Investment Guide :D.R.CONGO

The Democratic Republic of Congo (DRC) has enormous potential. With the restoration of domestic political stability, a favorable business enabling environment, and Congo's reintegration into the international financial community, there will be significant investment opportunities in infrastructure development and raw materials extraction. Ports, river transport, railways, roads, airfields, electricity generation and distribution, construction, mining, timber, and agriculture have already attracted preliminary scouts making contacts and surveying the possibilities.

Size The Democratic Republic of Congo (formerly Zaire) is the second largest country in sub-Saharan Africa after Sudan; about 2,345,409 square kilometers, roughly size of United States east of Mississippi, and sharing borders with eight countries

Topography	Major geographic regions include central Congo Basin, uplands north and south of basin, and eastern highlands. Core region is central Congo Basin, large depression with average elevation of about forty-four meters, constituting about one-third of Congo. North and south of basin lie higher plains and hills covered with mixtures of savanna grasses and woodlands. Southern uplands region also constitutes about one-third of Congo, with elevations between 500 meters and 1,000 meters. Eastern highlands region highest and most rugged portion, bounded by Great Rift Valley, with some mountains more than 5,000 meters. Eastern border extends through valley and its system of lakes.
Drainage	Most of Congo served by Congo River system. Congo River and its tributaries provide the country with Africa's most extensive network of navigable waterways as well as vast hydroelectric potential. Flow of Congo unusually regular because tributaries feed in from both sides of equator.
Climate	Ranges from tropical rain forest in Congo River basin to tropical wet-and-dry in southern uplands to tropical highland in eastern areas above 2,000 meters. In general, temperatures and humidity quite high, but with much variation; many places on both sides of equator have two wet and two dry seasons. Average annual temperature 25°C. Average annual rainfall between 1,000 millimeters and 2,200 millimeters, highest in heart of Congo River basin and highlands west of Bukavu.
Population	Estimated at 50,481,305 in July 1999; with annual growth rate estimated at 2,96 percent. Population density 18,7 inhabitants sq km.
Language	About 250 languages spoken. French remains the official language and is the universal medium for business. Among the many African languages, Kikongo, Tshiluba, Lingala, and Kiswahili are considered as national languages and are the most prominent.

Ethnic Groups	As many as 250 different groups, mostly Bantu-speaking. Largest Bantu-speaking groups are Luba, Kongo, Mongo, and Lunda.
Religion	Majority of population Christian: 46 to 48 percent Roman Catholic, 24 to 28 percent Protestant, up to 16.5 percent members of Kimbanguist Church. About 1 percent of population Muslim. Most other people practice traditional African religions.
Education and Literacy	Numbers of schools, teachers, and pupils have increased, but enrollment ratios relatively low--78 percent for primary school and 23 percent for secondary school in 1990. Adult literacy rate estimated at 77,3 percent (86.6 percent for males, 67.7 percent for females) in 1995.
Health and Welfare	Life expectancy at birth in 1995 estimated at 49.44, for males 47.28 and for females 51.67. Infectious and parasitic diseases--including malaria, trypanosomiasis (sleeping sickness), onchocerciasis (river blindness), and schistosomiasis--major health threat. Measles, diarrheal diseases, tetanus, diphtheria, pertussis, poliomyelitis, tuberculosis, and leprosy also prevalent (mostly in rural areas). State-run health care system in virtual collapse in early 1990s. Private sources of health care reach only 50 percent of population. Only 14 percent of population has access to safe water. Malnutrition widespread, especially among children.

The Economy Potential

Summary

The third largest country in Africa, Congo's development potential is considerable. Copper, cobalt, coffee, petroleum, and diamonds provide most of its foreign exchange earnings. The largely unexploited forests represent the world's largest reserves of tropical hardwood. Arable land is plentiful through much of Congo, and inland waters contain abundant supplies of fish. Improved political stability would boost Congo's long-term potential to effectively exploit its vast wealth of mineral and agricultural resources. The economy is largely undermobilized and underused, with 80 percent of the labor force deployed in subsistence activities, and large untapped mineral, agricultural and energy potential. Renewed growth could rely on the country's low-cost and potentially competitive labor force, strong natural resource base, large domestic market, dynamic local communities and non-governmental organizations (NGOs), preferential access to European markets, and proximity to the South African economy.

