

## AFRICA RISK CONSULTING

### DRC Monthly Briefing January 2023

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#### DRC Summary 17 January 2023

*The International Monetary Fund (IMF) allocates \$203m to the Democratic Republic of the Congo (DRC) to help boost its foreign reserves after a “satisfactory” third review of its \$1.5 billion loan agreement. The DRC will implement several initiatives to increase its revenue and improve financial transparency this year, including a plan to formalise the artisanal gold trade and amend its agriculture legislation to encourage foreign investment. Rwanda’s President Paul Kagame (2000-present) announces on 10 January that his country “cannot keep hosting refugees” fleeing violence in the eastern DRC, stoking already high tensions between the two neighbours. Oil minister Didier Budimbu Ntubuanga announces that the DRC government has picked United States-based energy company Symbion Power to produce electricity from methane gas trapped in Lake Kivu, in eastern DRC. The development of electricity production from Lake Kivu is part of the DRC government’s plan to expand power access from around 10% of the population to 32% by 2030.*

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#### DRC secures \$203m from IMF in latest plan review...

The **International Monetary Fund (IMF)** will allocate \$203m to the **Democratic Republic of the Congo (DRC)** to help boost its foreign reserves after a “satisfactory” third review of its \$1.5 billion loan agreement.<sup>1</sup> The IMF said in a statement on 20 December that the country had met most of the criteria of the three-year programme.<sup>2</sup> The IMF announced on 21 November that its team had reached a staff-level agreement with the DRC on policies for the completion of the third review under the **Extended Credit Facility (ECF)** arrangement (see *ARC Briefing DRC Dec 2022*).<sup>3</sup> The agreement followed a visit to **Kinshasa** from 19 October to 2 November led by IMF mission chief **Mercedes Vera Martin** and was subject to approval by the IMF management and consideration by the Executive Board, which has now been approved. Completion of the review makes available to the DRC SDR152.3m (about \$200m) for balance-of-payment support.

The IMF forecast that DRC’s economy was set to grow by 6.6% in 2022 and that domestic inflation would exceed 12% by the end of 2022 due to higher global energy and food prices exacerbated by the conflict in **Ukraine** and supply chain bottlenecks.<sup>4</sup> In a statement, the IMF highlighted that the DRC’s gross foreign reserves have reached about two months of imports, “well above” the objective at the beginning of the loan programme.<sup>5</sup> The DRC’s current account reached a surplus in the first half of 2022, driven by strong exports. The IMF noted in November that the DRC’s fiscal balance at 1.1% of GDP is in line with programme commitments, despite the escalating conflict in the eastern provinces (see below), increased outlays in ministries and public institutions and arrears repayment to fuel distributors.<sup>6</sup>

The financial lender noted that the DRC’s prospects for economic growth remain “favourable” for 2023; however ongoing conflict in the eastern part of the country is adding pressure on the

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<sup>1</sup> Bloomberg, 21 Dec 2022

<sup>2</sup> International Monetary Fund, 20 Dec 2022

<sup>3</sup> International Monetary Fund, 21 Nov 2022

<sup>4</sup> Bloomberg, 21 Dec 2022; International Monetary Fund, 20 Dec 2022

<sup>5</sup> International Monetary Fund, 20 Dec 2022

<sup>6</sup> International Monetary Fund, 21 Nov 2022

budget and remains a risk for the local economy at large.<sup>7</sup> The outlook also remains favourable in the medium term, supported by proactive reform efforts and expanding mining production. However, the IMF warns that the domestic economy is still highly vulnerable to shocks that have created a challenging backdrop for economic policymaking. These include higher inflation, the conflict in the eastern provinces, volatile international commodity prices, global slowdown in growth and tighter external financing conditions.<sup>8</sup> The IMF encourages DRC authorities to remain vigilant and sustain key reforms to address structural obstacles to growth, including

*“prudent policies to bring down inflation, strengthen fiscal and foreign exchange buffers [to] reinforce macroeconomic stability and enhance resilience”<sup>9</sup>*

