

AFRICA RISK CONSULTING

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DRC Summary 16 February 2023

The International Monetary Fund (IMF) announces on 15 February that a staff team visited Kinshasa between 8 and 14 February to discuss recent economic developments, the country's economic outlook and progress made on reforms under the ongoing Extended Credit Facility (ECF) arrangement. East African Community (EAC) leaders meet in Bujumbura (Burundi) on 4 February and call for an "immediate ceasefire by all parties" in the eastern Democratic Republic of Congo (DRC) and the withdrawal of all armed groups, including foreign. President Felix Tshisekedi (2019-present) says on 7 February that the DRC intends to position itself as a key source of metals in the green energy transition and will launch new exploration for chrome and nickel. The DRC, Zambia and Angola establish a joint agency, the Lobito Corridor Management Institution, to manage a logistics corridor linking them to Angola's Lobito Port. The key development comes as policymakers and mining executives in these countries are planning to develop new logistics routes in Southern Africa beyond South Africa's Port of Durban (KwaZulu Natal). Pope Francis arrives in the DRC on 31 January for a four-day visit, where he uses his presence to draw attention to conflict and poverty in the country that has displaced more than 5.6 million people.

IMF conducts staff visit to the DRC

The **International Monetary Fund (IMF)** announced on 15 February that a staff team led by **Mercedes Vera Martin** conducted a visit to **Kinshasa** between 8 and 14 February to discuss recent economic developments, the country's economic outlook and progress made on reforms under its **Extended Credit Facility (ECF)** arrangement.¹ The IMF noted that its February visit will inform the preparation of the fourth review mission under the ECF arrangement tentatively planned for April.

In its report published on the same day, the IMF staff noted that it has revised DRC's real GDP growth upwards to 8.5% in 2022 due to stronger production in the mining sector, which grew at about 20%, and is also projected to remain elevated during 2023.² The strong mining production compensated for a decrease in non-extractive growth from 3.9% to 3.2%. The report said that annual inflation reached 13.1% at the end of 2022 due to higher energy, food, and transport prices.³ The IMF's preliminary data also showed that the country's account deficit widened in 2022 as a result of a stronger **United States** dollar and deteriorated terms of trade. However, despite the deterioration, the **Banque Centrale du Congo (BCC)** (central bank) recorded gross international reserves at \$4.6 billion, about \$300m more than the previous projection.⁴ The IMF said that the overall fiscal balance for 2022 deteriorated as spending also increased to address the domestic security situation and arrears payments.

The IMF projects that DRC's growth will reach 8% in 2023, however, there are significant downside risks from the conflict in the eastern region of the country, uncertainty ahead of the

¹ International Monetary Fund, 15 Feb 2023

² International Monetary Fund, 15 Feb 2023

³ International Monetary Fund, 15 Feb 2023

⁴ International Monetary Fund, 15 Feb 2023

December election, the continued impact of the conflict in **Ukraine** and adverse terms-of-trade shocks.⁵ The report recommends the following to offset these risks:

“Sustaining prudent macroeconomic policies will help bolster resilience to external shocks. Additional revenues would help build fiscal buffers and improving export prices will facilitate building up reserves.”⁶

The report also emphasised that advancing structural reforms domestically remains crucial to sustaining macroeconomic stability under a challenging environment and supporting more sustainable and inclusive growth. These structural reforms include rationalising the tax system, improving the business climate and mobilising investment which is critical for economic diversification and private sector-led growth, publishing beneficial ownership information for awarded government contracts and continuing to enhance the transparency in the mining sector.⁷

EAC leaders meet in Burundi calling for an immediate ceasefire

East African Community (EAC) leaders met in **Bujumbura (Burundi)** on 4 February, calling for an “*immediate ceasefire by all parties*” in the eastern DRC and the withdrawal of all armed groups, including foreign.⁸ The leaders also directed their respective army chiefs to meet within a week to set timelines for the withdrawal and highlighted “*the need for enhanced dialogue among all the parties*”.⁹ The extraordinary summit was called by Burundi’s president **Évariste Ndayishimiye** (2020-present) in a bid to resolve some of the simmering issues within the region and to find ways of calming the raging conflict.¹⁰

