

## AFRICA RISK CONSULTING

### DRC Monthly Briefing June 2023

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#### DRC Summary 20 June 2023

*Democratic Republic of Congo-based rebel group the Allied Democratic Forces (ADF) crosses into Uganda and kills at least 37 students at a secondary school on 16 June. Uganda's president Yoweri Museveni (1986-present) criticises the DRC for allowing the ADF to continue to operate from its territory and launch attacks on Uganda. President Félix Tshisekedi (2019-present) arrives in Beijing (China) on 24 May for a landmark trip, however, despite some signed agreements, Tshisekedi leaves Beijing with none of his top priorities secured. The United States (US) confirms on 20 May that the International Development Finance Corporation (IDFC) is undertaking due diligence for a potential \$250m funding package to finance the Lobito Atlantic Railway Corridor. The corridor is an open-access railway line from the Lobito Port in Angola to the DRC border and will carry mineral exports. United Kingdom-based consultancy Wood Mackenzie says that DRC is expected to take over as the world's second-largest copper supplier by 2026/2027. This development bodes well for investor sentiment around DRC's critical minerals sector.*

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#### DRC-based ADF rebels kill 37 in militia attack in Uganda...

The **Allied Democratic Forces (ADF)**, a **Democratic Republic of Congo (DRC)**-based rebel group that is aligned with the **Islamic State (IS)**, has taken responsibility for killing at least 37 students at a school in **Uganda**, two kilometres from the DRC border.<sup>1</sup> The rebels raided the privately owned **Lhubirira Secondary School** in **Mpondwe** district in western Uganda on the evening of 16 June, burning down a dormitory and looting a food store before escaping back into DRC via the **Virunga National Park**.<sup>2</sup> In addition to the 37 killings, the rebel group abducted six students and eight others were hospitalised in critical condition. The ADF previously took responsibility for several attacks in Uganda in 2021, including bombings in the capital **Kampala** that left seven people dead.<sup>3</sup> The **Ugandan Police Force (UPF)** has confirmed that its forces and the national army, the **Uganda People's Defence Force (UPDF)**, are pursuing the ADF.

The ADF fought against the Ugandan government in western Uganda in the late 1990s before fleeing into **Beni (North Kivu)** in the DRC, from where they launched terror attacks over the past decades.<sup>4</sup> The rebel group now includes a majority of Congolese fighters, although they still recruit members from around the region.<sup>5</sup> In recent years, the ADF has launched several attacks on civilians, **United Nations (UN)** peacekeepers and the **Forces Armées de la République Démocratique du Congo (FARDC)** (DRC armed forces). IS publicly acknowledged the ADF as an affiliate in late 2018 and started claiming responsibility for ADF-attributed attacks in April 2019.<sup>6</sup> In September 2020, the leader of the rebel group, **Musa Muhsin Baluku**, said the ADF had disbanded and become an autonomous Islamic State province.<sup>7</sup>

Ugandan president **Yoweri Museveni** (1986-present) said on 18 June that the DRC government has allowed the ADF to continue to operate on Congolese territory and Uganda has “*no excuse in not*

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<sup>1</sup> Daily Monitor, 17 Jun 2023

<sup>2</sup> Bloomberg, 17 Jun 2023

<sup>3</sup> Bloomberg, 17 Jun 2023

<sup>4</sup> Bloomberg, 17 Jun 2023

<sup>5</sup> US State Department, 2019

<sup>6</sup> US State Department, 2019

<sup>7</sup> Bloomberg, 17 Jun 2023

*hunting down the ADF terrorists into extinction*".<sup>8</sup> Ugandan forces are already currently stationed in the eastern DRC as part of **East African Community Regional Force (EACRF)** fighting against the **M23** rebels. This latest attack exacerbates tensions in the already unstable DRC where over 100 rebel groups are based.

