U.S. Department of State
FY 2001 Country Commercial Guide: Democratic Republic of the Congo

The Country Commercial Guide for Democratic Republic of the Congo was prepared by U.S. Embassy Kinshasa and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

Chapter 1: Executive Summary

Congo has an estimated 45 million citizens and vast mineral, timber, agricultural, and hydroelectric resources in a largely undeveloped territory as large as the U.S. east of the Mississippi. In 1997, President Laurent-Désiré Kabila installed a new regime with great expectations. Since the Kabila government took power it has attempted to reverse more than 30 years of mismanagement that has left the entire country completely dysfunctional and demoralized. Unfortunately, the August 1998 war, in which Rwandan forces and their Congolese rebel allies invaded the southwest of the country, interrupted government efforts to begin a process of reconstruction. The war and poor economic policy have devastated the economy. The vast majority of private companies has closed or operates at a loss. The government is unable or incapable of reversing more than two years of economic decline. Since the outbreak of the war the official exchange rate has fallen to FC 23.5 to the U.S. dollar compared to approximately FC 1.5 to the dollar a year ago. On the black market, the current exchange rate is FC 60 to the dollar and many observers expect the Congo franc to continue its decline.

Prospective U.S. investors and traders, more than ever, face the sharp contrast between the country's enormous potential and its failure to build the political institutions and economic practices needed to translate that potential into sustained growth and higher living standards. There is much talk of a building a new Congo, but there has always been significant gaps between discussion of reform, its formal enactment, and actual implementation. U.S. businessmen looking at the Congo, therefore, must follow developments closely, distinguish rhetoric from action, compare the rules on the books with the realities on the ground, and carefully weigh the extremes of inflated optimism and exaggerated cynicism which color many local assessments.

As of July 2000, the government's finances are out of balance and opaque. Military spending is largely to blame for the government's inability to balance its budget. Much of the government's revenue is kept "off-book," and not included in published statistics on revenue and expenditure. Further, published budget figures do not include credit purchases by the government, which were extensive and out of control. Relations with the Bretton Woods institutions are hampered by the government's refusal, or inability, to stabilize arrears to the IMF, and by its inability to adopt an economic program for macroeconomic stability. Relations with the World Bank are on hold owing to the lack of an economic reform program and to disagreement over the IBRD trust fund for the Congo.

The vast majority of Congolese live in poverty. Per capita production and incomes have declined since the early 1970s, and plummeted in the 1990s. Per capita GDP has fallen to below USD 100, the lowest since independence 40 years ago. In 1997, Kabila inherited a bankrupt Treasury, a moribund economy, and a dysfunctional administration. Infrastructure and physical plant have suffered serious damage, financial intermediation has almost ceased, and there has been significant financial and human capital flight. Congo's state sector is insolvent and is largely unable to provide most basic public services. Private enterprise has been decimated. Congo's economy is largely undermobilized, with 90 percent of the labor force deployed in subsistence activities, and with large untapped potential in minerals, agriculture, and electricity.

The government and the large state enterprise sector operate without transparency or accountability. The government has scant understanding of private sector incentives and preoccupations, at either the policy level or in striking specific deals. Policy-making affecting the economy and the business climate remains slow and disorderly. Badly needed infrastructure investment has scarcely begun, the government is in desperate need of operating revenues, and relations with international lenders have yet to be restored. Individual and property rights remain at the mercy of an unreformed judiciary, the capricious application of complex laws and regulations, and a disorganized pursuit of the alleged beneficiaries of past corruption.

Best sales opportunities for U.S. products are used clothing; telecommunications and computer equipment and spare parts; refrigeration and air conditioning equipment; electrical generators and distribution equipment; pharmaceuticals; aircraft and related equipment; cosmetics; four-wheel drive/off-road passenger vehicles; commercial trucks; mining, construction, agricultural, and forestry equipment; and food products: rice, wheat, dried milk products, processed tomato products, canned meat and fish, and poultry. Significant commercial and investment opportunities in infrastructure and in the privatization of state enterprises may be available, but the businessman will have to take the initiative. The Congo's business language is French.

Chapter 2: Economic Trends and Outlook

The outbreak of war in August 1998 caused a major decline in economic activity that continues to the present. The country has been divided into Rwandan/Ugandan/rebel occupied areas and government-administered territories, and commerce between them has been stopped. The economic and commercial links among the various sections of the country are not strong, but they are important. Several Kinshasa-based industries, such as palm oil processing, cigarette making, and natural rubber and wood exporting depend, at least in part, on raw materials which are transported down the river from Equateur and Orientale provinces. These areas are also important food suppliers for the Kinshasa market. Similarly, the Kasais and Katanga depend on foods produced in the Kivus and Maniema, areas under rebel control.

Difficult to manage in peacetime, the government's finances have become next to impossible under wartime conditions. Customs revenues have declined considerably due to falling imports in western Congo and lack of any access to revenues in the areas current occupied by Rwanda and Uganda and their Congolese rebel allies. Declining business activity has also damaged revenues from internal taxes. In addition, the government has continued, or even increased, its tendency to purchase on credit. Unpaid government bills have accumulated to the point that some businesses could be forced to close unless relief is obtained. Finally harassment from the tax authorities has reached an unprecedented level.

After a surge in inflation during 1999, the government began enforcing price control laws, creating a Commission on Economic Crimes. It also began regulating foreign exchange markets forcing further underground the flow of foreign currencies. Taken together, these measures have severely damaged the ability of businesses dependent on imports to continue operations. The wide spread between the official exchange rate and the black market exchange rates has forced merchants to price their imported goods at the black market rate in order to replenish stocks.

With the extra expenses of the war, the government is even less able than normal to pay salaries on time. Unpaid civil servants are often forced to revert to the old corrupt ways of performing their jobs in order to secure sufficient funds to support themselves and their families. Under this pressure, corruption is creeping back into the Congo economy.

Despite the announced primacy of economic matters, policy-making affecting the economy and business climate remains slow and disorderly. Technical and administrative expertise is limited, and many trained individuals have been excluded because they held positions with government or business under the old regime. The Kabila government has maintained the Congolese practice of having numerous ministries, agencies, and presidential bureaus with vague and overlapping responsibilities. Little coordination and no clear policy leads are visible. Even routine government decisions affecting business and the economy are referred to the President or to the cabinet. Much time is spent in bureaucratic maneuvers: forging or blocking consensus among a leadership with diverse backgrounds, generations, and political outlook. The combination of fragmented policy formulation and vague lines of authority leave businessmen open to conflicting requirements from various officials and makes it unclear when a deal is truly done.