The summit was also hosted in the aftermath of escalating tensions between the DRC and Rwanda after reports emerged on 24 January of Rwanda shooting down a former military jet from DRC.¹¹ Rwanda claimed that the jet violated its airspace and therefore took “*defensive measures*” in shooting it down, but the Congolese government says its jet did not enter Rwandan airspace and retaliated by expelling three Rwandan officials from **Goma (North Kivu)**.¹²

Conflict has ravaged the eastern DRC since the 1990s when violence in the aftermath of the 1994 Rwandan genocide spread across the border and 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 igniting fresh diplomatic and security tensions.¹³ Rwanda denied the accusations and instead accused the DRC of supporting armed groups that aim to topple its government (*see ARC Briefing DRC Jun, Jul, Aug, Oct, Nov & Dec 2022*). However, DRC and **United Nations** experts claim the rebels have backing from Rwanda.¹⁴ 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

⁵ International Monetary Fund, 15 Feb 2023

⁶ International Monetary Fund, 15 Feb 2023

⁷ International Monetary Fund, 15 Feb 2023

⁸ All Africa, 5 Feb 2023

⁹ Nile Post, 5 Feb 2023

¹⁰ The East African, 3 Feb 2023

¹¹ Bloomberg, 24 Jan 2023

¹² The East African, 3 Feb 2023; Bloomberg, 24 Jan 2023

¹³ Reuters, 27 May 2022

¹⁴ Bloomberg, 26 Oct 2022

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.¹⁵ A UN investigation blamed the deaths on M23 rebels.

M23 rebels agreed to a ceasefire deal on 25 November after a summit of African leaders gave the group an ultimatum to stop fighting or face attack.¹⁶ However, the tentative ceasefire and the deployment of **Kenyan** forces through the EAC have so far failed to halt the fighting.¹⁷ It also does not appear that the February EAC leaders’ summit succeeded in calming tension between the DRC and Rwanda. There are growing concerns that the situation could deteriorate further.

DRC to position itself as a key source of metals in the green energy transition...

President **Felix Tshisekedi** (2019-present) presented at the **Investing in African Mining Indaba** conference on 7 February, announcing that the DRC intends to position itself as a key source of metals in the green energy transition and will launch new exploration for chrome and nickel.¹⁸ Tshisekedi said that exploration for the two critical minerals would start “*in the next few days*” in the country’s southern, diamond-rich **Kasai** region.¹⁹ The DRC is also searching for new partners to invest in lithium, cobalt and tantalum processing.

The transition to clean energy is a major driving force for metals used in batteries, electric vehicles, solar components, and wind turbines. However, global mining output has been limited, pushing prices for the key commodities higher.²⁰ Nickel on the **London Metal Exchange** has increased by more than 90% since the end of 2019, while copper surged by more than 40%.²¹

The **United States Geological Survey** also reports that the DRC supplies more than two-thirds of the key battery mineral cobalt and is tied with **Peru** as the world’s second-largest copper producer.²² Tshisekedi also said that the country has a significant deposit of lithium, manganese, and graphite, however, only 19% of the country has been explored:

“The goal is to discover new deposits that can be the subject of calls for bids, with a view to concluding mutually profitable public-private partnerships.”²³

The country’s newly established national geologic service will oversee the exploration and Tshisekedi is also hoping to attract new investment by improving the regulatory environment and creating incentives such as a special economic zone around lithium deposits in the south-eastern region.²⁴ However, Tshisekedi emphasised that despite its vast mineral wealth, the DRC remains one of the world’s poorest countries and miners are required to ensure that Congolese people also benefit.²⁵ He highlighted that this will entail buying insurance from local companies and negotiating development projects with local communities during exploration.²⁶

The move by the DRC to invest in green energies is a clever and strategic one as the world is moving in the green energy direction, recently illustrated by the **European Union’s (EU)**s

¹⁵ Al Jazeera, 10 Jan 2023

¹⁶ The East African, 25 Nov 2022

¹⁷ The East African, 10 Jan 2023

¹⁸ Bloomberg, 8 Feb 2023

¹⁹ Business Live, 8 Feb 2023

²⁰ Bloomberg, 8 Feb 2023

²¹ Bloomberg, 8 Feb 2023

²² Business Live, 8 Feb 2023

²³ Bloomberg, 8 Feb 2023

²⁴ Bloomberg, 8 Feb 2023

²⁵ Business Live, 8 Feb 2023

²⁶ Business Live, 8 Feb 2023

decision on 14 February to ban the sale of new gasoline-powered cars in the bloc from 2035, a move aimed to accelerate the switch to electric vehicles and combat climate change.²⁷ The DRC in particular stands to benefit since it's a leading supplier of many critical resources that will power the transition to green energy. However, as Tshisekedi said, the process must benefit the people of the DRC and be free from corruption.