### **Tshisekedi's trip to Beijing seen as a failure...**

President **Félix Tshisekedi** (2019-present) arrived in **China** on 24 May for a landmark trip aimed at addressing several issues, however, despite signing some agreements, Tshisekedi did not achieve much else during his trip.<sup>20</sup> High on Tshisekedi's agenda was the renegotiations of key mining deals with Chinese president **Xi Jinping** (2013-present), including the \$6.2 billion resources-for-infrastructure deal that Beijing signed with the Congolese state-owned company, **Sicomines** in 2008, which Tshisekedi has criticised as poorly negotiated and favouring China.<sup>22</sup> Another agenda item was signing the final agreement to resolve the long-standing dispute between state miner **Gecamines** and the mining giant **China Molybdenum (CMOC)** over mining royalties (*see ARC Briefing DRC Mar & Apr 2023*).<sup>23</sup>

Tshisekedi also hoped to encourage Beijing to push its companies to invest in the DRC's electric vehicle battery supply chain, a sector the DRC is extremely keen on promoting.<sup>24</sup> Xi also had significant issues he wanted to address with Tshisekedi, namely the safety of Chinese nationals and companies operating in the unstable Congolese operating environment.<sup>25</sup> Following their meeting, Chinese state broadcaster **CCTV** cited a joint statement from the presidents on 26 May noting the following actions:

- Conduct regular reviews of their cooperation in the mining industry and related disputes would be addressed through "*friendly negotiations*";
- Four memoranda of understanding (MoU) were signed that covered several areas, including information exchange, digital economy, and green growth. A fifth agreement was signed between the two countries' state broadcasters.
- A military accord signed between the two countries, the most robust of all the agreements, called on the Chinese to provide training and capacity building to the notoriously undisciplined FARDC.
- Importantly, the countries also announced that their bilateral relationship will be upgraded from a "*strategic partnership of win-win cooperation*" to a "*comprehensive strategic cooperative partnership*".<sup>26</sup>

Tshisekedi left for China at a very politically charged time in the DRC – it is an election year where he faces strong opposition that brings together not only his prominent opponent **Martin Fayulu** but also the former governor of **Katanga** and his former ally **Moise Katumbi**.<sup>27</sup> Given the domestic pressure, it was crucial for Tshisekedi to return from China with concrete results, especially given that many Congolese feel that the Chinese dominate relations with the country. China expert **Eric Olande**, in a widely published piece on 29 May, spoke of the disappointing trip:

*"The bottom line is that Tshisekedi took almost a week out of his schedule for this trip at the height of a presidential campaign and has nothing to show for it that his constituents will think is important."*<sup>28</sup>

<sup>8</sup> President Yoweri Museveni, 18 Jun 2023

<sup>20</sup> Christian Geraud Neema, 25 May 2023

<sup>22</sup> China Global South Project, 23 May 2023

<sup>23</sup> China Global South Project, 23 May 2023

<sup>24</sup> China Global South Project, 23 May 2023

<sup>25</sup> China Global South Project, 24 May 2023

<sup>26</sup> CCTV, 26 May 2026

<sup>27</sup> Christian Geraud Neema, 25 May 2023

<sup>28</sup> China Global South Project, 26 May 2023

Olander also said that rumours of a big minerals trading deal and progress in renegotiating the unbalanced mining deals with Chinese firms “*seem to have been nothing more than hype*” and that the MoUs are non-binding.<sup>29</sup> Congolese mining expert, **Christian Geraud Neema**, said on 6 June that Tshisekedi’s team did not sufficiently prepare before the trip to allow them to set clear objectives and to communicate those with both the Chinese and the public, and therefore, not much has changed in the relationship between the two countries.<sup>30</sup>

### US considers \$250m investment for critical Congo-Angola rail corridor...

The **United States (US)** announced on 20 May that its **International Development Finance Corporation (IDFC)** is undertaking due diligence for a potential funding package of \$250m to finance the **Lobito Atlantic Railway Corridor**, an open-access railway line from the **Lobito Port (Angola)** to the DRC border.<sup>31</sup> The IDFC funding is part of US president **Joseph Biden** (2017-present) and the **G7’s Partnership for Global Infrastructure and Investment initiative (PGII)** for low and middle-income countries.<sup>32</sup> The US believes that the project, which is the IDFC’s first investment in rail on the continent, is a first step to connecting and developing trade and economic activities from Angola to the DRC.<sup>33</sup> The project is also expected to promote greater investments in digital infrastructure, agriculture and expand access to electricity.<sup>34</sup>

