

AFRICA RISK CONSULTING

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DRC Summary 14 May 2024

Democratic Republic of Congo (DRC) on 8 May moves a step closer to completing an International Monetary Fund (IMF) programme for the first time in its history after a positive review from the global lender. Finance minister Nicolas Kazadi reveals on 24 April that the government spent 27% of its revenues fighting the conflicts in the east in the first quarter. New details reveal that the DRC's revised \$7 billion minerals-for-infrastructure deal with Chinese companies is contingent on the price of copper. President Felix Tshisekedi (2019-present) on 29 April arrives in France to meet with his counterpart Emmanuel Macron (2017-present) to discuss business partnerships and the conflict in eastern DRC.

DRC nears completion of first-ever IMF programme after positive review...

The **International Monetary Fund (IMF)** completed its sixth and final review of **Democratic Republic of Congo's (DRC) \$1.5 billion Extended Credit Facility (ECF)** programme on 8 May, bringing DRC a step closer to completing its first-ever programme with the IMF.¹ IMF staff said that the country's performance was "*generally positive*" despite major fiscal pressure from the ongoing conflict in the eastern region, which is stymying development of the mineral sector, and the December elections that slowed government's progress in implementing the programme's terms.² The staff mission has recommended that the IMF executive board approve the last disbursement of the ECF, amounting to \$200m. The executive board is expected to approve the staff recommendation in July.

IMF staff also concluded their **Article IV** mission alongside the review, revealing that DRC's economy grew by 8.3% in 2023 as the country officially became the world's second-largest producer of copper.³ International reserves also increased to \$5.5 billion at the end of 2023, equivalent to approximately two months of imports. The global lender also noted that the DRC's revenue performance in the first four months of this year is "*encouraging*" but "*security spending pressures remain high*".⁴ However, the country is still struggling with high inflation, which nearly reached 24% at the end of 2024. The global lender also warned that the DRC needs a new budget law after renegotiating a minerals-for-infrastructure contract with **China** (see below).⁵ The new contract will see the DRC receive \$324m per year in developmental financing backed by revenue from a cobalt and copper joint venture. The IMF recommended that mechanisms be put in place or reinforced "*to ensure proper use and governance of these funds*".⁶ The IMF confirmed that the government will request a new ECF once the current one is completed.

DRC spending a quarter of revenue on security...

Finance minister **Nicolas Kazadi** revealed on 24 April that the government spent 27% of revenues on exceptional security-related expenses in the first quarter of 2024 as government continues spending large sums of money on fighting the conflict in **North Kivu, South Kivu** and **Ituri**. In 2023, the government spent 22% of its revenues on exceptional security spending, up from a usual figure of about 1%, forcing the government to cut back planned investments in its CDF 41 trillion (\$15 billion)

¹ IMF, 8 May 2024; Reuters, 8 May 2024; Bloomberg, 8 May 2024

² IMF, 8 May 2024; Reuters, 8 May 2024; Bloomberg, 8 May 2024

³ IMF, 8 May 2024; Reuters, 8 May 2024; Bloomberg, 8 May 2024

⁴ IMF, 8 May 2024; Reuters, 8 May 2024; Bloomberg, 8 May 2024

⁵ IMF, 8 May 2024; Reuters, 8 May 2024; Bloomberg, 8 May 2024

⁶ IMF, 8 May 2024

budget.⁷ Kazadi emphasised this point, noting “when we have a security challenge, we have to tighten our belts”.⁸

Most of that money has been directed towards fighting the **M23** rebel group, which the DRC government argues is being supported by **Rwanda**. Conflict has ravaged the eastern DRC since the 1990s when violence in the aftermath of the 1994 Rwandan genocide spread across the border. Tensions reached an all-time high in June 2022 after a major resurgence of violence that led DRC to accuse Rwanda of supporting the M23, which says it is protecting the rights of ethnic Congolese Tutsis.⁹ 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 UN experts claim that Rwanda has been fighting alongside and equipping the rebel group.¹⁰ 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.