DRC, Angola, and Zambia establish joint agency to manage key trade corridor...

DRC, **Zambia** and **Angola** established the **Lobito Corridor Management Institution** on 27 January, a joint agency to manage a logistics corridor linking to Angola's **Lobito Port**.²⁸ The newly formed agency will facilitate trade from Zambia and the DRC over Angola's 1,344 km **Benguela** railway.²⁹ Angola's transport minister **Ricardo Viegas D'Abreu** stated on 31 January that the joint agency would ensure the availability of the Lobito Corridor to traders from DRC and Zambia as an efficient and economical trade route.³⁰

The key development comes as policymakers and mining executives in these countries are planning to develop new logistics routes in the cobalt and copper belts in **Southern Africa** beyond **South Africa's Port of Durban** in **KwaZulu Natal** which is facing force majeure shutdowns amid load shedding in the country.³¹ The Lobito Corridor, which covers the mining regions of **Katanga** in the DRC and the **Copperbelt** in Zambia, presents a strategic alternative route to export markets for both countries and offers the shortest route linking key mining regions in these economies to the sea.³² The Angolan government also signed a \$450m deal on 9 November with **Portugal**-headquartered infrastructure group **Mota-Engil** to manage rail and logistics in the Lobito Transport Corridor, which links the mining zone in southern DRC to the Lobito Port in Angola and onwards to international markets.³³ Should the project succeed, it could transform how the region's key resources are shipped, as the corridor would serve as a key route to transport metals to manufacture wind turbines and electric vehicles from inland mines to port and cut transport timelines from weeks to days.³⁴

While the developments threaten South Africa's previously unchallenged position as the continent's main port actor, they will improve the export of the DRC's critical resources, which are a major contributor to its GDP. The DRC's mining sector contributes about 30% (\$2.15 billion in 2020) of its GDP and, according to IMF data, has accounted for more than 90% of total exports over the last five years.³⁵ With most of the DRC's minerals to China exported through the Port of Durban, any country that can take some of that trade away from South Africa will benefit substantially.

²⁷ Wallstreet Journal, 15 Feb 2023

²⁸ China Global South Project, 9 Feb 2023; China Lusophone Brief, 7 Feb 2023

²⁹ China Global South Project, 9 Feb 2023

³⁰ Bloomberg, 31 Jan 2023

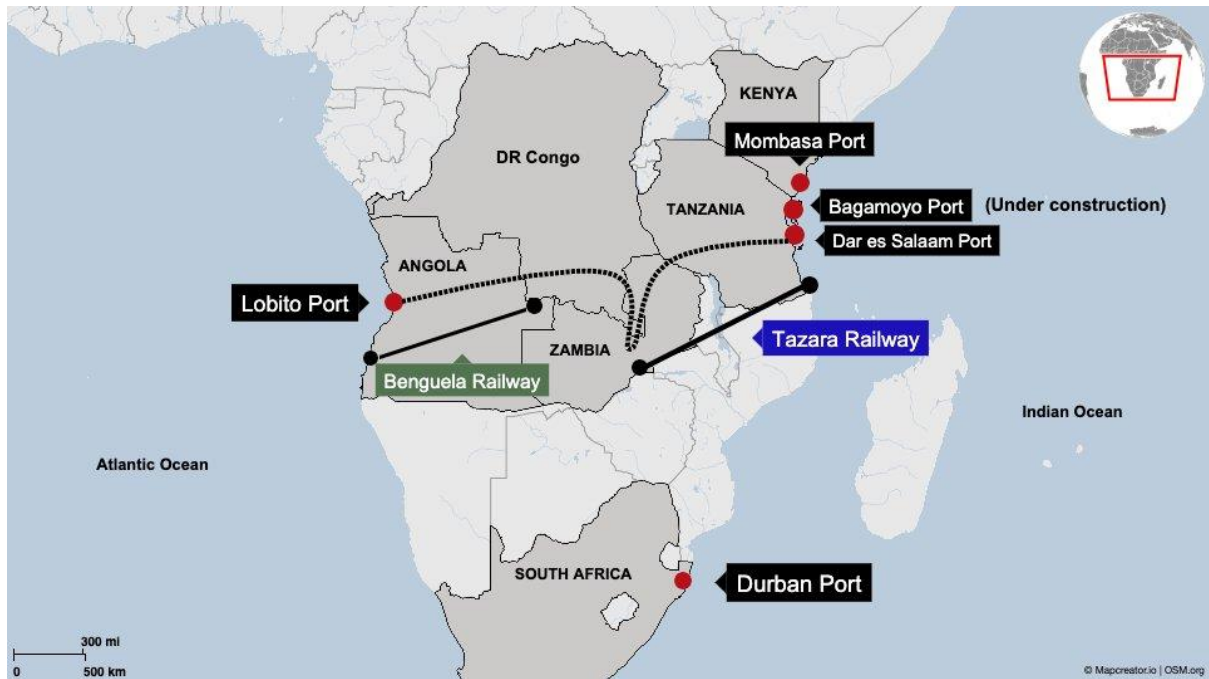
³¹ South African Development Community, 25 Jan 2023; China Lusophone Brief, 7 Feb 2023

