

## AFRICA RISK CONSULTING

### DRC Monthly Briefing July 2021

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#### DRC Summary 20 July 2021

*State-owned mining company **Entreprise Générale du Cobalt (EGC)** is expected to start buying cobalt from artisanal miners within eight weeks, aiming to become the only legal buyer from mines in the informal sector. Mining minister **Antoinette N'Samba Kalambayi** meets representatives of Switzerland-based mining giant **Glencore Plc** to discuss restarting of mining at the **Mutanda mine**, mothballed since November 2019. The hydrocarbons ministry announces that the exploration permits for the oil concessions controlled by controversial Israeli businessman **Dan Gertler** are no longer valid. The **International Monetary Fund (IMF)** executive board approves a three-year arrangement for DRC under the **Extended Credit Facility (ECF)** for \$1.52 billion. The **United Nations High Commissioner for Refugees (UNHCR)** calls for urgent and enhanced measures to protect civilians in the eastern DRC. The DRC has seen an increase in the number of Covid-19 infections and deaths reported amid a slowing down of its Covid-19 vaccination rollout.*

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#### DRC likely to start selling artisanal cobalt ...

State-owned mining company **Entreprise Générale du Cobalt (EGC)**, a subsidiary of state-owned mining company **Gecamines**, is expected to start buying cobalt from artisanal miners within eight weeks, as it aims to become the only legal buyer from mines in the informal sector. The **Democratic Republic of the Congo (DRC)** government created the EGC in November 2019 as a means to control the artisanal cobalt-mining sector and launched its operations in April (see *ARC Briefing DRC April 2021*). The government aims to capitalise on increasing demand for rechargeable lithium-ion batteries for the electric car industry and to stop illegal exports of cobalt that result in lost tax revenue while simultaneously tackling the child labour and unsafe working practices that are commonplace in the artisanal mining industry. Most miners extract cobalt by hand in dangerous conditions, most of which is bought by **Chinese** traders and sold to Chinese refiners.<sup>1</sup>

The EGC planned to start buying artisanal cobalt in June but faced unexplained delays. Chinese traders remain the only off-takers of the artisanal cobalt at this point. However, the EGC plans to buy artisanal cobalt from the **Kasulo** concession, operated by **Congo Dongfand Mining (CDM)**, a unit of China-based **Zhejiang Huayou Cobalt**, within four to eight weeks.<sup>2</sup> In November, **Switzerland**-headquartered commodities trader **Trafigura** agreed to a five-year cobalt supply deal with the EGC, under which it will finance the creation of controlled artisanal mining zones, buying centres and logistics for tracing supply.<sup>3</sup>

DRC's artisanal cobalt miners are the second largest source of cobalt worldwide after its industrial mines, owned by Switzerland-based **Glencore** and **China Molybdenum**.<sup>4</sup> Artisanal and small-scale mining (ASM) is expected to produce 10,000-12,000 tonnes in 2021.<sup>5</sup> The DRC produced roughly 100,000 tonnes of cobalt in 2020, making up about 70% of the global total, although ASM experienced a 7,000-tonne drop.<sup>6</sup>

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<sup>1</sup> Reuters, 12 Jul 2021

<sup>2</sup> Mining Mx, 12 Jul 2021

<sup>3</sup> Bloomberg, 12 Jul 2021

<sup>4</sup> Bloomberg, 12 Jul 2021

<sup>5</sup> Bloomberg, 12 Jul 2021

<sup>6</sup> Bloomberg, 12 Jul 2021

The EGC aims to set responsible sourcing standards for DRC's artisanal and small-scale mining sector. The project will allow consumers to use artisanal cobalt, radically changing the landscape of the global market.<sup>7</sup> Under the new regulations, tunneling will be banned on EGC-approved sites and pits may not exceed 10 metres in depth. Miners are required to wear personal protective equipment and carry a site registration identity card.