### Government to formalise gold trade and change tax and agriculture laws ...

The DRC will implement several initiatives to increase its revenue and improve financial transparency this year, including a plan to formalise the artisanal gold trade and amend agriculture law to encourage foreign investment.<sup>10</sup> The DRC, the world’s largest producer of cobalt, is seeking to diversify its sources of income after a good year in mining production that resulted in nearly 7% economic growth.<sup>11</sup> Finance minister **Nicolas Kazadi** said the government intends to expand income tax and offer exemptions in special economic zones. Speaking on the sidelines of the **United States (US)-Africa Leaders Summit** held in Washington D.C. (US) on 13-15 December, Kazadi said the goal of the planned initiatives is for DRC to *“become a processing country, not just a production country”*.<sup>12</sup>

Although the DRC is one of the world’s richest countries in terms of natural resources, it has long been viewed as a difficult place for business due to chronic corruption, conflict and limited infrastructure.<sup>13</sup> Millions of Congolese are currently displaced in the eastern region of the country due to fighting fueled partly by the illicit trade of minerals such as gold and tantalum.<sup>14</sup> However, Kazadi said the government plans to break that link by closing a deal with the **United Arab Emirates (UAE)**, *“that will allow us to buy all the gold produced by the artisanal sector”*.<sup>15</sup> He noted that most of the DRC’s gold transits through **Uganda** and **Rwanda** and ends up in **Dubai** (UAE). The DRC and the UAE are putting in place infrastructure to formalise the market. Kazadi did not provide further details.

Industry minister **Julien Paluku** noted at the US-Africa Leaders Summit that the DRC will establish its first gold refinery in the city of **Bukavu (South Kivu Province)** sometime this year and launch special economic zones (SEZs) that will benefit from 10 to 20 years of tax exemptions.<sup>16</sup> **China**-headquartered tile manufacturer **Saphir Ceramics** will launch production in the first quarter of 2023 in the DRC’s first SEZ on the outskirts of Kinshasa.<sup>17</sup> Paluku said **India**-headquartered bottling company, **Varun Beverages**, bottler of US-headquartered **Pepsi** beverages, and an unnamed pharmaceutical manufacturer are set to join Saphir Ceramics.<sup>18</sup>

<sup>7</sup> International Monetary Fund, 20 Dec 2022

<sup>8</sup> International Monetary Fund, 21 Nov 2022

<sup>9</sup> International Monetary Fund, 21 Nov 2022

<sup>10</sup> Daily Monitor, 14 Jan 2023; Bloomberg 23 Dec 2022

<sup>11</sup> Bloomberg 23 Dec 2022

<sup>12</sup> Mining, 23 Dec 2022

<sup>13</sup> Bloomberg 23 Dec 2022; Mining, 23 Dec 2022

<sup>14</sup> Bloomberg 23 Dec 2022; Mining, 23 Dec 2022

<sup>15</sup> Mining, 23 Dec 2022; Daily Monitor, 14 Jan 2023

<sup>16</sup> Bloomberg, 23 Dec 2022

<sup>17</sup> Bloomberg, 23 Dec 2022

<sup>18</sup> Mining, 23 Dec 2022

The DRC is also changing its agricultural law, which currently mandates that DRC citizens control farming projects in the country. The amendment will allow foreigners to become majority shareholders in terms of finance “*under certain conditions*”.<sup>19</sup>

The proposed developments and amendments are ambitious, but necessary for the DRC to increase its revenue and improve financial transparency. Currently, the government has a clear strategy and can demonstrate success in developments such as the gold deal with the UAE. However, continued success will depend on political will and resources to push these initiatives beyond the initiation phase to completion.

### Tension with Rwanda increases ...

Rwanda’s President **Paul Kagame** (2000-present) announced on 10 January that his country “*cannot keep hosting refugees*” fleeing violence in the eastern DRC, stoking already high tensions between the two neighbours.<sup>20</sup> Persistent fighting in DRC’s eastern region pits the **Forces Armées de la République Démocratique du Congo (FARDC)** (DRC armed forces) against rebels from the **M23** group, which has captured large tracts of territory and displaced over 400,000 people since March 2022.<sup>21</sup> In November, the **United Nations (UN)** reported that about 72,000 Congolese refugees had crossed into Rwanda.<sup>22</sup> Speaking to Rwanda’s upper house of parliament in the capital, **Kigali**, Kagame stated “*I am refusing that Rwanda should carry this burden*” and that his government aims to ensure that the international community realises that “*it is not Rwanda’s problem*”.<sup>23</sup>