The government operates largely without transparency or accountability, with fiscal and procurement operations especially opaque. A budget for 1998 was approved only in April. This document offers so few details on either anticipated revenues or planned expenditures that it is useless as a guide to analysts or policy-makers. An unspecified portion of current government fiscal transactions are captured in central bank statistics. There is no public data on the financial operations of the presidency or of state enterprises, and little on the "parafiscal" levies collected and spent by individual state agencies. The government has resumed, albeit modestly, borrowing from the central bank. It has fallen behind on state salaries and payments to local vendors. The regulatory and fiscal environment lacks predictability. After some initial fiscal reforms, demand for cash has induced the government to impose new taxes and reactivate the haphazard collection activities of numerous revenue agencies.

Individual and property rights remain at the mercy of complex legal and administrative codes, capriciously applied by a multiplicity of state agencies accustomed to a free hand, and with no rapid or reliable channels for redress. Contract negotiations with the government, whether for routine procurement, licenses, natural resource concessions, or hoped-for infrastructure, are generally initiated by interested private sector parties, and conducted without clear procedures or published results. No significant public tenders have been offered outside the mining sector. The government has scarcely addressed these administrative and judicial issues, despite their importance and the relatively low financial cost of reform.

The Informal Economy

The institutionalized corruption of the Mobutu regime evolved a dual economy. Individuals and businesses in the "formal" sector -- both private and state-owned -- operated with high costs under extensive and unpredictably enforced laws, kept double books, and frequently colluded with corrupt officials to secure commercial advantage or simply to remain in business. In the "second" ("informal" or "parallel") economy, operators sought to evade taxes and regulation altogether.

In the 1990s, with the increasing administrative and physical pillage of the formal business sector by the Mobutu regime, the informal triumphed in what was left of the Congolese economy. The unrecorded and illicit transactions of Congo's second economy were estimated in the early 1990s to be three times the size of the official GDP; in 1999 it was reckoned that 90% of the country's economic activity was off-book. A few multinationals apart, however, the difference between "formal" and "informal" enterprises in Congo is one of degree, not of kind. Virtually all businesses conduct part of their operations in both spheres.

Agriculture and Forestry

Although mining has long generated most export earnings and government revenues, Congo's economy is largely agricultural. Despite high rates of rural-urban migration, about 70% of the population still lives in the countryside, cultivating small plots by traditional methods for local consumption. Sugar, coffee, cocoa, oil palm products, rubber, tea, and quinquina are produced on plantations as well as by small farmers. Despite rhetorical praise of farmers, agriculture has fared poorly since independence. For years the government imposed low producer prices, imported cheap foodstuffs, and neglected rural credit, transportation, and energy infrastructure. Congo's plantations suffered from nationalization and commercial policies. Less than one percent of Congo's land is under cultivation. Reforms pushed by the world bank in the late 1980s raised output modestly, but the collapse of credit, the currency, and the transport infrastructure in the 1990s checked further advances, and rolled back some of those achieved. The Kabila government claims rural development as part of its development policy and promises rural road upgrades and agricultural mechanization without much success.

Despite its enormous potential, most of Congo's agriculture is subsistence, and the country remains a net importer of agricultural products, after having been a net exporter during the colonial era. Available statistics suggest zero growth in the sector since 1993, compared with modest two percent growth in the late 1980s and early 1990s. Food crop production (principally manioc and other vegetables) remains stable, despite serious deterioration of already poor farm-to-market roads. Livestock production, centered in north Kivu, was virtually destroyed in the 1996-97 war and continued turbulence along Congo's northeastern borders. Fish production (on the interior rivers) has declined. Output of palm kernels and lumber has risen modestly, but most other commercial crops have stagnated or fallen. Coffee production has fallen due to the spread of trichomycosis, but statistics are unreliable.

More than half of the Congolese timber area is under rebel control. The timber areas under government control produce only a fraction of previous years output due to insecurity on the Congo River and the severe deterioration of the Congo's infrastructure.

Mining

Mining has long been Congo's main export earner and key to its overall economic fortunes. Southern Katanga contains some of the world's richest copper and cobalt deposits. Zinc, tin, columbium-tantalum, and several rare metals have been mined in southern and eastern Congo. Central Congo until recently was one of the world's leading producers of industrial diamonds, and gold deposits have been found in western and northeastern Congo.

Congo was originally dubbed a "geologic scandal" for possessing these mineral riches, but in recent years the phrase has come to evoke the massive failures in their development. The national copper mining company, GECAMINES, was starved for investment, production fell in the late 1980s, and collapsed after 1991. Between 1989 and 1994, copper, zinc, and coal production each fell over 90 percent. After 1997 GECAMINES embarked on a series of small joint venture projects, primarily for high-value cobalt to secure some minimal cash flow. Other investors moved into gold and diamonds, where investment was smaller, returns greater, and operations less dependent on the nation's crippled infrastructure. Nearly all mining projects were halted during the 1996-97 and the August 1998 wars. Real recovery in the sector depends on sustained political stability and large-scale investment in mines, metallurgical plants, and transport facilities. It also depends on the Kabila government addressing the lack of coherence and transparency in its mining policy. The government has been slow to renegotiate existing contracts or to implement new ones.

Congo was the world's fourth largest producer of industrial diamonds during the 1980s, gem quality diamonds are produced by artisanal surface digging, and many Angolan stones are traded in Congolese markets. Two-thirds of Congo's diamond production comes from small-scale artisanal diggers, a figure which does not account for significant undeclared and undervalued diamond exports. The government is still seeking a workable administrative and fiscal structure for the commercialization of artisanal production. Most diamonds are exported via established channels to Belgium, Israel, and India. Industrial diamond production by the public/private company MIBA have steadily declined during the late 1990s as alluvial pits were mined out and fuel and spare parts supplies were interrupted. Production is still sporadic and may revive, however, with the purchase of new equipment and exploitation of hard-rock Kimberlite pipes. Congo's parastatal gold producers are bankrupt and the main gold producing areas in eastern Congo are under rebel control. Current production is mostly by artisanal panning and not significant.

Petroleum

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 is approximately 22,000 barrels per day.

The national refinery, SOCIR, cannot process Congo's heavy crude, and in recent years it has served only as a storage facility for imported refined products. SOCIR has recently resumed limited crude oil refining activities for the processing of some imported crude oil. SOCIR estimates that it needs to process at least 600,000 metric tons of crude oil annually n order to be profitable. The market for refined petroleum products is one of the most attractive in Congo. Chevron and Mobil dominate wholesale imports, and shell, Mobil, Fina, Elf, Agip, and Cohydro lead in retail distribution. These firms also control the mixed company (SEP-Congo) that manages the country's main storage facilities and the Kinshasa-Matadi pipeline for refined products. Numerous smaller firms, however, are moving into both importing and retailing. The market for refined products is highly politicized owing to numerous tax, license and other regulations governing their import and distribution.

