

AFRICA RISK CONSULTING

DRC Monthly Briefing May 2023

DRC Summary 19 May 2023

An International Monetary Fund (IMF) team completes its fourth review of the Democratic Republic of Congo's (DRC) three-year arrangement under the Extended Credit Facility on 3 May. The team notes the medium-term economic outlook remains favourable and recommends disbursement of \$206.5m to the IMF executive board. President Felix Tshisekedi (2019-present) says on 10 May that he may ask troops from the East African Community Regional Force (EACRF) to leave the DRC because they are not fulfilling their mandate to eliminate the threat posed by M23 rebels in the east of the country. Tshisekedi's statement comes two days after the Southern African Development Community (SADC) agrees on 8 May to deploy troops to the DRC to help restore peace and security in its eastern region. The oil ministry announces new dates for bids on four oil blocks in its eastern region on 8 May. French oil giant TotalEnergies is reportedly reluctant to move the DRC's oil through the East African Crude Oil Pipeline (EACOP), which connects from Uganda to Tanzania.

IMF staff support additional loan disbursement...

An **International Monetary Fund (IMF)** team completed its fourth review of the **Democratic Republic of Congo's (DRC)** three-year arrangement under the **Extended Credit Facility (ECF)** on 3 May. The IMF concluded that DRC's medium-term economic outlook remains favourable due to the strong revenues generated by the mining sector and that as a result, the IMF team revealed that they will recommend that its board approve a disbursement of SDR152.3m in special drawing rights (\$205.6m) next month.¹

The IMF team noted in its concluding statement on 3 May that inflation hit 17% in the twelve months through 22 April as the country struggles with increased fiscal pressure from the upcoming December elections, ongoing insecurity in the east, and the depreciation of the Congolese Franc against the **United States** dollar.²

While rising demand for the DRC's mineral resources, which include copper and cobalt, has filled the government's coffers in recent years, the fighting in its eastern provinces has strained the state's financial resources.³ President **Felix Tshisekedi** (2019-present) has also warned that the fighting may delay the elections set for December (See *ARC Briefing DRC March 2023*).

The IMF is still forecasting growth of 6.8% this year, driven by the extractive sector, but mission chief **Mercedes Vera Martin** warned that "*prudent economic policies are warranted for the rest of 2023*" given the elevated uncertainties linked to the ongoing conflict in the east, upcoming elections and external downside risks coming from the weakened international economic outlook and the volatility of commodity prices as a result of the prolonged conflict in **Ukraine**.⁴ The **Banque Centrale du Congo (BCC)** (central bank) will likely continue a tighter monetary policy stance throughout the year as an attempt to reign inflation while building financial reserves.

¹ International Monetary Fund, 3 May 2023

² International Monetary Fund, 3 May 2023

³ Bloomberg, 3 May 2023

⁴ International Monetary Fund, 3 May 2023

DRC threatens to kick out EAC forces while welcoming SADC troops...

Tshisekedi said on 10 May that he may ask troops from the **East African Community Regional Force (EACRF)** to leave the DRC because they are not fulfilling their mandate of eliminating the threat **M23** rebels pose in the east of the country.⁵ Regional forces from the **East African Community (EAC)**, which include **Uganda** and **Kenya**, deployed to the DRC last year to help counter the M23 that the country claims are being supported by neighbouring **Rwanda**, a fellow EAC member (*see ARC Briefing DRC Nov 2022*). The EACRF's mandate comes up for renewal next month. In an emailed press release shared by Tshisekedi's external communications agency on 10 May, the president was quoted as saying:

*"If by that date we see that the mandate is not being fulfilled, we will decide to see off this contingent."*⁶

Tshisekedi's statement came two days after the **Southern African Development Community (SADC)** organ troika summit held in **Windhoek (Namibia)** on 8 May, agreed to deploy troops to the DRC to help restore peace and security in its eastern region.⁷ The DRC is a member of both the EAC and SADC. The SADC summit was called due to concerns regarding the worsening security situation and ongoing clashes between government forces and M23 rebels in **North Kivu** province.⁸ In his statement threatening to expel the EACRF, Tshisekedi also said that he "*welcomed the solidarity*" of the 16-member SADC bloc, whose members include **Angola, Zimbabwe** and **South Africa**.⁹

