change the mining code, the government may offer concessions to Glencore in exchange for an agreement to re-open the mine sooner than anticipated. The planned closure may also encourage the government to speed up talks on the mining code, which have all but stopped since Tshisekedi took office.¹⁸

Positive results for Ebola drug trialed in DRC

The **World Health Organisation** and the **United States (US) National Institute of Allergy and Infectious Diseases** said on 12 August that two new **Ebola** drugs trialed in the DRC have significantly reduced death rates compared to previously used drugs.¹⁹ The improved drugs may help to increase trust in Ebola clinics within communities and encourage those affected by Ebola to visit the clinics if there is a visible decline in Ebola-related deaths. The new drugs, developed by US-based pharmaceutical companies **Regeneron Pharmaceuticals Inc** and **Ridgeback Biotherapeutics**, reduced mortality rates to 29% and 34% respectively in the trial of four DRC Ebola centres.²⁰ This is a marked decrease in the Ebola mortality rate compared to the use of **ZMapp** and **Remdesivir** in the Ebola crisis in **Sierra Leone**, **Liberia** and **Guinea** between 2013 and 2016. ZMapp and Remdesivir had mortality rates of 49% and 53% respectively.²¹ All DRC Ebola treatment centres have stopped using ZMapp and Remdesivir and will solely use the two new treatments to treat Ebola.²²

A major issue in the fight against Ebola in the DRC continues to be Ebola-afflicted patients’ mistrust of Ebola clinics. Trial results showed that early treatment of Ebola was significantly more effective – death rates fell to just 6% with Regeneron’s drug and 11% with Ridgeback, compared to 24% on ZMapp and 33% on Remdesivir for early intervention.²³ The increased chance of survival may encourage affected people to visit the treatment centres. For this to happen, the government will need to introduce a major public relations campaign to inform people about the availability and efficacy of the new drugs, and to ensure the safety of medical workers in the hospitals in affected areas. There were 130 attacks on health facilities in the DRC between January and mid-May amid growing mistrust between health officials and the local population.²⁴ Armed groups have led the attacks, claiming the Ebola epidemic is a conspiracy to kill local residents.²⁵ Health professionals will also need to address

¹³ Small Caps, 14 Aug 2019

¹⁴ Reuters, 8 Aug 2019

¹⁵ Proactive Investors, 16 Aug 2019

¹⁶ Seeking Alpha, 9 Aug 2019

¹⁷ Small Caps, 14 Aug 2019

¹⁸ The Africa Report, 2 Aug 2019

¹⁹ CBS News, 12 Aug 2019

²⁰ The Guardian, 12 Aug 2019

²¹ The Guardian, 12 Aug 2019

²² The Guardian, 12 Aug 2019

²³ The Guardian, 12 Aug 2019

²⁴ CNN, 13 Aug 2019

²⁵ Reuters, 28 May 2019

the risk that the new drugs will be viewed as a cure. A lapse in preventative measures, including vaccination against Ebola, could result in a spread of the epidemic.

Planner

17-19 Jun 2020 DRC Mining Week;
2023 (DRC) Scheduled presidential and parliamentary elections;

Chronology

15 Aug 2019 **Kinshasa (DRC)** *Jeune Afrique*. Prime minister **Sylvester Ilunga Ilunkamba** denies that President **Felix Tshisekedi** rejected the first version for his cabinet and says analysis of the list continues;

13 Aug 2019 **Kinshasa (DRC)** *Reuters*. The **US National Institute of Allergy and Infectious Diseases** says that two experimental drugs show survival rates of as high as 90% and will be distributed in the **Democratic Republic of the Congo**;

7 Aug 2019 **Kinshasa (DRC)** *Jeune Afrique*. Prime minister **Sylvester Ilunga Ilunkamba** begins formal consultations to form his government;

7 Aug 2019 **Kinshasa (DRC)** *Reuters*. Senior military prosecutor **Jean-Baptiste Kumbu** arrests three doctors for planning an attack on a hospital that killed a senior **World Health Organisation** epidemiologist in April;

6 Aug 2019 **Kinshasa (DRC)** *Mining Journal*. **Switzerland**-based mining giant **Glencore** is reportedly planning to close its **Mutanda** copper-cobalt mine as it is no longer economically viable;

1 Aug 2019 **Goma (DRC)** *Reuters*. Health officials confirm a third and fourth **Ebola** case in **Goma**;

31 Jul 2019 **Kinshasa (DRC)** *Jeune Afrique*. Media reports that President **Felix Tshisekedi**'s coalition will hold the interior and foreign affairs portfolios while former President **Joseph Kabila**'s coalition will control finance and mines in the newly announced government;

30 Jul 2019 **Goma (DRC)** *CIDRAP*. Health officials announce a second **Ebola** case in **Goma**;

29 Jul 2019 **Kinshasa (DRC)** *The East African*. The **United States Agency for International Development** pledges \$3.7m in funding to counter illegal mining activities;

29 Jul 2019 **South Kivu (DRC)** *RFI Afrique*. **Mai Mai Malaika** militia soldiers reportedly kidnap three employees from **Canada**-based gold company **Banro Corporation**;

27 Jul 2019 **Kinshasa (DRC)** *News24*. President **Felix Tshisekedi** and former President **Joseph Kabila** agree to form a government with 42 members from Kabila's **Front Commun pour le Congo (FCC)** and 23 from Tshisekedi's **Cap pour le Changement**;

27 Jul 2019 **Kinshasa (DRC)** *Jeune Afrique*. The senate elects **Front Commun pour le Congo (FCC)** member **Alexis Thambwe Mwamba** as president of the senate;

25 Jul 2019 **Kinshasa (DRC)** *Reuters*. The **International Monetary Fund** says it is ready to give financial support to the **Democratic Republic of the Congo** if it is required;

24 Jul 2019 **Goma (DRC)** *Reuters*. Suspected **Allied Democratic Forces** rebels kill 12 people in **Goma**, which is struggling to contain an **Ebola** epidemic;

22 Jul 2019 **Kinshasa (DRC)** *Daily Nation*. Health minister **Oly Ilunga Kalenga** resigns after President **Felix Tshisekedi** announces that the presidency would now be responsible to end the **Ebola** outbreak.

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Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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