

Forestry, farming and mining reap rewards

Investment in three important sectors will see Congo's economy soar in the coming years

Private investment in Congo, driven by the oil and telecoms sectors, increased by 4 percent in 2011, and the country is keen to attract more.

While the strongest potential is in forest activities, agriculture, livestock rearing, fishing, mining and hydrocarbons, there are also buoyant opportunities within the industrial sectors such as food processing, timber and construction.

Poor infrastructure and flawed legal, financial and administrative systems may have hampered investments in the past, government officials are tackling the challenges head-on in an effort to engage more private sector investors. One move is the creation of the High-Level Council for Public-Private Dialogue, under the President's jurisdiction, which will bring together representatives of the private sector, the administration and the public sector.

Agriculture is one of the most promising areas for investment. Despite having more than 12 million hectares of land available for farming, Congo imported food-stuffs to the value of 198 million euros (\$251 million) last year.

The government believes more than 20,000 jobs could be created

been eco-certified by the Forest Stewardship Council.

President Sassou N'Guesso was the first Congo President to impose a restriction on log exports. In 1997, he adopted a policy stressing that 60 percent of the logs cut down should be processed and treated within the country.

That is now up to 85 percent, and as a result, international companies are required to invest in factories and to hire and train the local workforce, thereby adding value to the Congolese economy.

Responsible planting

After public services, the forestry sector is the biggest employer and a total of 41 production units have been set up or renovated including sawmills, molding, and plywood. There are three industrial cabinet making and woodwork factories.

A program is now underway to rapidly develop education centers that can train a responsible workforce within the sector.

There are currently 30 companies specializing in Congo's timber industry, and more than half of them are foreign.

China provides the leading market for wood exports, followed by the European Union, and most

illegal wood commerce that exists.

Congo's registered forests are either on State Forestry property or private property. Public sites are organized into Forest Development Units, the commercial part of which is ensured by people with deeds delivered by forest authorities.

Agreements are given through a tendering process and concessionaries must demonstrate their development programs and collaborate with the forest administration services on sustainable development principles.

Nine such agreements have so far been allocated to the big forestry companies working in the north and to one in the south. About 18 forestry concessions, covering almost six million hectares — about 55.65 percent of the total area allocated for forestry exploitation — will have a development program.

Education points

Forest dwellers are still prone to killing wild apes, thereby flouting the 1996 Lusaka agreement which forbids the commerce of wild animals and fauna, in order to earn money.

The Service National des Produ-



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Mining offers excellent opportunities for investors looking for rich returns.

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Mining prospects

Mining is another sector wide open for investment, and production in recent years has far exceeded expectation, with most minerals going to China and Germany.

The Congolese government owns 10 percent of the capital of any mining company operating there and it is slated to become a mining operator in its own right in

the coming years.

With riches such as diamond, gold, cooper, lead, zinc, iron ore, magnesium and potash, international companies have been keen to enter the country and the government has made it clear there is much scope for more development, exploration and exploitation. Not surprisingly, it is the sector that attracts most FDI.

Mining legislation is directed by the Mining Code which supervises all stages of the operations. The code has reinforced and liberalized the sector to allow more foreign investors in to what has for years been accomplished by small-scale domestic operations.

Many procedures have been simplified and facilitated in a bid to encourage those companies, including decreased taxation and greater transparency within the sector. The Ministry of Mines is proud to note that the mining sector, like every other sector in Congo, offers a risk-free investment environment.

Mining has done much in terms of job creation. In its development stage, for example, MPD, which is exploring the Zanaga mine, is hiring 1,000 workers, and will hire 14,000

more for the production process.

Three Chinese companies are already involved in gold and diamond mining, namely Zhong Jun Hui Da Beijing Investment Co, Million Well Holdings, and Congo Yuan Wang Investment.

Micro-financing

In its keenness to help local entrepreneurs, the government has introduced micro-financing and improved credit access facilities. The Ministry of Mines is also addressing the skills issue by running training programs and seminars to improve local investment and encourage foreign investment.

Companies benefiting from this included MagMinerals Potasses Congo which obtained its permit back in 2008 and invested more than \$47.8 million for building infrastructures in the aim of starting exploitation at the end of 2011.

However, affected by the financial crisis, the company sought new partners and in 2011, Evergreen Resource Holdings, a Chinese company, took over 77 percent of MagMinerals' capital.

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The Ministry of Mining urges foreign investors to come in Congo and benefit from a win-win partnership. Congo offers many opportunities and assures security as well as political stability. Return on investments is guaranteed."

MINISTRY OF MINING

from plantations developed in the prime areas between Cuvette in the north and Sangha in the north-west.

With around 65 percent of Congo territory covered in woodlands, forestry plays an important role within the economy. More than 80 percent of the total forest area is considered good for commercial purposes and the government is keen to balance that potential with a commitment to a green economy.

Today, 3.5 million of the 22 hectares covered are protected and 2.5 million hectares have

products are shipped through Pointe Noire port. Today, Congo has 73,000 hectares of commercial plantations 19,000 of which will be dedicated to sustainable production in the future.

Last year, Congo and the EU signed a partnership to combat illegal forest exploitation, which stated that from July, any cargo of wood entering the EU from Congo must have authorization testifying its legal origins.