Economic Overview

In the shrunken Congolese economy of the mid-1990s, industrial diamonds and petroleum have come to the fore. Two-thirds of Congo's diamond production comes from small-scale artisinal diggers, a figure which does not account for significant undeclared and undervalued diamond exports. Diamond production by the mixed company MIBA declined by half between 1989 and 1995 as alluvial pits were mined out and fuel and spare parts supplies were interrupted. Production is expected to revive, however, with the purchase of new equipment and exploitation of hard-rock kimberlite pipes.

Congo's crude oil production is minor compared to other sub-Saharan African oil producers, but output from its small offshore fields remained steady during the 1990s and served as the most reliable source of government revenues. Production, primarily by U.S.-owned Chevron/Congo Gulf, is expected to rise significantly. Exploration of promising, but remote, areas in the northern and eastern interior has ceased. Gold production, negligible in official statistics, could grow significantly.

Output for water and electricity showed modest growth in 1995, after declining in the early 1990s. The sector has never contributed much more than one percent to GDP, but the potential is enormous. Laced by well-watered tropical rivers over broken terrain, Congo's hydroelectric potential exceeds 100,000 megawatts (MW), some 13 percent of the world's total. Great sums were invested in the Inga hydro facility in Bas Congo and the Inga-Katanga (Inga-Shaba) high-voltage transmission line to the copperbelt. Outside major cities, however, power distribution networks are limited, and local thermal or hydro facilities are small and aged. Inga is currently operating only 20 percent of its 2500 MW capacity, and most production and transmission facilities need repair. Despite the system's present abysmal condition, Congo is able to export power to the growing market served by the southern Africa grid.

Congo's electricity sector is its best prospect for rapid growth, as well as offering significant improvement in the prospects for industry and in the local standard of living. But most hydro plants, including the huge facility at Inga on the lower Congo River, are in serious need of new investment.

Power distribution networks are limited and non-existent outside major cities. Most local power plants are thermal and even many urban households use wood or charcoal. Water systems have fared slightly better in urban areas, but rural service remains poor.

The land transportation system is multimodal, utilizing railways, roads, and long navigable stretches of inland rivers and lakes. Congo's road network, long a focus of donor assistance, has badly deteriorated since the end of most external aid in the early 1990s. Roads are virtually non-existent outside of urban areas. Rail transport is slowly being revived. A Belgian-South African group, Sizarail, has managed the state-owned southern and eastern railways since 1995. The parastatal river transport authority is in the dying state, but private barges are slowly filling the gap.

Most internal passenger and freight traffic moves by air despite the high cost of fuel and equipment. Congo's airports also are in need of substantial new investment.

Congo's wire-based phone networks and most of its earth stations are in poor working order. The state telecommunications authority, OCPT, is seeking partners. Since 1989, an American cellular company, Telecel, has worked to fill the gap. It is operating in several urban areas, continuing to expand, and is now facing several rivals.

Investment Climate

Openness to Foreign Investment

Congo was beset with political and economic problems which discouraged foreign investment.But,due to the recent stability and peace process,large number of companies have began to invest in different sectors.As elections are at hand, forecasters have relayed a influx of foreign investors after the elections.They have estimated the reserves to be twenty six trillion Dollars with only two percent of it presently been tapped. Improved political stability has boosted Congo's longterm potential to effectively exploit its vast wealth of mineral and agricultural resources. In view of Congo's recent ability to provide rudimentary institutions of law and order, potential investors should be advised of the continuing potential of doing business in Congo.

Congo's business climate is rapidly beginning to improve as a result of his government's policies, but much more remains to be done.

Congo offers a number of investment incentives designed to attract foreign capital.Eligibility for these various incentives, which are mainly in the form of tax breaks and duty exemptions, is based on: the location and type of the enterprise; the number of jobs created; the extent of training and promotion of local staff; the export-producing nature of the operation; and the value added to local resources.