Conflict has ravaged the eastern DRC since the 1990s when violence in the aftermath of the 1994 Rwandan genocide spread across the border. Escalating tensions between the DRC and Rwanda have raised the possibility of renewed fighting between the two countries. Tensions reached an all-time high in June after a resurgence of violence in the eastern DRC at the end of May. The DRC accused Rwanda of supporting the M23 rebel group, which staged its largest offensive since 2013 between 23 and 27 May, igniting fresh diplomatic and security tensions.<sup>24</sup> Rwanda denied the accusations and instead accused the DRC of supporting armed groups that aim to topple its government (*see ARC Briefing DRC June, July, Aug, Oct, Nov & Dec 2022*). However, DRC and UN experts claim the rebels have backing from Rwanda.<sup>25</sup> The Rwandan government has also accused the DRC of using an ethnic **Hutu**-dominated rebel group with links to the genocide, the **Forces Démocratiques de Libération du Rwanda (FDLR)**, to fight the M23. The M23’s leadership is mainly made up of members of the DRC’s **Tutsi** community, who claim to be defending the people of Rwandan heritage in the country and fighting ethnic Hutu rebel groups accused of the 1994 genocide. Rwanda accuses the DRC of using the conflict for political purposes to delay the December elections and of “*fabricating*” a November massacre of at least 131 civilians.<sup>26</sup> A UN investigation blamed the deaths on M23 rebels.

M23 rebels on 25 November agreed to a ceasefire deal after a summit of **African** leaders gave the group an ultimatum to stop fighting or face attack.<sup>27</sup> However, the tentative ceasefire and the deployment of **Kenyan** forces through the **East African Community (EAC)** have so far failed to halt the fighting.<sup>28</sup> Leaders of the M23 rebel group also met with regional peace facilitator, former Kenyan president **Uhuru Kenyatta** (2013-2022), and agreed to withdraw

<sup>19</sup> Bloomberg, 23 Dec 2022

<sup>20</sup> The East African, 10 Jan 2023

<sup>21</sup> Al Jazeera, 10 Jan 2023

<sup>22</sup> Al Jazeera, 10 Jan 2023

<sup>23</sup> The East African, 10 Jan 2023; Al Jazeera, 10 Jan 2023

<sup>24</sup> Reuters, 27 May 2022

<sup>25</sup> Bloomberg, 26 Oct 2022

<sup>26</sup> Al Jazeera, 10 Jan 2023

<sup>27</sup> The East African, 25 Nov 2022

<sup>28</sup> The East African, 10 Jan 2023

fighters from the DRC's North Kivu province and follow a ceasefire.<sup>29</sup> However, based on precedent, that agreement is likely to fail.

Rwanda is blocking the inflow of refugees as retaliation against the accusation that it has been supporting M23 in the DRC.<sup>30</sup> However, the international community, including the US, **France** and **Germany**, almost unanimously considers that Rwanda is backing the Tutsi-led M23 rebels. US secretary of state **Antony Blinken** on 17 December called on Rwanda to pull back its troops from eastern DRC and encouraged M23 rebels to do the same.<sup>31</sup> Blinken's statement underscores the US' acceptance of the DRC's allegations that Kigali backs the M23 rebellion that has already displaced thousands.<sup>32</sup> However, it is not clear if the US or Western states will place retaliatory measures against Rwanda should it refuse to follow their instructions. A local source told **Africa Risk Consulting (ARC) Briefing** that the international community has historically been "very reluctant to sanction Rwanda" even when there was compelling evidence against it,

*"maybe because of Western guilt from not intervening to stop the 1994 genocide. And Kagame has exploited that reluctance over the years."*<sup>33</sup>

### US company selected to tap methane-filled lake...

Oil minister **Didier Budimbu Ntubuanga** told US-media house **Bloomberg** on 14 January that the DRC government has picked US-based energy company **Symbion Power** to produce electricity from methane gas trapped in **Lake Kivu** in the eastern DRC.<sup>34</sup> The development of electricity production from Lake Kivu is part of the government's plan to expand power access from around 10% of the population to 32% by 2030.<sup>35</sup> Lake Kivu, which is shared by the DRC and Rwanda, reportedly contains enough methane to generate an estimated 700 megawatts of electricity for more than 50 years. The gas, produced in part by microorganisms in the lake, is dissolved in its deep waters. Budimbu said that a **Canadian** company and another US firm won two other gas blocks on the lake, but did not name them.