The creation of these plantations will provide much-needed jobs in the rural sector, and, the government hopes, put an end to the

its Forestiers à l'Exportation has been set up to monitor the wood products entering and leaving Congo, ensuring the legal origin of the product. "Although this goes some way to fighting poaching, it is hard to change these peoples' mentalities," the president said.

"Education is a big part of the fight and some NGOs have been drafted in to protect the apes and offer a unique experience to the locals and visitors within the framework of eco-tourism."

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Facilitating investment

Congo has tightened up law and tax codes and improved incentives, making business easier

With a poor ranking on the Ease of Doing Business scale, strong measures are being brought in to encourage investors to come.

The government has undertaken to significantly develop the transportation network and basic infrastructure, as well as encouraging the diversification of the economy. But besides these measures, it has gone all out to improve the legal investment framework.

One of these measures is the signing of the OHADA treaty. The Organization for the Harmonization of Business Law in Africa treaty is in charge of harmonizing the business laws and institutions between 16 West and Central African nations. The treaty came into force in 1999.

The Congolese State also initiated an Investment Code in 2003 which outlines the conditions in which investments operate, as well as guaranteeing advantages that will entice foreign investors.

As well as the common law taxation dispositions, the charter of investment grants tax reduction or tax exemptions, no customs duties, and exemption from capital gains tax, if the capital gain is re-invested and depending on the economic zone.

These measures affect new activities and companies as well as companies' expansions and projects of rehabilitation for companies located and duly established in Congo.

Business activities that are excluded from these dispositions include those related to commerce, brokerage and transactions, imports and the treatment of toxic waste.

As well as special common schemes, an SME scheme and free zones scheme, Congolese law has implemented five incentive measures related to:

- Development of the business environment and employment
- The re-investment of profits
- Research and innovation
- Exports
- Settlement in disadvantaged zones

As a general rule, tax exemption varies between 5 to 10 years.

More incentives

The national investment charter is complemented by other codes, depending on the importance of the sector. So, to complete the Charter, companies can rely on the following codes with their specific rights and duties:

- The Hydrocarbon Code (since 1994)
- The Forestry Code (since 2000)
- The Mining Code (since 2005)
- The energy and water system
- Telecommunications Code

Moreover, Congo's banking system is under the Control of the BEAC (Banque des Etats de l'Afrique Centrale), the Bank of Central African States and the insurance system depends of the CIMA: the rationalization of the market of

Insurance in Africa.

Taxation system

The taxation system in Congo can be improved and relaxed, but free economic zones and other measures are being implemented and specific conventions signed in between some specific countries, including France and China, to facilitate investments within Congo.

Companies are exempt from paying taxes for the first three fiscal years and a reduction of 50 percent of tax is possible for those companies reinvesting a minimum of a third of the previous year's revenues.

Companies will pay a profit tax of 38 percent. One twelfth of rental amounts can be tax-deductible. The standard salary tax stands at 5 percent each month till 125,000 XFA/month (about \$254), raised up to 9 percent for salaries above 125,000 XFA/month.

There is no VAT on export and basic needs products with a list that has been extended in 2008 as a consequence of the fight against poverty.

Thanks to the "one-step desk", which has an office within each district, it has become very easy to create a company and specially trained members of staff can explain in detail the tax breaks and incentives.

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Congo's Constitutional Court.

Excellent access to markets

The Congolese population is small and its incomes are limited. According to "L'Enquête Congolaise Auprès des Ménages" (the Congolese Household Survey) conducted by "Le Centre national de la Statistique et des Etudes Economiques" (National Center of Statistics and Economic Studies), 50.7 percent of the overall population lives below the poverty threshold, on less than a dollar per day per person.

However, the poverty rate fluctuates according to the residency area and the sector of activity.

Pointe Noire, for example, is the economic hub that provides a base for numerous structured enterprises and the population takes advantage of the high salaries offered by the large private enterprises, especially petroleum companies, and benefits from a relatively strong buying force.

In Brazzaville, the political and administrative capital, it is usually only the top executives of the public sector, professors, magistrates,

and some executives from the Paragovernmental and private sector that benefit from high incomes.

These cities account for 33.5 percent and 42.3 percent of households living below the poverty threshold.

Countries from the sub-region offer Chinese investors many markets to export goods and services.

Due to its geographical location and its vocation of transit, Congo is a member of the Economic and Monetary Community of Central Africa and the Economic Community of Central African States and therefore in a good position to take advantage of the regional integration process and customs legislation.

Among the profitable foreign markets, the Democratic Republic of Congo, especially the province of Kinshasa, which is a massive market of 10 millions inhabitants, can be accessed from "The Beach" Brazzaville's harbor. The other profitable market, close to the Kouilou depart-

ment and Pointe Noire, is the Cabinda area, which is the richest province of Angola because of its petroleum resources.

Cameroon, a notable exporter of pasteurized products within the sub-region is also among Congo's markets, especially in the exportations of the food-producing segment.

The other countries of the "Economic and Monetary Community of Central Africa" represent many export opportunities of goods and services, especially in under-developed sectors such as industrial maintenance, agro-industry and sugar.

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