Electricity

Electricity output has been falling or static throughout the 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. During the 1970s, great sums were invested in the Inga hydro facility near the Atlantic coast and the Inga-Kolwezi high-voltage dc transmission line to the Copperbelt. But those installations were allowed to decline, distribution networks remained limited outside major cities, and local thermal or hydro facilities are small and aged. Most local power plants are thermal and many urban households use wood or charcoal. Inga is currently operating only 25 percent of its 2500 mw capacity, and most production and transmission facilities need repair.
Manufacturing

Until the post-1990 collapse, Congo's manufacturing base was more substantial than that of most sub-Saharan countries. Production, concentrated in Kinshasa and Lubumbashi, was mostly in textiles, auto assembly, beverages, soap, plastics, food processing, shoes, tires, batteries, and other consumer goods. Many agro-industrial enterprises were vertically integrated, processing local plantation production. Recently, local and foreign businessmen have been prospecting market possibilities, including manufacturing facilities abandoned since the early 1990s. The parastatal heavy industries created in the 1970s, notably in steel, cement, and petroleum refining, have long been in difficulty. The government is trying to revive them, but policies and financing have not been defined. Congolese governments old and new have rhetorically promoted local manufacturing, including tariff protection. But the high cost of local production, the influence of large trading houses, and corruption in the revenue services have often favored imports. Some manufacturers claim that only the collapse of Congo's transport system has enabled them to withstand import competition in local markets.

Government role in the economy

Balance of payments situation

Congo's balance of payments, in practice, are in balance. The country has no external credit, central bank reserves are effectively zero, the economy is highly dollarized, and external financial operations are conducted largely by private entities. Numbers are dubious. The statistical balance of trade has been in surplus since 1989, with exports (cif) exceeding imports (fob) by 40-50%. The central bank figures include adjustments for fraud of nearly 100% for Congo's main exports; for import figures it doesn't even attempt to calculate an adjustment. There are no public data on the services account.

On a longer-term basis the balance of payments are under pressure. The government has done little to clear the large external payments arrears built up under the old regime. The central bank (Banque Centrale du Congo - BCC) continues to experience considerable difficulties in mobilizing foreign exchange resources, and the country remains cut off from most private and official foreign financing.

The BCC estimates Congo's current outstanding external debt, including principal and interest arrears, to be USD 14 billion. Of this, an estimated USD 10 billion was owed to Paris Club creditors and USD 3 billion to multilateral institutions. Congo would likely qualify for debt relief, but has not yet made significant progress towards clearing arrears and regularizing its standing with the IFIS. Congo also has a significant domestic debt, but is still evaluating the underlying obligations and no estimate is available.

Infrastructure situation

The poor state of Congo's infrastructure is a major barrier to the country's economic growth. The government has repeatedly given verbal priority to infrastructure investment and has catalogued them in its plan triennal, but funding has not been indicated.

Transportation

Congo's population and economic centers are dispersed across a large geographical area, and needed transportation and telecommunications networks are poor to non-existent owing to years of disinvestment. Roads are virtually non-existent outside of urban areas and most internal passenger and freight traffic moves by air.

The land transportation system is a network of railways, roads, and inland rivers and lakes linked at strategic points. The transport of goods, whether domestic or external, usually requires more than one mode. The heart of the system is the 15,000 km of navigable waterways provided by the Congo river and its tributaries, complemented by railways for interregional and external transport. Most of the 145,000 km of roads were built to provide local access and to link up the river/rail arteries. During the 1980s, Congo's transport strategy focused on a 2700 km intermodal transport chain which included the railway from Lubumbashi to the Kasai river port of Ilebo, barge transport from Ilebo to Kinshasa, and rail transport from Kinshasa to the port of Matadi. Most of the traffic was copper exports.

Externally, Kinshasa and lower Congo are linked to the Atlantic port of Matadi by road and rail lines skirting the cataracts of the lower Congo River. Katanga's main external links are by rail and road south through Zambia to southern Africa, and east to Tanzania. The Benguela railway linking Katanga to the Angolan port of

Lobito has been unusable since the 1970s. The northeastern provinces are linked to east Africa by road.

Roads

Congo's network has badly deteriorated since most external aid ended in the early 1990s, and roads are virtually non-existent outside of urban areas. Supervision of construction and maintenance are the responsibility of the office des routes (for the 57,000 km of national and regional roads) and the agricultural road authority (SNDRA).

Ports and Rivers

The Congo River and its tributaries afford the country significant inexpensive transportation. Major inland ports are Kinshasa, Mbandaka, Ilebo, Lisala, and Kisangani. The parastatal transport firm ONATRA (Office National des Transports) operates many river port facilities, barges, and shipyards; but the company is hugely inefficient and there is competition in these areas from private and parastatal companies. Maintenance of inland navigation channels and enforcement of river port regulations is the responsibility of the Regie des Voies Fluviales (RVF). Congo's only significant deepwater port is Matadi, on the Congo River estuary 90 miles from the Atlantic. The channel is subject to tides and silting; the Regie des Voies Maritimes (RVM) is responsible for dredging and marking. Matadi, a port congested by geography and renowned for inefficiency, is operated by ONATRA and is among the most expensive in Africa.

Railways

The railway line between Matadi and Kinshasa is run by ONATRA, all the others by the SNCC (Société Nationale des Chemins de Fer Congolais). Due to inefficiencies in both the port and railway, the 365 km Matadi-Kinshasa line carries only a third of the traffic between the two cities despite the lamentable state of the competing road link. In addition to the eastern and southern railways, SNCC also operates connecting truck services and lake transport. SNCC has restored its working relationship with the South African railways, on which it depends for locomotives and rolling stock.

Aviation

Given the deplorable state of surface transport, much internal passenger and freight traffic moves by air despite the high cost of fuel and equipment. Major airports are located at Kinshasa, Lubumbashi, Kisangani, Goma, Mbuji-Mayi, and Gbadolite. There are over 100 smaller airfields, but special permission is required for each usage. Only Kinshasa, Lubumbashi, and Goma are equipped for night landings. The Regie des Voies Aeriennes (RVA) is responsible for airport facilities, including air traffic control. Congo's airports are in need of substantial new investment and a Canadian firm has reportedly been granted contracts to improve the Kinshasa airport. Since 1992 the FAA has found Congo's civil aviation authority not to be in compliance with international safety standards in its oversight of the operations of Congo's air carriers.