Symbion CEO **Paul Hinks** confirmed that his company had secured the **Makelele** methane gas block on Lake Kivu with its partner, **Renewable Energy Developments**, and proposed a 60-megawatt gas-to-electricity project, in one of the least-electrified countries in the world.<sup>36</sup> Hinks disclosed that the project is a "large investment" with a price tag of at least \$300m:

*"We are also considering investing in our own private transmission network so we can wheel the power we produce across the region."*<sup>37</sup>

The company has a track record in the region and developed two projects on the Rwandan side of Lake Kivu which it sold in 2019.<sup>38</sup> Hinks disclosed that electricity generated from its Makelele concession will go to the trading hub of **Goma** and the North and South Kivu provinces. No concrete plans have yet been revealed on the project's completion timeline or impact on the lake's ecosystem.

<sup>29</sup> The East African, 13 Jan 2023

<sup>30</sup> ARC DRC analyst

<sup>31</sup> Bloomberg, 17 Dec 2022

<sup>32</sup> Bloomberg, 17 Dec 2022

<sup>33</sup> ARC source, local resident

<sup>34</sup> Bloomberg, 14 Jan 2023

<sup>35</sup> Bloomberg, 14 Jan 2023

<sup>36</sup> Mining, 14 Jan 2023; Bloomberg, 14 Jan 2023

<sup>37</sup> Mining, 14 Jan 2023; Bloomberg, 14 Jan 2023

<sup>38</sup> Mining, 14 Jan 2023

## Planner

31 Jan 2023 **(DRC)** Pope Francis to visit the DRC;

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

20 Dec 2024 **Kinshasa (DRC)** End date of peacekeeping mission **Mission de l'Organisation des Nations Unies pour la stabilisation en République démocratique du Congo (MONUSCO)**;

## Chronology

16 Jan 2023 **Kasindi (DRC)** *BBC*. The DRC government has blamed **Islamic State** group-affiliated **Allied Democratic Forces (ADF)** rebels for a bomb attack at a Pentecostal church in **Kasindi (North Kivu)**, in the east of the country in which 17 people were killed and 39 wounded;

16 Jan 2023 **Kasindi (DRC)** *Daily Nation*. **Kenyan** national **Abdulrazak Muktar Garad** is arrested over a church bombing that left 17 people dead at a Pentecostal church in **Kasindi (North Kivu)** and is accused of being a member of the **Allied Democratic Forces (ADF)** rebel group linked to the attack;

15 Jan 2023 **Kasindi (DRC)** *Bloomberg*. President **Felix Tshisekedi**'s office states that an explosion at a Pentecostal church in the eastern DRC town of **Kasindi (North Kivu)** has resulted in dozens of casualties;

15 Jan 2023 **Ituri Province (DRC)** *Daily Monitor*. Local sources say that more than 60 people have been killed over the course of the past week in the eastern DRC's **Ituri** province as militia attacks plague the turbulent region;

15 Jan 2023 **Kinshasa (DRC)** *Bloomberg*. Oil minister **Didier Budimbu Ntubuanga** says **United States**-based **Symbion Power** has won a bid to produce electricity from methane trapped in a lake in the eastern DRC;

14 Jan 2023 **Kinshasa (DRC)** *Daily Monitor*. A symbolic first shipment of "equitable" gold has left the DRC under a partnership with the **United Arab Emirates (UAE)** intended to halt smuggling;

14 Jan 2023 **Kinshasa (DRC)** *East African*. The DRC receives military equipment from **Turkey** just under three months it was freed to purchase weapons from the global market;

