

## AFRICA RISK CONSULTING

### DRC Monthly Briefing April 2021

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#### DRC Summary 9 April 2021

*The Democratic Republic of the Congo (DRC) officially begins operations at state-owned **Entreprise Générale du Cobalt (EGC)**, which has monopoly rights to the acquisition and sale of the country's artisanal cobalt. The DRC has approved its first 'Cahier de Charge', a five-year plan for local social development, for a large mining company. President Felix Tshisekedi (2019-present) holds African Union (AU)-mediated talks to resolve conflict around the Great Ethiopian Renaissance Dam (GERD), in his new role as AU chair. Two United Nations (UN) agencies, the World Food Programme (WFP) and the Food and Agriculture Organisation (FAO), say the DRC faces acute hunger and food shortages due to conflict and the coronavirus pandemic.*

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#### DRC launches operations at state-owned cobalt company ...

The **Democratic Republic of the Congo (DRC)** government has officially commenced operations at the **Entreprise Générale du Cobalt (EGC)**, a subsidiary of state-owned mining company **Gecamines**.<sup>1</sup> The DGC was created in November 2019 as a means for the DRC government to control the artisanal cobalt-mining sector. The DRC holds roughly 70% of the world's cobalt reserves, crucial for the lithium-ion batteries used in the expanding electric car sector. In regulating the cobalt-mining sector, the government aims to boost government revenue, regulate the price of cobalt and provide protection for those employed in cobalt mining activities.<sup>2</sup>

The EGC on 1 April signed a five-year contract with **Singapore-based Trafigura Group (Pte) Ltd** to sell cobalt hydroxide.<sup>3</sup> The non-exclusive deal will see Trafigura finance the creation of strictly controlled artisanal mining zones, buying hubs and logistical systems to trace supply.<sup>4</sup> The government has hailed the EGC as instrumental to cleaning up an industry that has been plagued by accusations of dangerous working conditions, including work-related deaths and the use of child labour. **United Kingdom (UK)-based non-governmental agency (NGO) Amnesty International** reports that children as young as seven years of age have been found mining for rocks that contain cobalt.<sup>5</sup>

Electric car manufacturers including **United States (US)-based Tesla Inc** and **Germany-based Volkswagen** have recently promised to help improve working conditions in the DRC. Cobalt, a by-product of copper or nickel, is an essential metal in the production of the batteries that power electric cars and high-tech devices.<sup>6</sup> **China's** largest cobalt producer, **Huayou Cobalt**, which supplies to Volkswagen, said it would stop buying from artisanal miners in the DRC.<sup>7</sup> UK-based consultancy **CRU Group** forecasts that DRC will produce more than 100,000 tonnes of cobalt in 2021, or 71% of the global total, of which 8,000 tonnes will come from artisanal mines.<sup>8</sup> Analysts say more needs to be done to stop the flow of unregulated cobalt from entering global supply chains.

The DRC also needs to benefit fully from its artisanal cobalt sector.<sup>9</sup> Trafigura executive chair and CEO **Jeremy Weir** claims that a formalised artisanal mining sector in the DRC can transform lives and

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<sup>1</sup> DRC Mining Week, 1 Apr 2021

<sup>2</sup> Humanity United, accessed 7 Apr 2021

<sup>3</sup> Bloomberg, 31 Mar 2021

<sup>4</sup> Bloomberg, 31 Mar 2021

<sup>5</sup> Bloomberg News, 31 Mar 2021

<sup>6</sup> Bloomberg, 1 Apr 2021

<sup>7</sup> DRC Mining Week, 1 Apr 2021

<sup>8</sup> DRC Mining Week, 1 Apr 2021

<sup>9</sup> Source, ARC DRC analyst

serve as a catalyst for economic growth.<sup>10</sup> EGC managing director **Jean-Dominique Takis Kumbo** noted the company's mission,

*"... to defend our most vulnerable communities as well as to ensure that the Democratic Republic of the Congo ... can continue to benefit from its significant natural resource wealth".<sup>11</sup>*