### ... as Glencore confirms possibility of re-opening Mutanda mine

Mining minister **Antoinette N'Samba Kalambayi** met with Glencore representatives on 21 June to discuss restarting mining operations at Glencore's **Mutanda** mine in **Katanga Province**.<sup>8</sup> Glencore announced plans in August 2019 to place the mine on care and maintenance, citing falling cobalt prices, increased costs, and higher taxes (see *ARC Briefing DRC August 2019*). Plans to reopen the mine are a strategic move by Kalambayi, coinciding with increased demand for the cobalt and copper used in electric vehicles as global economies shift from fossil fuels to cleaner technologies that use electricity for energy.<sup>9</sup>

The Mutanda mine is the world's largest cobalt mine and is also capable of producing large amounts of copper. Mutanda produced 25,100 tonnes of cobalt hydroxide and 103,200 tonnes of copper in 2019, compared with 27,300 tonnes and 199,000 tonnes respectively in 2018.<sup>10</sup> It has five copper production lines and three cobalt hydroxide lines. Prior to the start of its care and maintenance programme in November 2019, the Mutanda mine was responsible for about 20% of global cobalt production in 2018. Mutanda is expected to start commissioning operations at the end of this year, and to start operations towards the end of 2022.<sup>11</sup>

For Glencore, which completed a leadership restructuring on 5 July, renewed engagement is a welcome development. Glencore has spent heavily in the DRC, acquiring copper and cobalt mines and its 2019 decision to mothball its operations met with anger from the DRC government. The reopening of the mine is a chance for Glencore and the government to make a fresh start. Glencore's renewed cobalt operations will generate revenue for government coffers and employment opportunities for local communities.<sup>12</sup>

### Gertler oil exploration permits expire

The hydrocarbons ministry has notified **Oil of DR Congo**, a company controlled by controversial **Israeli** businessman **Dan Gertler**, that exploration permits for two oil concessions controlled by his companies are no longer valid. In a letter dated 16 June, reviewed by **Reuters**, the hydrocarbons minister said the permits granted to two of Gertler's companies in 2010 for Blocks 1 and 2 near the **Ugandan** border have expired and that it was also terminating a production-sharing agreement reached in 2010.<sup>13</sup> The ministry asked the companies to transfer all technical data and pay charges due under the contract.

The companies argue that they still hold the rights to operate the two large oil concessions, which are thought to contain more than a billion barrels of oil.<sup>14</sup> Representatives for Oil of DR Congo said the status of the blocks could not be changed because it had declared *force majeure* in 2020 due to the government's lack of progress in securing a way to export the oil:

*"The force majeure was subsequently confirmed in May 2021 by the State Council and therefore remains in place until the reasons for the force majeure are resolved."*<sup>15</sup>

<sup>7</sup> Bloomberg, 12 Jul 2021

<sup>8</sup> Nasdaq, 22 Jun 2021

<sup>9</sup> Mining Weekly, 13 Jul 2021

<sup>10</sup> Mining Weekly, 13 Jul 2021

<sup>11</sup> Mining Weekly, 13 Jul 2021

<sup>12</sup> Source, DRC analyst

<sup>13</sup> Africa Briefing, 22 Jun 2021

<sup>14</sup> Reuters, 22 Jun 2021

<sup>15</sup> Reuters, 22 Jun 2021

Oil of DR Congo said it remains committed to working with all parties to resolve the *force majeure*, identifying a competitive evacuation system and bringing the assets towards production.

The **United States (US) Treasury** imposed sanctions on Gertler and more than 30 of his businesses in December 2017 and June 2018, accusing him of leveraging his friendship with former president **Joseph Kabila** (2001-2019) to secure lucrative mining deals.<sup>16</sup> The blocking of Gertler's oil deal will send a signal that President **Felix Tshisekedi** (2019-present) is committed to cleaning up corruption, as the deals made by his predecessor did not always follow due procedure.