In 2023, DRC recorded the largest spending increase in military spending, more than doubling to reach \$794m.¹¹ As Kazadi highlighted, ever-increasing spending on defence is also taking away much-needed funds from developmental programmes. Equally worrying is that despite a major increase in defence spending, the M23, which already controls large swathes of territory in the mineral-rich North Kivu, is succeeding in taking more territory. despite the presence of **United Nations (UN)** peacekeepers - **Mission de l'Organisation des Nations Unies pour la stabilisation en République démocratique du Congo (MONUSCO)** -and **Southern African Development Community (SADC) Mission in the Democratic Republic of Congo (SAMIDRC)**.

MONUSCO is closing its operation in DRC and closed its mission in South Kivu this month, which shifts ownership of the security situation in the province to government and SAMIDRC. **South African** president **Cyril Ramaphosa** (2017-present) also notified his parliament on 23 April that the deployment of the **South African National Defence Force (SANDF)** in **Mozambique** and the DRC will be extended to December 2024 and March 2025, respectively. However, there are major doubts on whether these can effectively manage the security vacuum MONUSCO is leaving, which also struggled to fulfil its mandate. The increased attacks on the mineral-rich **Goma**, the capital of North Kivu, and the seizure of **Rabaya**, a key mining town, in April also emphasise the IMF's point that the conflict is impacting the DRC's mineral sector.

Congo's \$7 billion deal with China linked to copper prices...

New details reveal that the DRC's revised \$7 billion minerals-for-infrastructure deal with **Chinese** companies operating in the country is contingent on the price of copper.¹² The government in March signed an updated agreement to its 2008 deal with China to trade cobalt and copper from a joint venture known as **Sicomines** for development funding.¹³ Sicomines is 68% controlled by **China Railway Group Ltd, Power Construction Corp. of China** (also known as **PowerChina**) and **Zhejiang Huayou Cobalt Co**, while the DRC state-owned company **Gecamines** has a 32% stake.¹⁴

According to details of the new contract made public on 3 May, the DRC will get \$324m (from Sicomines profits) annually for infrastructural projects from its Chinese partners between 2024 and 2040, as long as copper prices remain above \$8,000 per metric tonne.¹⁵ Copper traded at around \$9,910

⁷ Yahoo, 25 Apr 2024

⁸ Bloomberg, 25 Apr 2024

⁹ Reuters, 27 May 2022

¹⁰ Bloomberg, 26 Oct 2022

¹¹ News24, 24 Apr 2024

¹² Reuters, 6 May 2024; China Global South Projects, 6 May 2024

¹³ Reuters, 6 May 2024; China Global South Projects, 6 May 2024

¹⁴ Bloomberg, 6 May 2024

¹⁵ Reuters, 6 May 2024; Bloomberg, 6 May 2024

in early May and the price of copper averaged \$8,500 over the past 12 months and \$7,937 over the past five years.¹⁶

However, the lowest price over the last five years was \$4,630 in March 2020, at the start of the **Covid-19** pandemic.¹⁷ The agreement notes that if prices drop below \$8,000, the financing will halt altogether at \$5,200 per tonne.¹⁸ The contract also indicates that if copper prices rise above \$12,000 per metric tonne, 30% of the profits will go towards funding additional infrastructural payments. The amendments made in March bring the total value of the infrastructure loans to \$7 billion between 2008 and 2040, with \$1.5 billion already disbursed.¹⁹ The contract also indicates that the project has “total exemption from all indirect or direct taxes, duties, fees, customs, and royalties through the year 2040”.²⁰