### ... as DRC clears first Cahier de Charge

A large mining company, as yet unidentified, has become the first company in the DRC to have its 'Cahier de Charge' approved.<sup>12</sup> The DRC government introduced regulations in 2018 requiring mines to set out a clear and financially-provisioned five-year plan for local social development, a "Cahier de Charge", in conjunction with local authorities.<sup>13</sup> The key for government approval of the plan is consultation with the local communities that are involved. **SRK Consulting Congo** assisted the mining company with its approval process. SRK Consulting Congo manager **Susa Maleba** noted that although mines might previously have had community development plans in place, these were often designed by the mine, with little formalised input from local communities or other stakeholders:

*"This compulsory consultative process – as part of the Environmental and Social Impact Assessment – ensures that mine initiatives align with the real needs and preferences of those affected by the mine."<sup>14</sup>*

Engaging the local communities allows for the proper implementation of the agreed plan.<sup>15</sup> In this particular approval, communities highlighted the need for transformers to link with the country's power grid, boreholes for access to water, agricultural extension programmes and trade training for local youth.<sup>16</sup> The Cahier de Charge initiative is a step in the right direction for the DRC's mining industry and will facilitate local community involvement and buy-in. Affected parties are acknowledged and are part of the development of their local communities, beyond corporate social responsibility lip service.<sup>17</sup> The main challenge will be for mining companies to meet the expectation of the local communities in fulfilling their commitments.

### Tshisekedi mediates in GERD dispute

President **Felix Tshisekedi** (2019-present) faces a significant challenge in his first task as new chairman of the **African-Union (AU)**. The new round of AU-mediated talks between **Ethiopia, Egypt and Sudan** began on 3 April, aimed at resolving a years-long dispute over the **Grand Ethiopian Renaissance Dam (GERD)** dam built on the **Blue Nile**, a main source of the **Nile** river.<sup>18</sup> The talks were held over three days in **Kinshasa**.

Egypt is negotiating for talks to lead to legally binding resolutions over the operation and filling of the dam's reservoir. Sudan's aim is for the talks to set out a road map for constructive talks, including a proposal for the **US, European Union (EU)** and the **United Nations** to actively mediate in the dispute, alongside the AU. Ethiopia rejects the proposal, claiming the resolution of the issue is an "**African problem**" that requires "**African solutions**".<sup>19</sup> The three countries have been locked in a dispute for almost a decade of inconclusive talks over the GERD.<sup>20</sup>

Mediation of the dispute will not be an easy task for President Tshisekedi, who said he hopes to set in motion "**a new dynamic**" to reach a "**win-win**" agreement. In the opening speech of the three-day

<sup>10</sup> DRC Mining Weekly, 1 Apr 2021

<sup>11</sup> Bloomberg, 31 Mar 2021

<sup>12</sup> Reuters, 19 Mar 2021

<sup>13</sup> Why Africa, 21 Mar 2021

<sup>14</sup> Mining Weekly, 19 Mar 2021

<sup>15</sup> Mining Weekly, 19 Mar 2021

<sup>16</sup> Mining Weekly, 19 Mar 2021

<sup>17</sup> ARC source, DRC analyst

<sup>18</sup> Reuters, 3 Apr 2021

<sup>19</sup> Al Jazeera, 3 Apr 2021

<sup>20</sup> Reuters, 3 Apr 2021

summit, Tshisekedi optimistically noted that, “*the differences over the GERD should not be seen as inevitable*”. The meeting was initially scheduled to last two days; however, in an indication of the complexity of the situation, it was extended by one day. A final communiqué published on 6 April gave no clear indication that progress had been made in the talks.<sup>21</sup>

### Conflict and Covid driving hunger in the DRC...

Two **United Nations (UN)** agencies, the **World Food Programme (WFP)** and the **Food and Agriculture Organisation (FAO)**, released a joint statement on 6 April highlighting the DRC as the home of the highest number of people in the world facing acute hunger and food insecurity.<sup>22</sup> A record 27.3 million people in the DRC are facing acute hunger, one third of the population, largely due to on-going conflict and the economic effects of the coronavirus pandemic and measures to contain its spread.<sup>23</sup> WFP country representative **Peter Musoko** noted:

*“For the first time ever we were able to analyse the vast majority of the population, and this has helped us to come closer to the true picture of the staggering scale of food insecurity in the DRC.”*

The Covid-19 pandemic has had a significant impact on the livelihoods of DRC residents, who live largely from hand to mouth. Like other African countries, the DRC is pinning hopes of economic revival on rollout of a vaccination campaign against Covid-19. However, in a major setback to re-opening the economy, the rollout of **Oxford-AstraZeneca** vaccines in the DRC has been delayed. DRC health authorities cited the suspension of the use of the AstraZeneca vaccine by several **European** countries. The DRC received 1.7 million AstraZeneca doses through the UN **COVAX** vaccine-sharing programme on 2 March (see *ARC Briefing DRC March 2021*).<sup>24</sup>

A **World Health Organization (WHO)** expert advisory committee is currently examining the safety of the AstraZeneca Covid-19 vaccine. A WHO spokesperson said on 17 March that there is “*no reason*” not to use the vaccine.<sup>25</sup> As of 9 April, the DRC had recorded 28,474 cases in its population of 86.7 million; with 745 deaths; and 25, 841 recoveries.<sup>26</sup>

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<sup>21</sup> Africa Report, 7 Apr 2021

<sup>22</sup> Reuters, 6 Apr 2021

<sup>23</sup> Al Jazeera 6 Apr 2021

<sup>24</sup> Reuters, 12 March 2021

<sup>25</sup> WHO, 17 Mar 2021

<sup>26</sup> AfricaCDC, 9 Apr 2021

## Planner

15-17 Jun 2021 **Lubumbashi (DRC)** DRC Mining Week Expo and Conference

20 Dec 2021 **Kinshasa (DRC)** End date of peacekeeping mission **Mission de l'Organisation des Nations Unies pour la stabilisation en République démocratique du Congo (MONUSCO)**.

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

## Chronology

6 Apr 2021 **Kinshasa (DRC)** *BBC*. **The Foreign and Development Office in the United Kingdom (UK)** has suspended aid funding for **Oxfam**, following allegations of sexual exploitation and bullying made against workers in the DRC;

1 Apr 2021 **Kinshasa (DRC)** *MSF*. Non-governmental organisation **Médecins Sans Frontières (MSF)** announces a new measles outbreak in the DRC just eight months after authorities declared the end of the worst outbreak in the country's history.

1 Apr 2021 **Kinshasa (DRC)** *AU News*. President **Felix Tshisekedi** is set to host a three-day summit with the foreign ministers of **Egypt, Ethiopia** and **Sudan** for talks on the controversial **Grand Ethiopian Renaissance Dam** on the **Blue Nile**;

25 Mar 2021 **Kinshasa (DRC)** *AFP*. Justice ministry says prosecutors have launched an investigation into former police chief **John Numbi** over the high-profile murder of human rights activist **Floribert Chebeya** in 2010;

23 Mar 2021 **Kinshasa (DRC)** *AA*. **World Health Organisation** says the last **Ebola** patient in **Democratic Republic of the Congo (DRC)** was discharged from a treatment center in **Katwa**, and there are no other confirmed Ebola cases;

22 Mar 2021 **Lubumbashi (DRC)** *Daily Maverick*. **DRC** police arrest **Alexander Zingman**, a businessman and alleged arms dealer with close links to **Belarus** strongman **Alexander Lukashenko**, after he met former President **Joseph Kabila**;

29 Mar 2021 **Kinshasa (DRC)** *France24*. **International Criminal Court** is set to decide on 30 March on an appeal by **DRC** warlord **Bosco Ntaganda**, dubbed the "Terminator", whom the ICC convicted in 2019 and jailed for 30 years;

30 Mar 2021 **Kinshasa (DRC)** *AFP*. President **Felix Tshisekedi** says he signed a deal with **Qatar** ruler **Emir Sheikh Tamim Bin Hamad Al-Thani** that he expects will lead to a "massive" influx of Qatari investment – the size of the investments was not given

31 Mar 2021 **North Kivu (DRC)** *Al Jazeera*. **Forces Démocratiques Alliées** militia fighters have killed 23 people in a massacre in eastern DRC's North Kivu Province;

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

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