There is little screening of foreign investment, although efforts are made to monitor such investment through the licensing process. Importantly, Congo has had a bilateral investment treaty (BIT) with some countries, like the United States, guaranteeing reciprocal rights and privileges to each country's investors.

Conversion and Transfer Policies

Congolese government regulations allow for the transfer of dividends and other funds associated with investments. Procedures for doing so have been simplified substantially in recent years, with authorizations now obtainable within days of application. There are no restrictions on reinvestment or on acquisition or takeovers.

Local Currency

Congo maintains an open floating-rate system in which exchange rates are determined by market forces. The rates at commercial banks differ little from the rates established in Congo's vibrant parallel foreign exchange market.

Expropriated and Compensation

Expropriation is not a factor in Congo's investment climate. Having nationalized virtually all its foreign-owned businesses in the early 1970s with disastrous results, Congo appears unlikely to embark on another such experiment. The error was quickly recognized, but the economic damage persists to this day since most of the original owners declined the invitation to return and new investment failed to reach former levels. During the 1980's Congo took formal steps to attract foreign investment, approving a new Investment Code, new regulations on transfer of dividends, and a bilateral investment treaty.The 1986 Investment Code guarantees the transfer of all indemnities in the event of expropriation.

Performance Requirements/Incentives

Congolese laws covering investment, with minor exceptions, do not differentiate between foreign and domestic enterprises. The 1986 Investment Code provides for three types of systems, each of which requires approval by numerous Congolese government agencies, and several offer ample scope for negotiated terms.

The General System is applicable to investments valued between $200,000 and $10 million (local currency equivalent). If promoted by foreigners, at least 80 percent of the total investment must be in foreign currency. Loans cannot exceed 70 percent of the investment, and loans of less than five years duration cannot exceed 30 percent of the investment. General System investments receive the following concessions:

1. Exemption from:

- the ad valorem duties and fixed taxes otherwise levied on the capital of newly-created companies.
- export duties for export-oriented investments.
- import duties on machines, plant, and equipment if local industry is unable to supply it at the same quality and price (if local equipment is purchased, the exemption is available for the turnover tax)

2. Exemption for a period of up to five years from:

- taxation on profits
- the special tax levied on the salaries of expatriate personnel
- the tax on company dividends
- income taxes on jobs created
- the tax on real property

The Contractual System; (systeme conventionnel) is applicable to investments valued at $10 million or more (local currency equivalent), and allows for a wide range of concessions for a period of up to ten years. Applicants must satisfy the requirements of the General System. The types of concessions granted are extended on a case-by-case basis and depend on the contribution of the investment to Congo's social and economic development and the obligations contracted by the investors.

A variety of Special Regimes provide benefits to investments meeting certain conditions. These have included investments by small- and medium-sized enterprises, those making use of local agricultural products, those for manufacturing in the Inga Free Trade Zone (ZOFI), as well as tax credits for new investment in existing enterprises, and an income tax exemption for reinvested mining profits.

Performance requirements are minimal. Projects must begin within one year of the date stated in the authorization, and any changes in the agreed program must be approved by the Government. Importation of locally-available inputs is discouraged, but there is no specific local content requirements. Expatriate employment is discouraged, and the government exercises control through the issuance of residence and work permits.

Right to Private Ownership and Establishment

Congolese laws covering investment, with minor exceptions, do not differentiate between foreign and domestic enterprises. Investors desiring the benefits afforded by Congo's Investment Code must apply to the Investment Committee, which is a part of the Ministry of Planning. Foreign-owned companies are subject to the same taxes and labor laws as domestic firms. With the exception of the minerals extraction sector, the government neither requires nor generally seeks participation in foreign investments.

Protection of Property Rights

The Government of Congo in theory provides legal protection for intellectual property. Congo is a member of the Paris Union International Convention for the Protection of Industrial Property (patents and trademarks), the Paris and Bern conventions, and is a member of the World Intellectual Property Organization. Patents for inventions are granted for a period of 20 years. Trademark registrations are granted after filing applications. International franchises operate comfortably in Congo within the protection granted by the state. A national society of editors, composers, and authors oversees copyright protection due artists under Congolese law, but it is a private organization without official powers.