³² China Lusophone Brief, 7 Feb 2023

³³ China-Lusophone Brief, 9 Nov 2022; China Global South Project, 10 Nov 2022

³⁴ China Lusophone Brief, 7 Feb 2023

³⁵ Natural Resource Governance Institute, 2 Dec 2020



Pope Francis visits the DRC...

Pope Francis arrived in the DRC on 31 January for a four-day visit, where he used his presence to draw attention to conflict and poverty in the country that has displaced more than 5.6 million people.³⁶ The Pope's landmark is the first by a pontiff to the country since **John Paul II** travelled to DRC in 1985.³⁷ The visit ignited festival-like jubilations in the country which has Africa's largest **Catholic** community. The country's 45 million-strong Catholic community has a long history of advocating for democracy and is gearing up to monitor the general elections scheduled for December.³⁸

However, the Pope's visit struck a sombre tone as he used the opportunity to highlight the devastating impact of decades of conflict by armed rebel groups and a bloody offensive by the M23 rebels.³⁹ The Pope made a noteworthy speech on his first day, condemning what he termed "*economic colonialism*" and called for **Western** countries to stop plundering the continent for its critical resources,

*"Hands off the Democratic Republic of the Congo! Hands off Africa! Stop choking Africa, it is not a mine to be stripped or a terrain to be plundered."*⁴⁰

Pope Francis reiterated his message at an open-air mass in Kinshasa on 1 February where he attracted a major audience of an estimated one million people.⁴¹ He passionately denounced violence in the country and called for those armed groups who call themselves Christians to lay

³⁶ Bloomberg, 31 Jan 2023

³⁷ CNN, 4 Feb 2023

³⁸ NPR, 1 Feb 2023; CNN, 4 Feb 2023

³⁹ NPR, 1 Feb 2023; CNN, 4 Feb 2023

⁴⁰ AP News, 31 Jan 2023

⁴¹ NPR, 1 Feb 2023

down their arms.⁴² The Pope also met victims of violence and rape as a result of the conflict in the country, telling them “*my pain is your pain*”.

The visit of a Pope to Africa tends to illicit very strong emotions and jubilation. While Pope Francis’s visit undoubtedly raised awareness of the catastrophic impacts of conflict and food insecurity in the country, it will not change the realities on the ground. The M23 and other rebel groups in the conflict-stricken country have not been moved to change their ways, a point highlighted by **Jean**, a Congolese-Christian, interviewed by the religious publication **Evangelical Focus** on 14 February. He said that the Pope’s visit to the DRC will achieve “*nothing at all, except that history will remember that, for once, the Pope has visited Congo. The world knows what is happening in Congo.*”⁴³

Planner

April 2023 **Kinshasa (DRC)** Fourth review mission under the **International Monetary Fund (IMF)**’s **Extended Credit Facility (ECF)** arrangement;

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

15 Feb 2023 **Kampala (Uganda)** *BNN Network*. DRC’s representatives at the **East African Legislative Assembly (EALA)** boycott a retreat of the members of the regional body that is being held in **Kampala (Uganda)**. A Ugandan representative in the EALA, **Stephen Odongo**, said their DRC counterparts were concerned about their security while in Kampala;