SADC forces will join EACRF forces, peacekeeping forces from the **United Nations (UN)** and private military contractors that are already on the ground in the DRC. In a statement released on 8 May, SADC urged the Congolese government to put in place measures to coordinate "*the sub-regional forces and bilateral partners*" already operating in the country.¹⁰

In a communique sent on 8 May, the Congolese presidency called SADC's decision to deploy troops to the DRC "*a decisive moment*, with foreign minister **Christophe Lutundula** saying that the SADC forces deployment will ensure, "*the restoration of a definitive peace by enforcing the sacrosanct principle of the inviolability of the borders of each country*".¹¹

Tshisekedi's frustrations with the EACRF, which could lead to command structure chaos, come amid plans by the president to bolster his political campaign for re-election.¹² With elections in December, Tshisekedi wants to have neutralised the M23 so that he can fulfil his promise made to voters in the eastern DRC four years ago that he would eliminate the rebel threat. While Tshisekedi originally banked on the support of the EACRF, the bloc's troops have stuck to their buffer role, to the annoyance of the president who is hoping that the alternative regional force from SADC will be more assertive.

Congo sets new due dates for bids on eastern region oil blocks...

The oil ministry announced new dates for bids on four oil blocks in its eastern region on 8 May, confirming that the new submission dates for the blocks are between October and December having previously been set for late May and early June.¹³ The oil blocks put up for tender include two on **Lake Albert** that connects to blocks in Uganda owned by the **China National Offshore**