Numerous private airlines have sprung up over the past fifteen years. Most firms concentrate on cargo, but some offer regular or charter passenger service. Privately-owned Congo Airlines (CAL) is the main domestic carrier. The Kabila government as attempted to revive the failed state airline, Lignes Aeriennes Congolaises (ex-Air Zaire) but its efforts have been stymied by a lack of financing. LAC currently does not have any aircraft. Congolese airlines operate used aircraft from a variety of sources; wet-leased Russian Antonovs predominate among the smaller companies. In-country servicing is very questionable. Historically, Congo's air firms have been unable to afford sustained maintenance on their aged fleets.

Telecommunications

With an estimated 0.7 telephones for every 1,000 inhabitants, Congo has one of the most sparse telephone networks on earth. The reality is worse, since Congo's wire-based phone networks and most of its earth stations are in poor working order. The post and telecommunications parastatal, OCPT, is overmanned, ineffectual, and bankrupt. 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. The earth station network is the responsibility of RENATELSAT.

Social services

Congo's public health and education systems are defunct. Non-governmental organizations (NGOs), churches, and private initiatives have attempted to take up some of the slack, but private efforts in the sector suffer from low consumer purchasing power and periodic government efforts to impose taxes and enforce price ceilings. Urban transport and services are rudimentary, the relevant parastatal firms being non-functional. There has been little significant modern housing. The parastatal water utility, REGIDESO, has maintained production levels over the past few years, but water quality is uncertain and it has not made needed investments, much less extended its services. Rural service remains poor.

Chapter 3: Political Environment

The political environment is highly unstable due primarily to the war but also to the lack of a transparent political process. President Kabila rules by decree and has effectively blocked the National Dialogue required by the Lusaka Accords. In the meantime, he has appointed his own Constituent and Legislative Assembly. President Kabila blamed his failure to hold elections by May 1999 on the war, and has said that democratization cannot occur until the war is over.

The government is also concerned about threats from within. Government ministers are frequently arrested and released with no judicial process. The government has been highly repressive of the press, detaining dozens of journalists in the last three years.

Relations between the DRC and the U.S. have been tense since the beginning of the war but have lately shown some signs of improvement, with the intensity of anti-U.S. rhetoric diminishing somewhat.

Major political issues affecting business climate

The lack of an effective legal system is a major impediment to business operations in the Congo. Inconsistent application of complex legal and administrative codes and the lack of due process are the primary problems.

Government officials in desperate need of revenue have been known to extract dubious taxes and fees from local businesses.

Political system, elections, and political parties

President Kabila rules by decree and continues to block the National Dialogue required by the Lusaka Accords . Elections that Kabila had promised by May 1999 never materialized. Political parties are forbidden unless authorized by and registered with the government.

Chapter 4: Marketing U.S. Products and Services

The Commercial Environment

Since the 1980s, Congo's agricultural and mineral production have collapsed, as well as its manufacturing sector which processed raw materials or fabricated consumer goods for the local market. Commerce and consumer services are now the predominant areas of business activity. Businessmen continue to spend time dealing with price and currency problems, and hustling to convert local currency into foreign exchange or commodities as quickly as possible. The economy remains a cash economy, with an inadequate stock of currencies and a banking sector without liquidity.

Belgian interests dominate Congo's remaining large private sector companies and are minority owners in several important parastatal firms. But Lebanese and south Asian businessmen have a significant and growing economic influence due to family financial resources and a willingness to source imports from wherever the price and quality are best. Chinese imports continue to be on the rise and China has a key role in the Kabila government's economic hopes. Persian gulf-based imports remain important, especially in eastern Congo. Since the war, Congolese officials have visited or have hosted visiting businessmen from the world over.

Host country attitudes toward the U.S. are generally favorable. Based on anecdotal evidence, U.S. businesses are generally welcomed by their Congolese counterparts and are sometimes viewed as more honest than other foreign businesses. However, U.S. firms are not among Congo's traditional partners for most of its current imports. U.S. firms are sometimes considered more difficult to contact than European firms because of the longer distance to the United States, a local preference for doing business verbally, and the perception that one must necessarily use English in doing business with the U.S. These factors have not, however, inhibited growing imports from Asia. Most Congolese firms tend to single-source their purchases largely due to habit and inertia. Most U.S. firms withdrew from Congo amidst the foreign exchange problems and economic downturn of the late 1980s, or after the civil disorders of 1991. Where American companies entered the market, however, they were and are relatively successful, often dominating their sector.

The principal local barriers to Americans doing business in Congo include the general administrative and judicial environment, a weak financial sector, poor physical and social infrastructure, the use of French, low purchasing power, limited donor funding (especially from U.S. or non-tied sources), and the traditional western European, South Asian and Middle Eastern connections of Congo's resident foreign businessmen. The principal barrier on the American side is generally a reluctance to invest in the time and the relationships needed in local business dealings.

Distribution and Sales Channels

Congo's distribution system is both modern and traditional, but this distinction has been blurred by the impact of the prolonged economic crisis and the shift of economic activity into the informal sector. Even firms in the modern sector conduct at least part of their business through informal channels, and most consumers use both formal and informal markets. Importers and exporters often establish informal arrangements with each other to avoid banking and tax systems, and some transactions are handled privately by wealthy individuals. Smuggling and tax evasion are widespread.

The modern sector is dominated by large trading firms that engage in a variety of commercial activities: importers on their own account, suppliers of capital goods for projects in which they have an interest, buyers for other enterprises. These firms work sometimes with a variety of products, sometimes with a single line. The modern sector caters to the Congolese elite and expatriate community, and also serves as wholesaler to the small traders in the traditional sector. There is a growing number of small and medium-sized companies that work with traditional merchants or serve Congo's middle- and lower-classes. Often dynamic, but small and frequently inexperienced, these firms are generally unable to obtain credit, are often ignored by the chambers of commerce, and increasingly look for support from mutual-help associations. The traditional sector continues to flourish, especially as unemployed former wage-earners turn to agriculture and commerce to make ends meet.

Most economic activity is in the large cities. In Congo's interior, transportation is difficult and expensive, large firms have closed branch operations, and the most recent generation of small businessmen were ruined in the hyperinflation of 1992-93. Activity in rural areas is only slowly returning.

Agents and Distributors

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. 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 and reputable business partner, however, requires time and effort. The structure of the local commercial environment and the long economic crisis has encouraged both cozy long-term relationships, as well as fierce competition and efforts to make short-term, high-profit deals. Many established local companies, particularly those with extensive services, have high cost structures, resulting in high margins and vulnerability to import competition.

Agents or representatives are the most common form of commercial representation in Congo. In the formal sector, agents are used almost exclusively for distribution of a wide range of consumer goods and for some industrial raw materials. The larger trading houses often represent numerous firms and product lines. In appointing an exclusive representative in Congo, the U.S. exporter is legally entitled to certain exemptions from U.S. anti-trust laws.