There is very limited capacity to produce books and sound recordings in Congo at the moment, which minimizes the scope for pirating. However, the potential is there. In Kinshasa, for example, privately owned television stations routinely broadcast U.S. films apparently&127; without securing broadcasting rights from the owners. Congo's legal system and public administration are ill-equipped to enforce intellectual property regulations. The government is also unable to prevent most pirated goods from being imported into the country or their subsequent distribution and sale.

Insurance Programs and Political Violence

Congo is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA), which offers insurance to new foreign investments against foreign exchange risk, expropriation and civil unrest.

Bilateral Investment Agreements

Congo maintains investment agreements (most of which are less specific) with a number of countries, including Belgium, Canada, Denmark, France, Germany, Israel, the Netherlands, and Switzerland.

Labor

Congo's large urban population provides a ready pool of available labor, including a significant number of high school and university graduates. Skilled industrial labor is in short supply and must often be trained by individual companies.

Minimum wages are set by the government on a regional basis for all workers in private enterprise, with the highest scales applicable in Kinshasa and Lubumbashi. Wages have not increased with the country's rate of inflation, and, while numerous employers pay wages higher than the minimum, the average Congolese worker has coped with falling real wages for a decade.

The country's labor legislation is embodied in the 1967 Labor Code, which is in compliance with the conventions and recommendations of the International Labor Organization. The code provides for tight control of labor practices and regulates recruitment, contracts, the employment of women and children, and general working conditions. Strict labor laws can make termination of employees difficult. The code also provides for equal pay for equal work without regard to origin, sex, or age.

Medical and accident expenses must be covered by employers. Larger firms are required to have medical staff and facilities on site, with the requirements increasing with the number of employees. Employers are obligated to pay family allowances calculated on the number of children, as well as paid holidays and annual vacations, with the length of the latter dependent upon the years of service. In addition, employers must provide daily transportation for their workers or pay an allowance in areas served by public transportation. Outside the major cities, large companies often become involved in providing infrastructure including roads, schools, and hospitals.

Capital Outflow Policy

Congo has no policies toward the export of capital and outward direct investment.

Foreign Direct Investment Statistics

There is virtually no reliable statistical data on aggregate FDI in Congo. It can be safely assumed that there has been recently relatively high foreign investment.Official investment figures for the private sector are limited to sectoral breakouts for investments granted the fiscal advantages under the Investment Code, application to which is optional and open to foreign and domestic companies alike. In most recent years, the principal investments under the Code have been made in transportation, chemical products (i.e., pharmaceuticals), wood, food processing, mining, and other (unspecified) manufacturing and services.

Major Foreign Investors

The largest investors in Congo are Chevron Oil, with its Congo Gulf Oil subsidiary, Citibank, Telecel, Mobil, Group Damseaux (private conglomerate), Bralima (brewery), UNIBRA (brewery), Tabacongo/Rothman Corp. (cigarette manufacturing), Hasson Group (wholesale trader), BAT Congo (cigarette manufacturing), and PLC (palm oil refining),Zabou Holdings.

Services

Finding a Business Partner

Unless one is a major supplier for one of Congo's few large companies, finding a local business partner is probably the single most important factor in successful commercial dealings in Congo. Many businesses in Congo purchase from long-time vendors. Reliable information on the market and about the creditworthiness of customers is obtainable only on the spot. After-sales service and spare parts are crucial, and independent local services are generally unreliable or unobtainable. Finding a reliable business partner, however, requires time and effort. The local commercial environment encourages cozy long-term relationships, fierce competition, and efforts to make one-shot high-profit deals.

Steps to Establishing an Office

Temporary Work: A foreign company wishing to conduct short-term operations in Congo is required to register at the Ministry of Commerce, showing that it has a modest amount of capital in the form of cash on deposit at a local bank. A foreign firm planning to work entirely for a company already established in Congo may temporarily work under the host firm's registry number. If working for a government agency, the firm may obtain an exemption. Other laws affecting foreign companies temporarily operating in Congo are not being enforced.