⁵ The East African, 10 May 2023; Bloomberg, 10 May 2023

⁶ Presidency Press Release, 10 May 2023

⁷ News24, 8 May 2023; Mmegi, 8 May 2023

⁸ Mmegi, 8 May 2023

⁹ Presidency Press Release, 10 May 2023; Bloomberg, 10 May 2023

¹⁰ SADC, 8 May 2023

¹¹ Presidency Communique, 8 May 2023

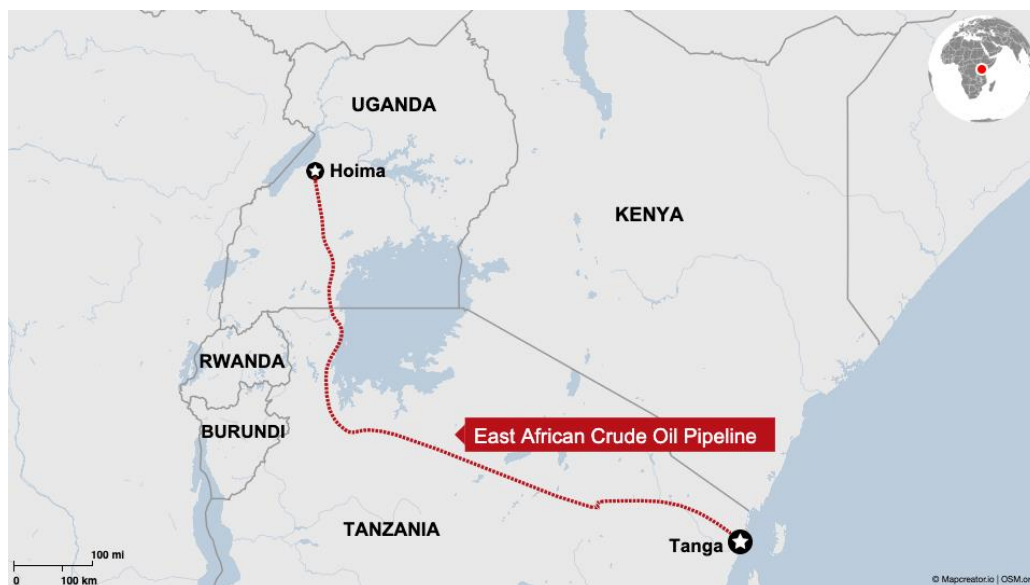
¹² The East African, 10 May 2023

¹³ Oil Ministry Twitter Page, 8 May 2023

Oil Corp and **French** energy giant **TotalEnergies**.¹⁴ Another block overlaps the **Virunga National Park**, a famous habitat for endangered gorillas that was the focus of a 2014 **Netflix** documentary nominated for an Academy Award.¹⁵ The new dates for the blocks are:

Oil Block	New deadlines
Block 1	30 October
Block 2	13 November
Block 4	27 November
Block 5	11 December ¹⁶

The ministry will announce the bidders three days after submissions are due.¹⁷ The ministry also hosted a roadshow in **London (United Kingdom)** on 11 May and will soon announce new submission dates for twenty other blocks. However, the new bid rounds have drawn fierce international criticism as they are located on environmentally sensitive land with almost no infrastructure. Several of the blocks overlap with national parks, habitats for endangered species, tropical rainforests and peatlands.¹⁸ A bigger challenge for the DRC is that it will require a pipeline to transport the oil resources, however, the government is already in talks with Uganda and **Tanzania** to join their to join the planned **East African Crude Oil Pipeline (EACOP)**, which will transport oil from western Ugandan to of **Tanga** in Tanzania.¹⁹ However, the DRC is already facing major obstacles on the issue (see below).



DRC asks to join EACOP amid reluctance from TotalEnergies...

The DRC's goal of earning billions of dollars in oil revenue from dozens of oil blocks located in its eastern and central regions could fail to materialise without a connection to the lone export EACOP route operated by TotalEnergies.²⁰ DRC risks missing out on its best opportunity to bolster its oil industry if it cannot secure access to the EACOP pipeline that will connect its

¹⁴ Bloomberg, 8 May 2023

¹⁵ Bloomberg, 8 May 2023

¹⁶ Oil Ministry Twitter Page, 8 May 2023

¹⁷ Oil Ministry Twitter Page, 8 May 2023

¹⁸ Bloomberg, 8 May 2023

¹⁹ World Oil, 24 Apr 2024; Africa Intelligence 16 May 2023

²⁰ World Oil, 24 Apr 2024

landlocked reservoirs, which are nearly a thousand miles from the nearest port, to international markets.²¹ Without a viable outlet for its crude, a large portion of the DRC's estimated 22 billion barrels may be stranded, especially with the world moving towards more renewable sources of energy.²²

Oil minister **Didier Budimbu Ntubuanga** said last month that the DRC government has begun talks with Uganda, Tanzania and **South Sudan** regarding laying new pipelines for shipping its oil through the EACOP.²³ However, in an email with US media house **Bloomberg** on 24 April, TotalEnergies said that it will not be able to accommodate the DRC's crude:

*"EACOP is expected to be running at or close to full capacity based on Ugandan production for much of the first decade of its operation."*²⁴

These remarks have upset Budimbu who intends to bypass the rejection by engaging directly with EACOP member countries to discuss connecting to the pipeline. Budimbu also informed Bloomberg that *"it's not Total who will have the last word"*.²⁵ In a positive development, Uganda has expressed it is not opposed to it transporting Congolese oil through EACOP, although, there are some contingencies that it must follow.²⁶

Peter Mulisa, chief legal and corporate affairs officer for the **Uganda National Oil Company (UNOC)**, said on 24 April that *"considering DRC volumes may take a number of years to be ready for transportation, we believe the pipeline will have spare capacity"*.²⁷ The Ugandan energy ministry spokesman **Solomon Muyita** was also quoted on 24 April saying that the DRC was always meant to be part of EACOP, however, the issue was that the country was not *"moving at the same pace with Uganda"* in developing its crude resources.²⁸