Distributors are often selected from established wholesalers of industrial equipment, building supplies, and consumer goods that require maintenance of stocks. The prospective distributing company buys in its name. A credit pattern should be established to permit the offer of more flexible payment terms. A branch office or sales subsidiary may be a useful method of representation where a large continuing market exists or and where frequent contacts are required. A U.S. exporter might also consider organizing a group of firms selling complementary items to establish a joint-owned sales subsidiary.

Franchising / Licensing / Joint Ventures

Congolese law does not contain any specific provisions for franchising or licensing. The primary consideration in either type of arrangement is the formalization of a remittance procedure for any fees, royalties, purchases of advertising materials, and related expenses to the franchisor or licensor. This may be done by spelling out, in detail, the remittance requirements of the franchisor or licensor, and including these details as part of the dossier submitted for approval under the investment code.

Joint ventures have been a popular theme in recent years, and some have de facto been undertaken; but there is no specific legal provisions for such entities.

Direct Marketing

Direct marketing in Congo is difficult. Except for their few large industrial customers, most foreign sellers work with established trading houses which provide flexible financing, can purchase larger quantities, and provide follow-up service. Direct marketing of consumer products is nearly impossible due to limited communication, transport, credit, and after-sales service facilities.

Steps to establishing an office

As is the case with most "formalities" in Congo, establishing an office can be complex and time consuming. Engage a competent local lawyer and collect up-to-the-minute information from local businessmen and commercial associations on current rules and practices (they are rarely the same). Treatment of residency permits, foreign and domestic labor, and taxes is changing rapidly.

Temporary work: foreign companies wishing to conduct short-term operations in Congo need only 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. Most other laws affecting foreign companies temporarily operating in Congo are not being enforced

Congolese incorporation: under current law, a company is 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 par Actions à Responsibilité Limitée (SARL): The SARL is a joint stock company that is a corporation, usually a large private business. 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. The SARL has been the typical form of foreign-owned business in Congo. Final enactment of a SARL is technically subject to approval by the office of the president.

The other three forms of business organization are the Société Cooperative (SC), each of whose members exercises 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. These structures are infrequently used by foreign investors as they provide no tax incentives, and either expose the investor to personal liability or grant him few 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.

Selling factors / techniques

Product names and slogans can use English, but detailed information and publicity materials should be in French. Products aimed at the average Congolese consumer must take account of low purchasing power: price is far more important than quality. Try to advertise the product independently of your wholesaler, since there are many outlets for mass distribution products, especially in the informal sector. Use distinctive packaging, both to identify your product and to distinguish it from Asian and West African imitators. Don't hesitate to show the flag or highlight "made in USA" on your product -- American products are highly regarded in Congo.

Advertising / market research

Congo often demonstrates a flair for advertising which goes beyond the size of its market, but only a few firms have made use of it in the depressed economic environment of recent years. Television, radio, and newspaper advertising is high-priced, and often regarded by firms as civic support for those media. Billboards are a popular medium in the major cities, as are novelty items such as pens, caps, and pocket calendars.

Radio and television are the most important vehicles for communication. All broadcasters accept paid advertising. The radio side of the state-owned RTNC (Radio-Television Nationale Congolaise), has regional stations which offer a mix of local and taped national programming. The national midday news and some special events are carried live on most stations on the network. Broadcasts are in French and major local languages. Local fm radio stations emerged in the 1990s, sometimes run by religious organizations, sometimes by private businesses. RTNC currently broadcasts television only in Kinshasa and Lubumbashi, but plans to revive its regional outlets. Kinshasa also has five private television stations; some have developed branch operations in a few interior cities. Kinshasa and Lubumbashi also have private firms which re-broadcast international programming to subscribers with decoders. Like state radio, government television broadcasts local and canned programming, and equipment is sometimes non-functional.

Since the liberalization of the press in 1990, there has been a newspaper boom, with most papers linked to one or more of Congo’s numerous political factions. The capital, Kinshasa, has numerous daily and weekly papers, and some regional capitals have several. Because newspapers are relatively expensive and are passed on to other readers, total readership is higher than indicated by circulation figures, but still limited relative to radio audiences. Newspaper advertising is, however, more a form of patronage than a marketing tool, and is very expensive for the occasional user. The Kinshasa papers with any significant advertising are le Forum des As, le Palmarès, la Référence Plus, le Soft, le Phare, and la Tempête des Tropiques. Congo's business press is limited. Numerica and la Bourse are weekly newspapers that are devoted primarily to economic affairs, but carry little advertising. Some companies, NGOs, and chambers-of-commerce publish informative newsletters, and may be receptive to external advertising.

There are several market research organizations currently operating in Congo, and Congolese banks also may provide assistance. Local support for market research projects may also be obtained through the Federation des Entreprises du Congo (FEC).

Pricing product

Pricing in Congo is influenced by transportation costs and government regulations. The lack of roads, limited barge traffic, and the high cost of air transport add considerably to retailing costs. Prices at a particular location depend upon its transport links.

Prices are nominally under the control of the Ministry of Economy and an interministerial consultative price commission. But enforcement is inconsistent. Import price controls can be significant because nearly all manufactured goods and many food items sold in Congo are imported. The government calculates the selling price of an imported product by adding the following to the purchase price (often the manufacturer's "list price") in the country of origin: (1) transportation, (2) import duties and fees, (3) breakage, insurance, taxes, and bank fees, (4) storage (including cold storage when needed). The regulations set a schedule of permissible profit margins expressed as a percentage of the selling price, varying according to the product. Wholesalers' profits may be 10 to 20 percent of the selling price, while retailers' profits range from 15 to 25 percent.

Sales service / customer support

Independent local firms offering after-sales service and spare parts are generally unreliable or unobtainable. Provision of vital customer support is generally done via local agents and distributors.

Selling to the government

Given the share of the government and the parastatal enterprises in overall demand, the importance of large trading houses, and the tendency for large private sector firms to purchase directly from traditional external vendors, selling to the government has long been a main preoccupation of many businessmen in Congo. It still is, despite the sharp fall in the 1990s of government revenues and expenditures, and chronic difficulties in getting payment.

Since the Kabila government proclaimed its interest in rebuilding the country in collaboration with private sector partners, many foreign businessmen have looked for deals in Congo. There have been numerous paths. Government ministries and parastatals have ill-defined and overlapping responsibilities. Procurement procedures are inchoate, non-existent, or non-transparent. Key personalities play a pivotal role. Finance is questionable. Businessmen have pursued deals via the technical ministry relevant to the sector, a parastatal, other ministries or a minister of state, or one of the numerous officials in the office of the president. Patience and connections would appear to be the businessman's most valuable assets in this situation. To date, no details have been released on any significant public contract.