Congolese Incorporation: A company is legally considered Congolese if it has been established according to applicable Congolese legislation, and has its office and principal administrative establishment in Congo. Its general meeting must be held in Congo, and its accounting carried out in Congo. The company's accounting year must coincide with the calendar year. Five types of companies may exist:

--Société Privée à Responsibilité Limitée (SPRL) : a limited liability company that combines the character of a partnership and a corporation. Shares cannot be ceded to persons outside the company, and the liability of the shareholders is limited to the nominal value of the shares of each holder. SPRL's are usually small- and medium-sized businesses.

--Société Privée à Responsibilité Limitée (SARL) : The SARL is a joint stock company that is a corporation. Shareholders are liable only for the amount of their equity subscription. Public shares may be issued. The board of directors is responsible to the shareholders for management. SARLs are usually large private businesses.

--The other forms of business organization are infrequently used. The Société Cooperative (SC), each of whose members exercise a single vote, the Société en Nom Collectif (SNC), a form of simple partnership, and the Société en Commandité Simple (SCS), a form of limited partnership, provide no tax incentives, and either expose the investor to personal liability or grant him few, if any, managing rights in the company.

--Holding companies are forbidden under Congolese law, but many broadly diversified firms in Congo are owned by a company incorporated in another country, or simply function without a legal group identity.

Trade

Banking System

Congo's banking system is comprised of the Bank of Congo (the central bank), twelve commercial banks and a development bank, the Societe Financiere de developpement (SOFIDE). In addition, there are five other financial intermediaries, a postal checking system and 19 credit cooperatives.

Foreign Exchange Controls Affecting Trade

The Bank of Congo is responsible for regulating foreign trade and payments. Exporters are required to complete a foreign exchange declaration specifying the type of merchandise to be exported, its price, and the currency in which payment is to be received. These declarations are normally validated by the commercial banks. Exports must be completed and the proceeds surrendered to the Bank of Congo within the validation period. If this is done, the exporter is typically authorized to retain ninety percent of the proceeds, net of refinancing. Exporters are permitted to retain 100 percent of refinancings associated with export transactions.

For most items, importers are only required to make an import declaration at their commercial bank. (There are exceptions, for example, certain sensitive items, including arms, explosives, and narcotics.) Importantly, The Bank of Congo authorizes imports financed from sources other than the local foreign exchange market, e.g., commercial banks and financial markets located abroad. The Bank of Congo maintains a relatively liberal system of payments for invisibles trade which are made through commercial banks. However, there are some limited restrictions on outward remittances of salaries for services performed by nonresidents.

Leading Sectors

Best Prospects for Non-Agricultural Goods

1.**Used Clothing**

2.**Telecommunications and Computer Equipment**
Poor domestic wired networks have encouraged the growth of cellular. Poor postal and package services have sparked interest in electronic document transit.

3.**Refrigeration and Air Conditioning Equipment**
Fluctuating current and heavy use raise demand for both new equipment and spare parts.

4.**Electrical Generators and Distribution Equipment**
Given the deteriorating and decentralized network, both individuals and firms are moving towards independent supplies.

5.**Pharmaceuticals**
Basic, generic, antibiotics. The market has seen strong competition from South Asian producers and recent outcries against the sale of outdated medicines.

6.**Aircraft and related equipment**
Congo's air transport sector fills the gap in its poor land networks. Spare parts and used equipment is of particular interest.

7.**Mining Equipment**
Foreign mining companies have been cautiously returning to Congo since 1995, although recently there has been a great influx.

8.**Forestry Equipment**
As with mining, Congo has been seeing a slow reentry of players to a sector of enormous potential if export transportation problems can be resolved.

9.**Agricultural Equipment, Herbicides, Fertilizers**
Great agricultural potential but severe problems with rural roads and marketing systems. Potential sales are primarily to small farmers.