14 Feb 2023 **Brussels (Belgium)** *The East African*. **European Union** blames **Rwanda** and the DRC for ignoring proposals for regional peace initiatives even though DRC’s forces battle the **M23** rebel movement;

13 Feb 2023 **Goma (DRC)** *The East African*. University students march in Goma (**North Kivu**) to express support for the national armed forces, **Forces Armées de la République démocratique du Congo (FARDC)** which is fighting rebel groups in eastern DRC, but protests the presence of the **East African Community Regional Force (EACRF)** accusing them of being ineffective in the war between the **M23** rebels and FARDC;

12 Feb 2023 **Ituri (DRC)** *Africa News*. Militiamen kill more than 20 civilians in fresh attacks in **Ituri** province;

10 Feb 2023 **Kinshasa (DRC)** *Bloomberg*. DRC’s largest bank, **Rawbank Sarl**, forecast its lending to the local mining industry will jump more than 20% to over \$1 billion this year, buoyed by rising demand and strong prices for DRC’s strategic minerals;

8 Feb 2023 **Kinshasa (DRC)** *Bloomberg*. **Geneva Centre for Business and Human Rights** and the **Stern Centre for Business and Human Rights** detail in a report that cobalt buyers must

⁴² NPR, 1 Feb 2023

⁴³ Evangelical Focus, 14 Feb 2023

push for changes to formalise operations of unregulated artisanal mines in the DRC, as they are indispensable in meeting rising demand for the battery metal;

7 Feb 2023 **Kinshasa (DRC)** *United Nations Joint Human Rights Office*. **United Nations (UN) Joint Human Rights Office** says that **M23** rebels killed at least 171 civilians during a massacre in November in the settlements of **Kishishe** and **Bambo (North Kivu)**, revising an earlier reported toll of 131;

6 Feb 2023 **North Kivu (DRC)** *Reuters*. **East African Community Regional Force (EACRF)** officials meet with **M23** rebels during a handover ceremony at **Rumangabo camp (North Kivu)**;

6 Feb 2023 **Kinshasa (DRC)** *Bloomberg* A **United Nations (UN)** peacekeeper dies on 5 February, and another seriously wounded after their helicopter was shot at in the eastern DRC;

3 Feb 2023 **Goma (DRC)** *Reliefweb*. Members of the **United Nations (UN) Security Council** strongly condemn the recent series of attacks by the M23 rebels in **North Kivu** and note that the advances of the rebel group are worsening security and stability in the region and further exacerbating the current humanitarian situation. They also expressed deep concern over reports of an incident involving a military aircraft of the **Forces Armées de la République démocratique du Congo (FARDC)** and the **Rwanda Defence Force** on 24 January;

31 Jan 2023 **Nairobi (Kenya)** *Uhuru Kenyatta Office*. The **East Africa** facilitator for the **Nairobi Peace Process**, former Kenyan president **Uhuru Kenyatta**, calls for an urgent meeting with the EAC technical advisors to review the deteriorating security situation in the eastern DRC;

28 Jan 2023 **Kitshanga (DRC)** *The East African*. Rebels take control of **Kitshanga (North Kivu)** after capturing several villages on the road linking the town of about 60,000 people to the provincial capital **Goma**;

25 Jan 2023 **Beni (DRC)** *AFP*. Officials say that at least 17 people were wounded when a bomb exploded in the **Macampagne** market in **Beni (North Kivu)**;

22 Jan 2023 **Kinshasa (DRC)** *Yahoo News*. Opposition leader **Moise Katumbi** says he will cancel a controversial plan to allow drilling for oil and gas in one of the world's most important carbon sinks if he wins the December election;

20 Jan 2023 **Davos (Switzerland)** *Bloomberg*. President **Felix Tshisekedi** says in an interview during the **World Economic Forum** that tensions in eastern with neighbouring **Rwanda** led DRC to hire private military groups, which Rwanda says is an indication of war;

20 Jan 2023 **Kinshasa (DRC)** *China Global South Project*. President **Felix Tshisekedi** criticises a \$6.2 billion minerals-for-infrastructure contract with **China**, saying DRC hasn't benefited from the deal.

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