Protecting your product from IPR infringement

Intellectual property theoretically enjoys full legal protection in Congo, but enforcement of IPR regulations is virtually non-existent. Congo is a member of the world intellectual property organization (WIPO) and the Paris convention for the protection of industrial property (patents and trademarks). As such, foreign patent-holders are granted the same protection in Congo as those guaranteed to Congolese citizens. Patents are granted for a period of 20 years after the date of application. There is no examination for novelty and provisions for compulsory licensing or conditions of use. Patents of importation are also issued based on a foreign patent and its duration, but not exceeding 20 years. Trademark registrations are granted after filing applications; they are available for 20-year periods and are renewable for similar periods. Trademarks may be cancelled if they are not used within three years after initial application. International franchises operate comfortably in Congo within the protection granted by the state. Both Congo and the United States are members of the Bern convention for the protection of literary and artistic works which guarantees equal protection to copyright holders from other Bern convention countries. A national society of editors, composers, and authors (Soneca) oversees copyright protection due to artists under Congolese law, but it is a private organization without official powers. Industrial property issues are handled by the ministry for national economy; intellectual property by the ministry of information and culture.

Congo's collapsed economy and low industrial base minimizes the scope for pirating most intellectual property. However, the potential is there in the medium-term for the pirating of books, sound recordings, and visual media. Privately owned television stations in Kinshasa routinely broadcast U.S. films apparently without securing exhibition 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.

Need for a local attorney

The complexities and inefficiencies of Congolese law and administration insure the livelihood of the country's legal professionals and make them indispensable to the businessman. A list of English-speaking attorneys can be obtained from the consular section of the U.S. embassy.

Performing due diligence/checking bona fides

Given the high proportion of undocumented transactions in the Congolese economy, habits of secrecy, and the collapse of public administration, checking business credentials can really be done only by experienced individuals on the spot. Bankers and lawyers tend to have the best contacts as well as the experience to obtain and interpret public records.

Chapter 5: Leading Sectors: U.S. exports and investment

Reliable commercial and market data for Congo do not exist. The value of illegal or unrecorded transactions is reckoned to be at least nine times that of the "formal" economy. During 1990-95 measured GDP fell by 40 percent from an already low level. Anecdotal evidence suggests that most new economic activity, whether in the capital or distant provinces, fails to appear in official tax and customs statistics. Congo suffers from severe poverty and hunger, and purchasing power is at an all-time low.

In the absence of reliable data, an assessment of leading sectors that have the best potential for U.S. exports and investment has been based on historical trends and current anecdotal information. The following lists must be reviewed particularly in light of the overall political-economic context and the current marketing environment.

Best prospects for non-agricultural goods

1. Used clothing and shoes

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 there have been 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 firm projects thus far have been few and small.

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.

11. Road and building construction equipment
An evident need and an oft-announced government priority, but financing is still questionable.

12. Cosmetics

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

Chapter 6: Trade Regulations and Standards

Trade barriers, including tariffs, NTBS, and import taxes

As is the case in much of the Congolese business environment, most of the country's trade barriers result from complex regulations, a multiplicity of administrative agencies, and a frequent lack of professionalism and control by officials responsible for their enforcement. Congo has numerous agencies with legal authority in trade matters, required signatures are often difficult to obtain, and regulations are complex and not codified. Application of regulations varies widely across the country and with changes in the local environment. Corruption is endemic in Congo and it is common to have protracted negotiations with the numerous officials involved with commercial matters. Many local traders have their own private networks to expedite movement of goods. Congolese governments have decades of practice in announcing and drafting reform measures, but most rarely achieve sustained implementation. Due to the severe economic problems of the 1990s, and the decentralization of corruption, many regulations are either formally or informally suspended. But most probably remain on the books. The Kabila government has no regularized procedure for issuing new or revised regulations, and many changes are undertaken by specific agencies.

To facilitate the entry of goods many Congolese importers use a customs broker (transitaire), either in-house or from a specialized agency. In addition to dealing with authorities at port of entry, brokers also are well placed to prevent theft or follow up on stolen goods. Use of a broker is not mandatory, however, and many such agents also trade on their own account, posing the risk that your firm's activities will be handled by an actual or potential competitor.

U.S. traders and investors also face generalized impediments that affect all economic activity in Congo: lack of infrastructure, public services, judicial system, etc.

Customs valuation

Congo adopted the harmonized system of tariff classification in 1988. The majority of the tariffs are ad valorem and are calculated on a CIF basis. Congo's tariff rates (droit d'entrée) as set by decrees in January 1997 are:
5% heavy equipment, industrial raw materials, agricultural and veterinary inputs and kits for assembly (ckd)
15% light equipment, spare parts, items of social use, mkd assembly kits.
20% products competing with local goods in short supply
30% products competing with local goods in adequate supply, luxury goods
In June 1997, the tariff on utility vehicles was suspended for one-year and appears to have been extended, but no formal decree has been issued. The government is considering a revised tariff rates on items for social use, and to protect local industry, especially cotton textiles.

Import licenses

A DPI (déclaration préalable à l'importation) is required for all transactions in foreign exchange, including import transactions. DPIs are issued by commercial banks under the guidelines of the office Congolais de Controle (OCC). Importers of petroleum products used to require special licenses issued by the government's petroleum purchasing committee (Comité Professionel des Importeurs), composed of in-country petroleum distributors and chaired by Cohydro, the parastatal oil company. At the present time, however, only the dpi is required. Special import authorizations for certain foodstuffs are no longer required, but OCC inspects all food imports on arrival.

Export subsidies, controls, documentation

There are no export subsidies in Congo, nor any functioning government programs to assist the export sector. Indeed, to export from Congo arguably involves more administrative hurdles than importing into the country. Most of Congo's exporters continue to face the considerable red tape barriers ostensibly to provide services or guarantee quality, in fact to provide income for the administering agencies. Coffee exports, for example, are subject to over fifty administrative taxes or permits. Exports of diamonds and unworked malachite are subject to special regulations. U.S. importers of Congolese products should check for the existence of special rules governing their product.

Import documentation

The Congolese Office of Control (OCC) maintains a program with Geneva-based Societe Generale de Surveillance (SGS) for the preshipment inspection of all products to be shipped to Congo of a value greater than SDR 1,000. The exporter must provide OCC with an invoice with a detailed description of the goods and a statement agreeing to have the goods inspected. The OCC verifies the quantity, quality and pricing of the imports. Imports without an OCC pre-shipment inspection certificate, the bill of clean findings (AKA attestation of verification), will be inspected by the office Congolais de Contrôle (OCC), and charged 40% of their fob value. Imports from China-PRC reportedly face this second procedure because SGS does not operate in the PRC. Both OCC and OFIDA (customs service) require all documents to be in the French language. In addition to the SGS attestation, the documents usually required in shipments to Congo are: commercial invoice, packing lists, bills of lading/air waybill, import license, proforma invoice, U.S. shipper's export declaration, insurance certificate, and (sometimes) certificate of origin.

