

AFRICA RISK CONSULTING

DRC Monthly Briefing November 2020

DRC Summary 17 November 2020

President Felix Tshisekedi (2018-present) appoints and swears in three constitutional court judges in what is seen as a victory in his power struggle within the ruling coalition government. The government tables a 14.2 trillion Congolese franc (\$7.2 billion) budget for 2021 in parliament, 23.2% lower than the current budget. The slimmed down budget is one of the preconditions for the International Monetary Fund's \$363.27m Rapid Credit Facility loan agreement. The cross-industry Cobalt for Development initiative launches at 12 artisanal mining cooperatives in Kolwezi, capital of Lualaba Province, aiming to source ethical cobalt and protect artisanal miners. Israeli mining magnate Dan Gertler has bought the rights from DRC state mining company Gecamines to royalties from Metalkol cobalt project, one of the world's largest cobalt projects. Canada-based Ivanhoe Mines announces its Kakula Copper Mine is more than 58% complete.

Tshisekedi appoints constitutional court judges...

After a delay of several months, President **Félix Tshisekedi** (2019-present) swore in three constitutional court judges on 21 October.¹ The judicial appointments are seen as a victory for Tshisekedi who has struggled to assert control in his uneasy coalition government with the opposition **Front commun pour le Congo (FCC)** since the **Democratic Republic of the Congo's (DRC)** disputed election in 2018.

While the appointments are a victory for President Tshisekedi, they place greater strain on an already fragile coalition. The courts have traditionally been used as a key institution to shape and set the political agenda in the DRC. Former president **Joseph Kabila** (2001-2019) sought to have power over the appointment of all nine constitutional judges, however, the judges are now split between Kabila's FCC, which controls the senate and national assembly, and Tshisekedi's **Union pour la Démocratie et le Progrès Social (UDPS)**.² The FCC boycotted the swearing-in ceremony, claiming the appointment process was unconstitutional:

"The appointments and replacements of the judges concerned ... are null and of no effect."³

The rift between the two coalition parties will hinder the government's ability to solve the serious economic, social and security problems facing the country. The power struggle is set to continue, as the FCC faction will continue to seek to wield influence over the judiciary.⁴ Greater control over the court shields Tshisekedi from the FCC-dominated legislature's potential to launch impeachment proceedings against him or his administration. However, while political tension may increase, there are no immediate signs of a total breakdown in the Tshisekedi-Kabila relationship. Both parties have a vested interest in keeping the coalition intact ahead of the 2023 elections.

The appointment of politically connected individuals to the judiciary is not new, and has led to calls for longer-term reform to reduce the uncertainty that politically motivated judicial appointments cause. Many in the opposition had hoped a Tshisekedi presidency would bring an end to the practice.⁵ A **Kinshasa**-based youth activist stated that,

¹ Reuters, 21 Oct 2020

² Africa report, 1 Nov 2020

³ Africa News, 30 Nov 2020

⁴ All Africa.com

⁵ Analyst, DRC

“Replacing judges under the orders of Kabila by judges under the orders of Tshisekedi does not advance the rule of law.”

In the meantime, Tshisekedi’s UDPS camp is becoming frustrated that the FCC’s majority in parliament leaves it with little legislative power until it secures a parliamentary majority. Although it is unlikely, Tshisekedi could call for early elections in a bid to win a majority of seats in parliament. Tshisekedi’s other hope would be to harness the cooperation of opposition leaders such as **Bahati Lukwebo, Moise Katumbi and Jean-Pierre Bemba**.⁶

Government proposes 23.2% budget cut for 2021

The government tabled a 14.2 trillion Congolese franc (\$7.2 billion) 2021 budget in parliament on 18 October,⁷ 23.3% lower than the 2020 budget.⁸ The government expects the economy to grow by 3.2% in 2021, following a projected contraction of 1.7% in 2020, with cobalt production a key indicator of growth.⁹ Parliament has still to approve the budget.¹⁰

The **International Monetary Fund (IMF)** made the slimmed down budget a precondition for a \$363.27m **Rapid Credit Facility** loan, its first in eight years, amid concerns that the DRC has posted overly ambitious budgets in the past.¹¹ Previous DRC budgets have reflected political considerations rather than fiscal realities.¹² The IMF suspended its previous loan programme in 2012 after the government failed to provide sufficient details on the sale of state mining assets to an offshore company.¹³ The IMF’s three-year **Extended Credit Facility** also requires that the government publish all mining contracts, which the government did in the week prior to the budget proposal.¹⁴

The DRC continues to struggle with the **Covid-19** pandemic induced global downturn.¹⁵ Although the IMF’s disbursement in May has eased the impact of the pandemic, domestic revenues continue to slump.¹⁶ The budget ministry expects mining royalties, which contribute 40% of non-tax revenue, to decrease by 44%, 614 billion Congolese francs (\$313m) in 2021, as insecurity, low mineral grades, a lower cobalt price and inflated input costs drive suspension of mining projects,¹⁷