### IMF executive board approves \$1.52 billion ECF

The **International Monetary Fund (IMF)** executive board approved a three-year arrangement for the DRC under the **Extended Credit Facility (ECF)** for \$1.52 billion on 15 July. The ECF arrangement will support the government with a medium-term reform programme aimed at maintaining macroeconomic stability, increasing fiscal space, and promoting a sustainable and private sector-led economic growth.<sup>17</sup> The **Covid-19** pandemic has severely impacted economic growth in the DRC, particularly in the non-mining economy, which saw contraction of 1.3% in 2020.<sup>18</sup>

The government has articulated an ambitious structural reform agenda aimed at promoting robust and sustainable economic growth. The ECF arrangement is expected to catalyse budget and project support from external partners, and will focus on three key areas:

- Stepping up domestic revenue mobilisation to increase fiscal space for infrastructure and social spending;
- Strengthening governance, including natural resource management and transparency; and
- Reinforcing the monetary policy framework and the central bank's independence.<sup>19</sup>

IMF deputy managing director and acting chair **Mitsuhiro Furusawa** noted that DRC has stated its commitment to creating fiscal space to address infrastructure and social needs, while maintaining moderate risk of debt distress. DRC has made progress in publishing mining contracts and on coronavirus-related spending, a move that is likely to encourage investors and lending institutions.<sup>20</sup> However, the IMF noted areas of concern, which include a need to strengthen the anti-money laundering (AML/CFT) framework and clamp down on illicit money flows. The IMF board also noted the need for DRC to improve resilience towards climate change.<sup>21</sup>

### Attacks by armed group displace 20,000 civilians

The **United Nations (UN)** refugee agency **United Nations High Commissioner for Refugees (UNHCR)** is calling for urgent and enhanced measures to protect civilians in the eastern DRC, where a series of attacks on 16 July displaced 20,000 people in **North Kivu** province. Armed groups continue to destabilise the eastern Congo, where President Tshisekedi announced a state of emergency on 6 May in North Kivu and neighbouring **Ituri** province in a bid to halt violence perpetrated by armed groups and establish law and order in the region.<sup>22</sup>

The **Forces Démocratiques Alliées (FDA)** are reportedly continuing to destabilise the region in and around Beni (North Kivu), looting and burning properties.<sup>23</sup> The UNHCR and its partners are supporting local authorities to register displaced families and assess and respond to their needs.<sup>24</sup> More than 100,000 displaced people were assisted with emergency shelters in 2020 – and almost 14,000 so far in 2021 – but needs remain high, as attacks by armed groups continue to displace

<sup>16</sup> Reuters, 22 Jun 2021

<sup>17</sup> IMF, 15 Jul 2021

<sup>18</sup> IMF, 15 Jul 2021

<sup>19</sup> IMF, 15 Jul 2021

<sup>20</sup> IMF, 15 Jul 2021

<sup>21</sup> Source, DRC analyst

<sup>22</sup> UNHCR, 16 Jul 2021

<sup>23</sup> AFP, 20 Jul 2021

<sup>24</sup> UNHCR, 16 Jul 2021

people in the province, with many forced to flee multiple times. The UNHCR's appeal for its DRC operations of \$205m is only 36% funded.<sup>25</sup>

The stability of the region remains volatile. The eruption of **Mount Nyiragongo** in May resulted in large-scale movement of the population, exacerbating challenges posed by the coronavirus. The recent attacks have added to an already challenging situation for health and security operations and prolonged the UN stabilisation mission in DRC, **Mission de l'Organisation des Nations Unies pour la stabilisation en République démocratique du Congo (MONUSCO)**, until 20 December. Continuing destabilisation has humanitarian implications for both the DRC and neighbouring countries.<sup>26</sup>

### Covid-19 cases surge amid vaccine hesitation

The DRC has seen an increase in reported Covid-19 infections and deaths amid a slowing down of its Covid-19 vaccination rollout, which is attributed to a growing distrust of the Covid-19 vaccines.<sup>27</sup> The highest daily average of new cases was reported on 19 June, with new infections averaging 289 per day.<sup>28</sup> The DRC has reported a total of 46,356 Covid-19 infections in its population of 92 million, with 1,018 coronavirus-related deaths since the pandemic began.<sup>29</sup>