Given the positive comments from Ugandan officials, it appears that the DRC will have a much-needed outlet for its crude resources as long as it meets the requested contingencies. While admitting the DRC to the project could cause tensions with TotalEnergies, for DRC the revenue generated from the project could be transformative for its economy of 100 million people and a gross domestic product of just \$69 billion.²⁹

²¹ World Oil, 24 Apr 2024; Engineering News, 24 Apr 2023

²² Engineering News, 24 Apr 2023

²³ World Oil, 24 Apr 2024

²⁴ World Oil, 24 Apr 2024; Bloomberg, 24 Apr 2023

²⁵ Bloomberg, 24 Apr 2023

²⁶ World Oil, 24 Apr 2024; Engineering News, 24 Apr 2023

²⁷ Engineering News, 24 Apr 2023; Bloomberg, 24 Apr 2023

²⁸ Engineering News, 24 Apr 2023; World Oil, 24 Apr 2024

²⁹ World Oil, 24 Apr 2024

Planner

26 May 2023 **Beijing (China)** President **Félix Tshisekedi**'s state visit to **China**;

Jun 2023 **Kinshasa (DRC)** **International Monetary Fund (IMF)**'s board reviews staff recommendations to disburse SDR152.3m in special drawing rights (\$205.6m) to 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 May 2023 **Kinshasa (DRC)** *The East African*. **Kenya**'s ambassador to the DRC, **George Masafu**, meets with the DRC deputy prime minister in charge of defence, **Jean-Pierre Bemba**, during which they discussed the security situation and peace in the east and how Kenya and DRC could collaborate. Masafu says that Kenya is committed to DRC's pursuit of long-term peace in the eastern parts of the country;

16 May 2023 **Kinshasa (DRC)** *Reuters*. The **World Bank** says that it has suspended funding for humanitarian and development projects in the DRC worth more than \$1 billion after the government dissolved the project fund without warning. The suspension will affect more than 600,000 beneficiaries;

15 May 2023 **Geneva (Switzerland)** *Reuters*. The **DRC** and **Rwanda** agree to hold "constructive dialogue" in **Nairobi (Kenya)** on the repatriation of refugees in both countries during a **United Nations High Commissioner for Refugees (UNHCR)** meeting;

13 May 2023 **Kinshasa (DRC)** *The East African*. Countries contributing troops to the **East African Community Regional Force (EACRF)** are reportedly arguing for a need to have the mission stay in the DRC amid a move by **Kinshasa** to seek an alternative plan;

10 May 2023 **Kinshasa (DRC)** *La Prospérité*. The **European Union** responds favourably to DRC's official invitation to deploy a **European** election observation mission, with an exploratory mission set to arrive in Kinshasa in early June to meet with the **Commission Electorale nationale indépendante (CENI)** and relevant national and international stakeholders;

8 May 2023 **Kinshasa (DRC)** *AFP*. **United Nations Office for the Coordination of Humanitarian Affairs (OCHA)** notes more than 400 people are dead and at least 300 are still missing after flooding in eastern DRC;

28 Apr 2023 **Kinshasa (DRC)** *La Prospérité*. **Commission électorale nationale indépendante (CENI)** president **Denis Kadima Kazadi** submits the annual report of his institution to **National Assembly** president **Christophe Mboso Nkodia**;

27 Apr 2023 **Kinshasa (DRC)** *Bloomberg*. **Inspection Générale des Finances** (general inspectorate of finance) says that the government is paying more than 145,000 employees who may not exist;

24 Apr 2023 **Kinshasa (DRC)** *La Prospérité*. DRC government delegation meeting with the **IMF** addresses the aims of the **2023 IMF-World Bank Spring Meetings** and the increase in DRC's **2023 Budget** with regard to the revenue of the financial authorities;

21 Apr 2023 **Kinshasa (DRC)** *Bloomberg*. Surging corn prices in the DRC have reportedly created a lucrative trade for people to smuggle the staple food out of neighbouring **Zambia**, and a clampdown is causing creative concealment strategies with some even using coffins.

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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.

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