The government’s willingness to cut the budget and cooperate with the IMF will be a welcome sign for international donors and policy makers.¹⁸ In order to stimulate government revenue collection, the IMF has also demanded new management at the **Banque centrale du Congo** (central bank).¹⁹

Responsible cobalt mining initiative launches

The cross-industry **Cobalt for Development** initiative has launched at 12 artisanal mining cooperatives in **Kolwezi**, capital of **Lualaba Province**.²⁰ The initiative aims to monitor mine site management, legal compliance, human rights, health and safety as well as environmental management to address industry challenges in responsible mining. **Germany**-based luxury vehicle producer **Bayerische Motoren Werke AG (BMW)** and chemical producer **BASF SE**, together with **South Korea**-based conglomerates **Samsung SDI** and **Samsung Electronics**, initiated the project,

⁶ All Africa, 16 Nov 2020

⁷ Jeune Afrique, 4 Nov 2020

⁸ Reuters, 4 Nov 2020

⁹ Reuters, 4 Nov 2002

¹⁰ Bloomberg, 4 Nov 2020

¹¹ Analyst DRC

¹² Political analyst, DRC

¹³ IMF, 15 Nov 2020

¹⁴ Times Live, 4 Nov 2020

¹⁵ Political analyst, DRC

¹⁶ Bloomberg, 4 Nov 2020

¹⁷ Reuters, 4 Nov 2020

¹⁸ Political analyst, DRC

¹⁹ Reuters, 4 Nov 2020

²⁰ Mining weekly, 30 Oct 2020

which aims to train more than 1,500 artisanal cobalt miners by mid-2021.²¹ The **Deutsche Gesellschaft für International Zusammenarbeit (GIZ)** (German society for international cooperation) was commissioned in 2019 to implement the project in conjunction with non-government organisations (NGO).²²

Cobalt mining investors will welcome the initiative with its potential to mitigate the reputational damage of involvement in the DRC's mining sector, where issues of human rights and other abuses have been well documented. The DRC is the world's largest source of cobalt. The timing of the initiative is opportune, as demand for cobalt is expected to increase significantly in response to the growing electric car industry. **Luxembourg**-headquartered **Eurasian Resources Group Sarl (ERG)** predicts that the use of cobalt in electric-vehicle batteries will quadruple between 2019 and 2025.²³ Producer support for the responsible cobalt mining initiative could go some way to relieving consumer demands for responsible sourcing of cobalt.²⁴

A company controlled by **Israeli** billionaire **Dan Gertler**, who is under **United States (US)** sanctions for alleged corruption, has bought the rights from DRC's state-owned mining company, **Gecamines**, to royalties from ERG's **Metalkol** project, one of the world's largest cobalt projects.²⁵ Gertler's companies are entitled to a share of revenue from three of the largest cobalt mines globally. While Gecamines published the contract in October, it was signed in June 2017, six months before the US government blacklisted Gertler for "*opaque and corrupt mining and oil deals*" in DRC.²⁶ Gertler has never been charged with a crime and denies any wrongdoing.²⁷

Ivanhoe nears completion of Kakula mine

Canada-based **Ivanhoe Mines** announced on 9 November that development of its **Kakula Copper Mine** in the DRC is more than 58% complete, with the initial 3.8 million tonnes per annum (Mtpa) concentrator plant on track for July 2021.²⁸ Ivanhoe expects the northern and southern dual access drives to be connected by December, allowing highly productive operations to begin in high-grade areas of the mine. Linking the two access drives will open important high-grade copper reserves and enable ventilation to flow through dedicated underground airways. The linking of the northern and southern access drives will also increase productivity and efficiency of the mine's underground logistics.

The Kakula mine is part of Ivanhoe's broader project encompassing **Kamoa**, Kakula and **Kansoko** copper mines. The project is a joint venture between Ivanhoe Mines (39.6%), **China**-based **Zijin Mining Group** (39.6%), **Crystal River Global Limited** (0.8%) and the DRC government (20%). The mine is projected to be the world's highest grade major copper mine²⁹ with an average feed grade of more than 6% copper over the first five years of operation.³⁰

Construction of Kamoa-Kakula's concentrator plant was only projected to be approximately 28% complete at the end of October but is advancing rapidly, with more than 24.7 kilometres of underground development completed by the end of October – 7.9 km ahead of schedule.³¹ The plant is projected to be mechanically complete in the second quarter of 2021.³² Metallurgical testing shows

²¹ Mining weekly, 30 Oct 2020

²² GIZ, 30 Oct 2020

²³ Business Day, 17 Nov 2020

²⁴ Energy Analyst, DRC

²⁵ Business Day, 17 Nov 2020

²⁶ Business Day, 17 Nov 2020

²⁷ Business Day, 17 Nov 2020

²⁸ Mining.com, 9 Nov 2020

²⁹ Mining.com, 8 Sep 2020

³⁰ Mining weekly, 9 Nov 2020

³¹ Mining review, 9 Nov 2020

³² Mining weekly, 9 Nov 2020

the Kakula mine concentrate contains low arsenic at 0.01%, significantly lower than world standards.³³