13 Jan 2023 **Mombasa (Kenya)** *East African*. Leaders of the **M23** rebel group meet with regional peace facilitator, former **Kenyan** president **Uhuru Kenyatta**, and agree to withdraw fighters from the DRC's **North Kivu** province and follow a ceasefire;

13 Jan 2023 **Vatican City (Vatican)** *Vatican News*. **The Vatican** announces that **Pope Francis** will begin his Apostolic Journey to the DRC and to **South Sudan** on 31 January, concluding on 5 February;

12 Jan 2023 **Kinshasa (DRC)** *East African*. DRC government spokesperson **Patrick Muyaya** says **Rwanda**'s President **Paul Kagame** has been "blackmailing the international community on human lives";

9 Jan 2023 **Kigali (Rwanda)** *DW*. **Rwanda**'s President **Paul Kagame** says his country can no longer offer refuge to people fleeing violence in the **DRC**, stoking already high tensions between the **Central African** neighbours;

6 Jan 2023 **Ishasha (DRC)** *The Citizen*. **M23** rebels are advancing on the **Ishasha** border in the DRC and toward the **Ugandan** border. The border is the last remaining uncaptured supply route linking Uganda to **Goma City**;

5 Jan 2023 **Rumangabo (DRC)** *East African*. **M23** rebels say they will pull out of **Rumangabo**, a military camp in **Rutshuru (North Kivu)** they had occupied;

4 Jan 2023 **Kinshasa (DRC)** *The Monitor*. The **Ugandan** military has captured the leader of the **Allied Democratic Forces (ADF)** terrorist group that crossed from the eastern DRC and attacked villages in **Ntoroko** district last month and has yet to disclose his name;

2 Jan 2023 **Kinshasa (DRC)** *East African*. A new report by the **United Nations (UN) Panel of Experts** says communal violence increased in the DRC in 2022, especially between **Yaka** and **Teke** communities in western parts of the country;

31 Dec 2022 **Kinshasa (DRC)** *East African*. **Allied Democratic Forces (ADF)** rebels attempt to cross into **Uganda** from DRC, forcing security agencies to admit that the country now faces threats on three fronts;

28 Dec 2022 **Kigali (Rwanda)** *East African*. The Rwandan government claims that a warplane from the **DRC** violated its airspace, just over a month after another aircraft landed on the 'wrong' airport on the Rwandan side instead of the Congolese side;

27 Dec 2022 **Kinshasa (DRC)** *Africa News*. **Nobel Prize** winner **Denis Mukwege** and presidential hopefuls **Martin Fayulu** and **Augustin Matata Ponyo** accuse President **Felix Tshisekedi**'s administration of pursuing a "policy of outsourcing" the vast country's security;

24 Dec 2022 **Kigali (Rwanda)** *DW*. **France** and **Germany** accuse **Rwanda** of backing the **M23** rebels in the **DRC**;

23 Dec 2022 **Kinshasa (DRC)** *Bloomberg*. The DRC will implement several initiatives to increase revenue and improve financial transparency in this year, including a plan to formalise the artisanal gold trade and amend an agriculture law to encourage foreign investment;

23 Dec 2022 **Kinshasa (DRC)** *Voice of America*. Unnamed local sources tell **French** publication **AFP** that **M23** rebels in the eastern DRC are holding civilians hostage for suspected collaboration with enemy militias as fighting erupted despite recent peace efforts;

22 Dec 2022 **Washington (United States)** *Reliefweb*. The **World Bank** has approved \$250m to improve stability and resilience in the **DRC**'s conflict-affected eastern provinces;

22 Dec 2022 **Brussels (Belgium)** *Reliefweb*. The **European Union (EU) Commission** has allocated over €2.3m (\$2.49m) to help people fleeing conflict and violence in the DRC as a result of the military offensive of a non-state armed **M23** rebel group;

21 Dec 2022 **Washington (United States)** *Bloomberg*. The **International Monetary Fund (IMF)** will disburse \$203m to help boost the **DRC**'s foreign reserves after a "satisfactory" third review of its \$1.5 billion loan agreement;

17 Dec 2022 **Washington (United States)** *Bloomberg*. **United States (US)** secretary of state **Antony Blinken** calls on **Rwanda** to pull back its troops from eastern **DRC** and encourages **M23** rebels to do the same.

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