DRC, **Zambia** and Angola established the **Lobito Corridor Management Institution** on 27 January in preparation for additional investment for the project.<sup>36</sup> Policymakers and mining executives in these countries are planning to develop new logistics routes in the cobalt and copper belts in **Southern Africa** beyond the **Port of Durban (South Africa)**, the traditional export point, which has become increasingly difficult to access due to labour strife, social unrest, vandalism, disrepair and extreme weather.<sup>37</sup> 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.<sup>38</sup>

For the DRC, the project could see greater and smoother export of its critical minerals, 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 **International Monetary Fund (IMF)** data, has accounted for more than 90% of total exports over the last five years.<sup>39</sup> However, when the US first announced its potential funding for the Lobito Corridor, it raised several questions due to the widespread presence of Chinese companies on this transportation route. Increased US interest in the project could lead to geopolitical tensions in the increasingly critical supply corridor and potential tensions for DRC, an ally to both the US and China, to navigate.

<sup>29</sup> China Global South Project, 26 May 2023

<sup>30</sup> Christian Geraud Neema, 6 Jun 2023

<sup>31</sup> White House, 20 May 2023

<sup>32</sup> Bloomberg, 21 May 2023

<sup>33</sup> White House, 20 May 2023

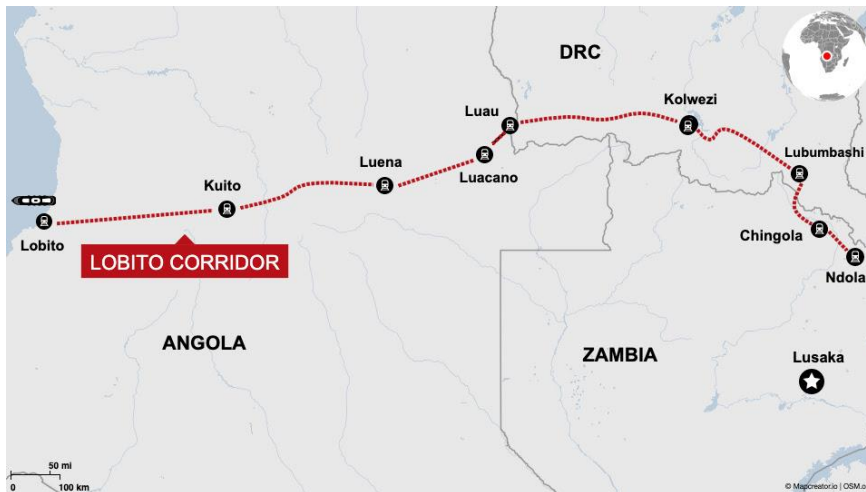
<sup>34</sup> White House, 20 May 2023

<sup>36</sup> China Global South Project, 9 Feb 2023; China Lusophone Brief, 7 Feb 2023

<sup>37</sup> China Global South Project, 5 Jun 2023

<sup>38</sup> China Lusophone Brief, 7 Feb 2023

<sup>39</sup> Natural Resource Governance Institute, 2 Dec 2020



## DRC set to become 2<sup>nd</sup> largest copper supplier

**United Kingdom** research and consultancy group **Wood Mackenzie** confirmed on 30 May that DRC will take over the mantle as the world's second-largest copper supplier from **Peru** by 2026/2027.<sup>41</sup> Congolese exports have doubled since 2018 to reach 2.4 million tonnes annually, while Peru ships 2.5 million tonnes.<sup>42</sup> Since 2016, Peru has comfortably maintained its position as the world's second-largest producer and exporter of copper after **Chile** due to numerous projects earlier this century that have now largely dried up.<sup>43</sup> An increase in social unrest and political uncertainties in **South America** is also constraining investment in the region, keeping Peru's copper exports fairly flat.<sup>44</sup>