Once the two concentrator plants are in full operation, the company expects to employ roughly 2,000 permanent employees. The number of permanent staff is expected to increase as the company progresses with the other phases, and inject much needed revenue into the government's coffers. Ivanhoe recorded a total comprehensive loss of \$1m for Q3 2020 compared to a loss of \$16.8m for the same period in 2019.³⁴

Planner

Dec 2019-Dec 2020 **UN Security Council** approves extension of **MONUSCO** peacekeeping mission until end 2020, and looks to three-year transition period for ending mandate;

2023 **(DRC)** Scheduled presidential and parliamentary elections

Chronology

17 Nov 2020 **Kinshasa (DRC)** *Business Day*. **Israeli** mining magnate **Dan Gertler** has bought the rights from DRC state mining company **Gecamines** to royalties from **Metalkol** cobalt project, one of the world's largest cobalt projects;

16 Nov 2020 **Kinshasa (DRC)** *Agence Ecofin*. The DRC government has started the construction of the first of six **Special Economic Zones**, in which companies will receive various exemptions for 5-10 years;

14 Nov 2020 **Kinshasa (DRC)** *Jeune Afrique*. Thousands of members of President **Felix Tshisekedi's Union pour la Démocratie et le Progrès Social (UDPS)** party hold a rally of support in Kinshasa as tensions between Tshisekedi and former president **Joseph Kabila** escalate;

11 Nov 2020 **Ngayu (DRC)** *Mining Review*. **Canada**-based miner **Loncor Resources** enters two new agreements with its joint venture partner, **Canada**-based miner **Barrick Gold**, to further strengthen the relationship in the **Ngayu** gold belt in northeast **DRC**;

11 Nov 2020 **Kinshasa (DRC)** *Africa News*. **Nobel Peace Prize** laureate **Dr. Denis Mukwege** calls on **Democratic Republic of the Congo (DRC)** to right the wrongdoings of crime impunity, "that span over 25 years in the country";

5 Nov 2020 **Kinshasa (DRC)** *RAID*. **United States** court for the **Eastern District of New York** fines **OZ Africa**, a subsidiary of **New York Stock Exchange**-listed hedge fund **Och-Ziff**, \$135m for corruption linked to mining projects in the **Democratic Republic of the Congo**;

9 Nov 2020 **Kinshasa (DRC)** *La Prospérité*. **Johannesburg Stock Exchange**-listed exploration company **Middle East Diamond Resources** enters into heads of agreement with **United States**-based **Chun Can Capital Group** to acquire all issued shares of **Casa Mining**, which has a 73% interest in the **Akyanga** gold deposit in the **DRC**;

9 Nov 2020 **Beni (DRC)** *AFP*. More than a dozen people have been killed in two attacks near Beni, in eastern DRC that were blamed on the **Islamist Allied Democratic Forces (ADF)** group;

7 Nov 2020 **Kinshasa (DRC)** *All Africa*. Ambassador **Lolo Wamesa** leads a DRC delegation to meet **Rwanda's** President **Paul Kagame** to further strengthen ties between the two countries;

3 Nov 2020 **Kinshasa (DRC)** *Mining Weekly*. Central bank data shows copper production in DRC has increased by 13.7% year-on-year to 1.186 million tonnes, for the period from January to September 2020, while cobalt production rose 0.3% to 58 220 tonnes in the same period;

³³ Mining.com, 9 Nov 2020

³⁴ Mining review, 9 Nov 2020

4 Nov 2020 **Goma (DRC)** *BBC*. DRC is set to reopen its borders with **Rwanda** after eight months of closure to limit the spread of **coronavirus**;

29 Oct 2020 **North-Kivu (DRC)** *BBC*. Suspected Islamist militants have killed 18 people in north-eastern **Nord Kivu** province, where the army and the **United Nations** forces are fighting several armed groups.

22 Oct 2020 **Kinshasa (DRC)** *Jeune Afrique*. DRC's two main teachers unions, **The Congo Teaches Union (SYEC0)** and the **Union of Catholic Teachers (SYNECAT)**, call for a strike over unpaid allowances;

21 Oct 2020 **Beni (DRC)** *Jeune Afrique*. More than 1,300 prisoners have escaped jail with the help of the **Forces Démocratiques Alliées (ADF)** in the eastern DRC city of **Beni**;

20 Oct 2020 **Kinshasa (DRC)** *Al Jazeera*. **United States**-based non-governmental organisation **Human Rights Watch (HRW)** reports that the Congolese army has supported forces loyal to Congolese rebel leader **Guidon Shimiray Mwissa**;

20 Oct 2020 **Kinshasa (DRC)** *RFI*. The head of the Ebola treatment team, **Professor Jean-Jacques Muyemba**, announced that the latest **Ebola** epidemic in DRC is now under control, comments echoed by the **World Health Organisation (WHO)**;

About Africa Risk Consulting:

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