The DRC plans to use most of the financing to construct hospitals, national roads, schools, and other developmental projects, most of which were destroyed over decades of conflict and dictatorship.²¹ The country remains one of the world’s poorest countries despite being Africa’s second-largest by landmass, the largest cobalt producer and the second-biggest copper source. Citizens also expressed widespread discontent regarding the government’s contracts with Chinese companies before the new revised version was released, expressing that Chinese companies were underpaying in several aspects, which played a major part in pushing the DRC government to renegotiate the contract. However, the revelation that Sicominex will continue to be exempt from paying taxes until 2040 has drawn condemnation from citizens and international civil society organisations who say it will lead to a major loss in revenue for the country.²² As part of its three-year ECF program with the IMF, the DRC has also undertaken to publish all its mining contracts, and the expectation is that it will reveal more details citizens will find concerning.

Felix Tshisekedi travels to France...

President **Felix Tshisekedi** (2019-present) embarked on a brief **Europe** trip in April, meeting with **Germany**’s chancellor **Olaf Scholz** (2021-present) on 28 April before arriving in **France** on 29 April to meet with French President **Emmanuel Macron** (2017-present) to discuss issues of mutual interests, particularly business partnerships and the conflict in the east.²³ Tshisekedi has in the past visited France for international summits, but this was his first official visit to the European country. Alongside a meeting with Macron, Tshisekedi met political representatives at the national assembly and senate and attended a business meeting between French and Congolese partners during a Franco-Congolese economic forum.²⁴

While business was a key focus of the trip, Tshisekedi’s main point of discussion with Macron was reportedly the conflict in the eastern DRC. Presidency spokesperson **Tina Salama** said on 29 April that resolving the conflict in the country was Tshisekedi’s priority in **Paris**, and he took up the matter with Macron given France’s position as a permanent member of the **United Nations Security Council (UNSC)**.²⁵ Salama also emphasised that France can propose resolutions and declarations in the UNSC concerning the situation in the DRC. During Macron’s visit to Kinshasa in March 2023, he pledged 34 million euros (\$36.7m) in aid to the country’s war-torn regions and threatened sanctions against parties seeking to derail peace talks 2023 (See *ARC Briefing DRC Apr 2023*).²⁶ However, following Tshisekedi’s trip to Paris, he is still waiting for a more muscular effort from Paris beyond Macron’s

¹⁶ Mining, 3 May 2024; Bloomberg, 6 May 2024;

¹⁷ Mining, 3 May 2024; Bloomberg, 6 May 2024

¹⁸ Mining, 3 May 2024; Bloomberg, 6 May 2024

¹⁹ Reuters, 6 May 2024; China Global South Projects, 6 May 2024

²⁰ Mining, 3 May 2024

²¹ China Global South Projects, 6 May 2024; Bloomberg, 6 May 2024

²² Mining, 3 May 2024

²³ RFI, 29 Apr 2024

²⁴ RFI, 29 Apr 2024

²⁵ RFI, 29 Apr 2024

²⁶ RFI, 29 Apr 2024

calls to **Rwanda** to resume high-level talks with Kinshasa. Thus far, France and European leaders have been reluctant to sanction Rwanda for its illegal activities in Rwanda despite solid evidence from the UN, a major frustration for Tshisekedi.

Planner

Jul 2024 **Kinshasa (DRC) International Monetary Fund (IMF)** executive board to approve final \$200m **Extended Credit Facility** payment for DRC;

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)**;

Mar 2025 **Kinshasa (DRC)** End date of the **Southern African Development Community (SADC) Mission in the Democratic Republic of Congo (SAMIDRC)** peacekeeping mission;

Chronology

14 May 2024 **Kinshasa (DRC) China Global South Project**. The **Chinese** mining company **CMOC** is relocating 1,500 families near its massive **Tenke Fungurume** mine in response to widespread complaints of pollution-induced illness in the local community;

12 May 2024 **Kinshasa (DRC) The East African**. There appears to be an expectation of the resolution of the diplomatic standoff between **Kenya** and the DRC which has simmered for over a year, after a meeting between both states' officials in Kinshasa;