Temporary entry

Goods in transit are not taxed, but are subject to administrative fees, handling costs, and bank charges. Two forms of transit are possible, either "ordinary" or "direct." In both cases, a time limit is set and the posting of a bond is required. For dutiable goods, the bond is equal to 125% of the regular import duties; in the case of goods free from duty, only a nominal sum is required. Shipments in ordinary transit may be declared wholly or in part for internal consumption before the expiration of the time allowed for transit, but all of a direct shipment must leave the country.

Labeling, marking, and packing

Congo used to have special requirements for any machine, box, or objects used in the manufacture or packing of food products, but these appear to be no longer in force. There are no specific regulations on packing, but shippers should follow international norms. Goods should be securely packed to withstand excessive tropical heat, moisture, pests, rough handling, pilferage, and delays. Iata, icao, imco, and U.S. regulations should be met in the labeling, packing, and shipment of any hazardous or restricted materials.

Prohibited imports

Firearms, ammunition, water hyacinth, and pornographic materials are prohibited commercial imports.

Standards

The office Congolais de Contrôle (OCC) is responsible for standards administration, and conducts inspections of imports and in domestic commerce. Congo uses the metric system. Standard electric current is a/c., 220-240 volts, 50 cycles. Congolese television broadcasts on the both pal and Secam standards. Service manuals and other printed materials should be in French.

Free trade zones

The Congo does not currently possess any foreign trade zones or free ports.

Warehouses

Not later than 15 calendar days after arrival at port of entry, merchandise must be declared for local consumption, transit passage, or warehousing. If after 15 days the required declaration has not been made, the merchandise concerned will be considered abandoned and as having no consignee.

Special import provisions

Reexporting: goods on which duties have not been paid may be reexported without payment of duties, but any warehouse or handling charges that may have accrued must be paid. Technically, duties paid on imports may be refunded if the goods are reexported, provided identification of the goods as those originally imported is confirmed. 10% of the original duties are retained to cover administrative costs. Ofida (customs service) should be notified at the time of original entry of the goods by importers contemplating reexport of all or part of a shipment of goods. Goods reexported without modification are exempt for all export duties.

Samples and advertising matter: Congo is a member of the international convention to facilitate the importation of commercial samples and advertising matter. Samples of negligible value are admitted duty-free. Valuable samples are admitted temporarily duty-free under bond. Small quantities of printed advertising matter are admitted duty-free.

Advance rulings on classifications: customs officials are willing to render advance rulings on goods which have not yet been shipped, provided sufficient description is given. Such rulings are not binding, and customs assumes no responsibility for subsequent classifications upon the goods' arrival in Congo.

Membership in free trade agreements

Congo does not have free trade with any country. It is a member of the world trade organization (WTO), and benefits from European Union ACP preferences. Congo is a member of Comesa, which aims at promoting free trade in eastern and southern Africa, as well as the Southern Africa Development Community (SADC). Congo is also a member of Great Lakes States Economic Community (CEPGL), and the Central African States Economic Community (CEEAC), both of which have unrealized common market goals.

Chapter 7: Investment Climate

In May 1997 a rebel army backed by Uganda and Rwanda brought a new regime to power in then-Zaire, ending over 30 years of misrule by President Mobutu. The new government, headed by Laurent Desire Kabila, called itself the Government of Public Salvation and renamed the country the Democratic Republic of Congo (DRC). In August 1998 a new war began in the DRC. Rwandan and Ugandan forces and newly-formed Congolese rebel groups allied with the Rwandans and Ugandans invaded eastern DRC. Troops from Zimbabwe, Angola and Namibia supported the Kabila regime and saved its from certain collapse. In July 1999 a peace agreement was negotiated, called the Lusaka Agreement, and all parties to the war signed the agreement by August of 1999. The agreement, however, has not led to a complete cessation of hostilities. As of July 2000, deployment of UN peacekeeping forces remains on hold because the parties to the Lusaka Agreement have failed to execute a complete cease fire and have refused to provide required guarantees of security and freedom of movement for UN troops.

The current investment climate in the Democratic Republic of Congo is dismal. The economy has been in decline since a policy of rampant nationalization was instituted in the mid-1970's, and the two wars fought in the country during the last four years have caused a sharp drop in economic activity. The current government views prosecution of the war effort as its first priority and has repeated many of the economic policy errors of its predecessor. Pervasive corruption, the lack of a functioning legal mechanism for conversion and repatriation of funds, macroeconomic mismanagement which has produced 500% inflation, a grossly unrealistic fixed exchange rate, and large and growing state debt to the local private sector are among the burdens companies operate under in the DRC. The country is effectively partitioned into government and rebel controlled zones, cutting companies off from their holdings.

The future of the DRC investment climate remains uncertain. The Lusaka Agreement calls for a National Dialogue leading to new institutions. Successful implementation of the Lusaka Agreement will mean new "rules of the game" for investors. This will presumably represent a change for the better, but could disadvantage investors who conclude agreements in the late stages of the current political dispensation. If implementation of the Lusaka Agreement is not successful, the investment climate is likely to deteriorate even further in the short term. The long term outlook in the absence of implementation is unpredictable.

This report describes the investment climate in areas of the country under government control. Investors in other parts of the country are operating completely outside the authority of the recognized government of the nation, and can expect no recourse in the event of difficulties.

Openness to Foreign Investment

The government holds conflicting attitudes toward foreign investment. On the one hand, the government is aware that it desperately needs foreign investors to create jobs and to boost production, exports and government revenues. To attract foreign capital, it set up a new office at the Presidency to facilitate investment by helping investors overcome bureaucratic hurdles. On the other hand, many high officials exhibit xenophobic tendencies and vestigial Marxist distrust of international firms. Companies owned by expatriates (including fuel distributors, importers and banks) have been publicly accused of economic sabotage and blamed for inflation and fuel shortages.

Congolese laws governing investment, with only a few exceptions, do not differentiate between foreign and domestic enterprises. The investment code makes no such distinctions. Foreign-owned companies are subject to the same taxes and labor laws as existing firms. In 1999, however, the current government announced that it was reviving long-dormant regulations that reserved petty commerce to Congolese nationals and required all foreign companies to post a $500,000 bond. While the government appears to have backed away from at least the latter requirement, this episode served as a reminder that a number of arbitrary, anti-foreign business measures adopted during the long reign of the previous regime remain on the books, and could be imposed at any time.