10.**Four-Wheel Drive/Off-Road Passenger Vehicles**
Despite Japanese dominance, American-made vehicles in this category also enjoy a good reputation

Best Prospects for Agricultural Products

1.**Rice**
Southeast Asian imports dominate the market, but American quality is appreciated.

2.**Wheat**

3.**Dried Milk Products**
The market is currently dominated by Dutch and South African imports

4.**Processed Tomato Products**

Mining and Petroleum Sectors

Although the Democratic Republic of the Congo commands enormous economic potential and is richly endowed with a wide range of resources, the mining sector dominated the economy. In 1990 mining, mineral processing and petroleum extraction accounted for about 17% of gross domestic product (GDP) and around 75% of total export earnings (rising to 92% in 1995, and reaching 81% in 1996 and 1997). In 1995 mining contributed an estimated 4.4% of GDP.

The country possesses an abundance of mineral resources, the most important being, copper, diamonds, cobalt and zinc; there are also deposits of gold, cassiterite, manganese, cadmium, germanium, silver, wolframite ,columbo-tantalite,chrome,iron,nickel,platinum,tin,lead and uranium, most of which are exploited only on a small-scale industrial or artisanal basis.

Copper, cobalt, zinc and germanium are found mainly in the south-eastern Katanga province, adjoining the Zambian Copperbelt; diamonds are located mainly in Kasaï province, particularly around the towns of Mbuji- Mayi and Tshikapa, although some mining activities are conducted in Bandundu and Province Orientale (formerly Haut-Zaïre) regions. Cassiterite, wolframite, gold and columbo-tantalite are exploited mainly in the Kivu region in the east. The state-owned mining corporation, the Générale des Carrières et des Mines (GECAMINES), was the dominant producer in the 1980s, accounting for more than 90% of copper output, and all production of cobalt, zinc and coal.

The new government try to rehabilitate some mines which were abandoned under the regime of the former president Mobutu. The Kipushi, the Tenké-Fungurumé and the Kolwezi mines (in Katanga) are some of them. Prior to its closure in 1993, the mine of Kipushi produce copper, gold, silver, cadmiun, germanium and cobalt. The mine of the Tenké-Fungurumé has estimated exploitable reserves of 200,000 tons of copper and 6,000 tons of cobalt. Geologists have estimated that only the Kolwezi area has the potential for an annual output of 400,000 tons of copper and 8,000 tons of cobalt.

The Country became also a producer of offshore petroleum in 1975, operating from fields on the Atlantic coast and at the mouth of River Congo. Output averaged around 30,000 barrels a day during the second half of the 1980s. Output stood at 10m. barrels in 1995 and 10.1m. barrels in 1997. In the face of the prolonged economic recession, the country’s petroleum output has been broadly equivalent to domestic demand, although the country cannot consume it own production as the local refinery is not equipped to treat this exceptionally heavy petroleum. In the longer term, however, unless current onshore exploration near the border with Uganda and Tanzania proves successful, current oil reserves (estimated at around 187m. barrels in 1993).

Conclusion

Potentially one of the richest mining countries of Africa, the DRC is attracting the interest of major and junior mining and exploration companies from around the world.

A major feature is the country's competitive new Mining Code, which was developed in conjunction with the World Bank and includes positive aspects from the mining codes of other countries. The Code provides guarantees to the holder of unlimited access to explore and develop its properties under a transparent and efficient permitting process. The provisions of the new Mining Code and the investor-friendly manner in which it has been implemented by the Ministry of Mines and the Mining Registry have encouraged a number of global diamond companies, as well as gold, copper and cobalt mining companies, to invest in the DRC.

The revival of the country's mining industry is part of a much larger story - the DRC's progress in restoring political and economic stability. Appointed in 2003, the DRC's government of national unity, led by President Joseph Kabila, is committed to holding democratic elections within the next year. Meanwhile, World Bank, IMF, USAID, and Paris Club, as well as the European Union, especially Belgium, France and United Kingdom, together with South Africa, are committing billions of dollars to social and economic recovery in the country.
There is great scope for development in many business sectors which would reap

numerous benefits for potential investors.

With compliments
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