While the DRC has also faced disruptions, such as conflict and export halts at its **Tenke Fungurume** mine, its growth or inflows of capital have not paused. The DRC has also made large strides due to its high-grade ore being mined by the leading **Canadian** mining company, **Ivanhoe Mines**, in **Kamoa-Kakula (Lualaba)**. This is projected to be the world's highest-grade major copper mine.<sup>45</sup> These results bode well for DRC's future as a critical mineral supplier, with copper considered one of the most critical minerals. DRC also boasts some of the highest-grade copper mines, which makes its copper mining sector attractive despite risks such as instability and insecurity. DRC doubling its copper output since 2018 also indicates that investment is ongoing in the sector and will increase going forward, despite the risks, as global demand for critical minerals for the green energy transition grows.

<sup>41</sup> Wood Mackenzie, 30 May 2023

<sup>42</sup> Bloomberg, 1 Jun 2023

<sup>43</sup> Bloomberg, 1 Jun 2023

<sup>44</sup> Wood Mackenzie, 30 May 2023

<sup>45</sup> Bloomberg, 1 Jun 2023

## Planner

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 Jun 2023 **Kinshasa (DRC) Bloomberg**. **Australian** mining billionaire **Andrew Forrest** warns that he “*can't wait forever*” to seal a deal with the DRC for an \$80 billion hydropower and green hydrogen project that would be the biggest investment in **Africa** yet;

14 Jun 2023 **Lubumbashi (DRC) The East African**. The **DRC Mining Week** conference opens for its 18th edition in **Lubumbashi (Haut-Katanga)**;

14 Jun 2023 **Kinshasa (DRC) Reuters**. International human rights group **Human Rights Watch (HRW)** says that the **M23** rebels allegedly executed scores of villagers and militia members between November and April and buried their bodies in mass graves;

9 Jun 2023 **Kinshasa (DRC) AFP**. Local officials say that suspected **Islamist** militants hacked 12 people to death in the eastern DRC on 8 May in the latest attack in the troubled region;

7 Jun 2023 **Kinshasa (DRC) AFP**. The **United Nations (UN)** under-secretary-general for peacekeeping operations, **Jean-Pierre Lacroix** says that peacekeepers should withdraw from the DRC “*as quickly as possible*” but responsibly;

5 Jun 2023 **Kinshasa (DRC) The East African**. **Angola** is set to deploy a contingent of its armed forces to provide security to the cantonment areas of the **M23** rebel group in eastern DRC;

5 Jun 2023 **Kinshasa (DRC) AFP**. Foreign affairs minister **Christophe Lutundula** says that Congolese citizens have died in **Sudanese** army strikes on a **Khartoum** university campus. Lutundula asked for an explanation of events and for measures from the Sudanese government to allow the return of the bodies;

31 May 2023 **Bujumbura (Burundi) The East African**. **Rwandan** prime minister **Edouard Ngirente** calls on the leaders during the 21<sup>st</sup> extraordinary summit of the heads of state of the **East African Community (EAC)** to involve the **M23** in the **Nairobi Process**;

30 May 2023 **Kinshasa (DRC) Moise Katumbi Twitter Account**. Politician and businessman **Moise Katumbi**, says that his longtime top adviser **Salomon Kalonda** was arrested at **Ndjili** airport in Kinshasa for unknown reasons;

23 May 2023 **Kinshasa (DRC) Reuters**. The DRC makes another formal referral to the **International Criminal Court (ICC)** to ensure the court will focus on what it calls the systematic pillaging of its natural resources in eastern DRC by the **Rwanda Defence Forces (RDF)** and the **M23** rebel group;

23 May 2023 **Kinshasa (DRC) The East African**. DRC and **Uganda** are in talks for visa-free and identity card usage for travel between the two countries.

### 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.

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