Although **Kinshasa** has been identified as the epicentre of infections, nationwide restrictions remain in place. A nightly 22:00-04:00 curfew is in place in **Haut-Katanga, Kongo Central, Lualaba**, North Kivu and **South Kivu** provinces. In areas under curfew, special authorisation for travel may be required, except for medical emergencies. Military patrols are deployed to enforce the curfew. All international land, maritime, and air borders remain open.<sup>30</sup> Travelers are required to have a certificate confirming a negative PCR Covid-19 test result administered by the **Institut National de la Recherche Biomedicale (INRB)** or a medical facility approved by the health ministry. Other restrictions in place include the following:

- Gatherings or demonstrations of more than 20 people in both public and private enclosed areas are prohibited;
- The organisation of indoor mourning and funeral services is prohibited, and the number of people accompanying the remains to the cemetery must not exceed 50;
- Public transport is limited to 50% capacity. Taxi-motos are only allowed to carry one passenger;
- Public and private companies and the public administration are expected to operate at 50% capacity;
- Restaurants may open until 21:00, with capacity not exceeding 50%; and
- Churches must reduce the number of participants in worship services and masses to 50% while respecting the barrier measures.<sup>31</sup>

<sup>25</sup> UNHCR, 16 Jul 2021

<sup>26</sup> Defence Web, 8 Jul 2021

<sup>27</sup> Africa News, 7 Jul 2021

<sup>28</sup> Africa CDC, 20 Jul 2021

<sup>29</sup> Africa CDC, 20 Jul 2021

<sup>30</sup> Africa CDC, 20 Jul 2021

<sup>31</sup> Africa CDC, 20 Jul 2021

## Planner

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

15 Jul 2021 **Kinshasa (DRC)** *IMF*. **International Monetary Fund** approves a new three-year \$1.52 billion extended credit facility programme for the **Democratic Republic of the Congo** to support its economic reforms and pandemic recovery;

14 Jul 2021 **Kinshasa (DRC)** *Bloomberg*. **United Kingdom** prosecutors tell **Swiss** authorities they have proof of an alleged money-laundering ring spanning from **Africa** to **Europe** that paid almost \$380m in cash bribes to authorities in the **DRC**;

13 Jul 2021 **Kinshasa (DRC)** *Reuters*. Two government sources say **DRC** prosecutors have issued an arrest warrant for former prime minister **Matata Ponyo Mapon** over allegations he misappropriated \$140m;

9 Jul 2021 **Kinshasa (DRC)** *Reuters*. Parliament introduces bill to restrict the presidency to people with two **Congolese** parents, a move critics say aims to block millionaire businessman **Moïse Katumbi** from challenging the president in the 2023 election;

6 Jul 2021 **Kinshasa (DRC)** *Reuters*. **Belgium's Africa Museum**, once a celebration of the country's colonial rule, will begin a multi-year process of returning stolen art to the **Democratic Republic of the Congo (DRC)**;

5 Jul 2021 **Kinshasa (DRC)** *Abidjan.net*. President **Felix Tshisekedi** receives former **Côte d'Ivoire** president **Laurent Gbagbo**, making Tshisekedi the first sitting head of state to meet Gbagbo since his return from exile in June;

24 Jun 2021 **Kinshasa (DRC)** *The Star*. **DRC** officials accuse **United Kingdom's Serious Fraud Office (SFO)** of illegally sending two SFO covert officials posing as **United Nations** officials to obtain evidence from local banks and government institutions about a \$35m payment alleged to relate to an illegal payment between miner **ENRC** and **Israeli** billionaire **Dan Gertler** a decade ago;

20 Jun 2021 **Kinshasa (DRC)** *Reuters*. Hydrocarbons ministry says exploration permits from companies controlled by **Israeli** investor **Dan Gertler** for two huge oil concessions for Blocks 1 and 2 near the eastern border with **Uganda** are no longer valid, although the companies say they still hold the rights;

### About Africa Risk Consulting:

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### Getting in touch

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

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