10 May 2024 **North Kivu (DRC) VOA**. An attack on a health centre kills at least eight civilians;

8 May 2024 **Kinshasa (DRC) The East African**. **Kenya's** President **William Ruto** dispatches prime cabinet secretary **Musalia Mudavadi** to Kinshasa with a special message to President **Felix Tshisekedi** after a diplomatic rift following the detention of two **Kenya Airways** staff in Kinshasa in controversial circumstances;

8 May 2024 **Kinshasa (DRC) Reuters**. **International Monetary Fund (IMF)** reaches a staff-level agreement with the DRC on the final review of its \$1.5 billion programme, recommending the disbursement of the final tranche of \$200m;

6 May 2024 **Kinshasa (DRC) News24**. **Southern African Development Community Mission in the Democratic Republic of Congo (SAMIDRC)** says it will conduct an armed operation to reopen humanitarian corridors the **M23** rebels have blocked in **North Kivu** province;

6 May 2024 **Nairobi (Kenya) Reuters**. **Kenya Airways** confirms that its two staff members detained in **Democratic Republic of Congo (DRC)** have been released, allowing flights to DRC to resume;

4 May 2024 **Kinshasa (DRC) The East African**. The **United Nations High Commissioner for Refugees (UNHCR)** expresses concern over high numbers of refugees and other displaced individuals forced to flee their homes after ongoing **El Nino**-triggered heavy rains and severe flooding in Tanzania, **Burundi**, the DRC, **Kenya** and **Somalia**;

4 May 2024 **Kinshasa (DRC) Al Jazeera**. Twin bombs kill at least 12 people in two displacement camps near **Goma (North Kivu)**, with the DRC government subsequently accusing **Rwanda** of being behind the attacks;

1 May 2024 **Kinshasa (DRC)** *BBC*. **Rubaya** spokesman **Willy Ngoma** says **M23** rebels have seized the key coltan mining town;

30 Apr 2024 **Kinshasa (DRC)** *RFI*. **French** President **Emmanuel Macron** says **Rwanda** must end its support for **M23** rebels in eastern DRC and withdraw all soldiers from DRC;

30 Apr 2024 **Nairobi (Kenya)** *The Africa Report*. **Kenya Airways** announces it will suspend flights to **Kinshasa (Democratic Republic of Congo) (DRC)** over the detention of two employees by DRC's military intelligence unit;

29 Apr 2024 **Kinshasa (DRC)** *RFI*. President **Felix Tshisekedi** arrives in **France** to meet with his counterpart, **Emmanuel Macron**, to discuss business partnerships;

27 Apr 2024 **Kinshasa (DRC)** *The East African*. Nearly five months after the general election, there is still no new government in Kinshasa, but prime minister **Judith Suminwa** says she is still consulting with the country's political parties and other figures;

24 Apr 2024 **Kinshasa (DRC)** *AFP*. Government sends a formal notice to **United States**-headquartered **Apple** accusing the company of using "illegally exploited" minerals extracted from the conflict-ridden east:

24 Apr 2024 **Johannesburg (South Africa)** *IOL*. President **Cyril Ramaphosa** notifies parliament that the deployment of the **South African National Defence Force (SANDF)** in **Mozambique** and **Democratic Republic of Congo (DRC)** will be extended to December 2024 and March 2025, respectively;

22 Apr 2024 **Kinshasa (DRC)** *The East African*. A leaked letter from mines minister **Antoinette N'Samba Kalambayi** to **China's Zijin Mining Group Co Ltd** reveals that mineral shipments originating from the company's **COMMUS** project were returned due to high radiation levels, with the ministry suspending Zijin's licence pending investigation;

17 Apr 2024 **Kinshasa (DRC)** *Africanews*. **United Nations** high commissioner for human rights **Volker Turk** appeals to the international community to focus more on the conflict in eastern DRC;

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