There are no formal limits on foreign ownership or screening mechanisms for foreign investment. However, in some of the sectors currently most attractive to foreign investors, such as mineral extraction and telecommunications, investors must compete for exclusive rights to finite resources, such as mineral deposits or bandwith. The process by which permits are granted in such cases is not transparent and represents an arbitrary screening process.

There is no formal discrimination against foreign investors. All investors in Congo suffer from multiple audits by various government enforcement agencies seeking evidence of violation of tax laws or price controls. Foreigners and Congolese alike suffer the consequences of nonfunctional judicial institutions.

Conversion and Transfer Policies

The Congo has a grossly overvalued official exchange rate, with essentially no hard currency available at the official rate. Investors seeking to convert local currency earnings are forced to operate on the black market or engage in complicated arrangements which amount to the same thing. While loopholes in regulations exist, such operations are at best legally questionable, and leave companies open to extortion by enforcement agencies.

Until January of 1999, dollars and Congolese francs circulated side-by-side in the DRC. In January, the Government decreed that all transactions must be conducted in Congolese francs (FC). This created difficulties since the official exchange rate, then 2.45 FC per dollar, was not a market clearing rate, and the Government had no reserves with which to support the national currency; the black market rate at the time was 3.2 FC per dollar. Until September 1999, black market currency exchange transactions operated relatively openly and the Congolese franc depreciated rapidly on the black market, reaching almost 16 FC per dollar in mid September. The official exchange rate was adjusted twice during the year, but remained only 4.5 FC per dollar in mid September.

In September 1999, reacting to a sharp drop in the parallel exchange rate and concerned about inflation, the Government of the DRC shut down non-bank money-changing operations and announced that it was now illegal to possess foreign currency. It tightened import and export licensing regulations as well as regulations governing hard currency bank accounts. Since the fundamental problem (a shortage of foreign currency) remained, these measures were ineffective at combating depreciation and inflation, but accelerated the rate of economic decline. Since September 1999, a series of decisions have relaxed foreign exchange regulations. The government has also carried out two devaluations of the official rate. The relaxation of regulations has created some room for businesses to operate, but attempting to operate (more or less) within the law forces companies to engage in complicated and time-consuming practices. The gap between official and black market rates remains large, with the official rate standing at 23.5 FC per dollar in July 2000 while the black market rate stands at 60 FC.

The difficulties caused by foreign exchange regulations are compounded by price controls. Companies producing for the local market are periodically audited and forced to justify their prices. Since the imported content of their production was obtained at a black market exchange rate, auditors invariably come up with evidence of violations, which allow them to impose undocumented fines.

Expropriation and Compensation

During the 1970's, the Mobutu regime either nationalized Zaire's foreign-owned businesses or required that ownership be turned over to Zairians. Many foreign investors, however, maintained a significant role while taking in Zairian partners. Formal expropriation was not a significant factor during the last twenty years of Mobutu's rule.

Several American investors pursued expropriation claims under the U.S.-Zaire Bilateral Investment Treaty following looting during civil disorder inspired by military mutinies in 1991 and 1993. (See dispute settlement section below.)

Since Kabila came to power, some investors have lost their property through three different processes. The government created an "Office of Ill-Gotten Goods" which has seized privately held properties on the grounds that they were illegally obtained under the Mobutu regime, or in payment for allegedly unpaid taxes. One American investor's building was seized by this office, but later restored after Embassy intervention. In early 1999, several diamond mining companies, including two owned by Americans, had their concessions seized by the government and operated by government officials and soldiers. One of the mines was returned to its American owner after he negotiated a contract that provided the government with partial ownership. A third factor that has robbed investors of control over their property is the current war. Investors based in government-controlled territory have no communication with their properties on the other side of the country.

There is no evidence that American investors are discriminated against with regard to expropriation. Creeping expropriation has not been an issue in the DRC, although the generally harsh business climate has led many investors to abandon their activities in the DRC. The only sector that appears to be particularly at risk for expropriation is diamond mining.

Dispute Settlement

The U.S. Zaire Bilateral Investment Treaty (BIT) provides for ICSID conciliation or binding arbitration in the case of investment disputes. A number of U.S. firms pursued BIT expropriation claims against the government of Zaire for damages resulting from civil disturbance by military mutinies in 1991 and 1993. The only investor who successfully collected the compensation awarded by ICSID received the funds only after using the U.S. court system to claim revenues from the sale of petroleum produced in the DRC by an American company.

On paper, Congo's legal structures are satisfactory and even attractive to business. In recent years they were often inoperative in practice. Real authority under the Kabila government is arguably as diffuse as it was during the 1990-97 Transition period. The numerous competing networks based on personalities, public office, or control of security forces are not as well-organized or as powerful as they were before. But there is no transparent and responsible hierarchy for public order, courts are marked by a high degree of corruption, public administration is not yet reliable, and both expatriates and nationals are subject to selective application of a complex legal code. Official channels still often provide no clear-cut recourse in the event of property seizures, whose legal or moral standing can rarely be determined. Seizures have been made via the security services, often supported by questionable decisions by the courts. Foreign enterprises arguably have slightly more security owing to the presence and intervention of their diplomatic missions. Many Congolese business contracts provide for external arbitration, but this is an expensive and time-consuming option, of little value in routine business problems.

Performance Requirements/Incentives

Drafted with World Bank advice, Congo's 1986 Investment Code offers a range of tax breaks and duty exemptions 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. The Code does not differentiate between foreign and domestic enterprises. It offers three categories for investments, each of which requires approval by numerous host government agencies, and several offer ample scope for negotiated terms. No investor is required to use the Code framework, but one rarely hears of a legitimate investor who has not. The hyper-inflation of the early 1990s rendered meaningless the financial magnitudes cited in the various investment categories; new threshold levels were applied in 1996.

Officials of the current government state that the Code is being revised. The revision reportedly will offer some additional benefit categories, tighten hitherto lax enforcement of performance criteria, and will update the financial values that must be met to qualify for various categories of tax breaks and duty exemptions. It is not known whether the Code's terms and application process will be more predictable than in the past, when its red tape often had little to do with substantive screening, and when the penalties for non-compliance with agreed terms were rarely enforced. But no text has yet appeared and no release date announced.

Under the 1986 Code, the "General System" category 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 exemption from the ad valorem duties and fixed taxes otherwise levied on the capital of newly-created companies, the export duties on export-oriented investments, and the 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). Such investments are also exempted 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, the income taxes on jobs created, and the tax on real property.

The "Contractual System" (Système 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.

At different times a variety of "Special Regimes" have provided 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 have been minimal, though these may be tightened. Heretofore, projects had to begin within one year of the date stated in the authorization, and any changes in the agreed program had to be approved by the Government. Importation of locally-available inputs was discouraged, but there were no specific local content requirements. Expatriate employment has always been discouraged, and the Ministry of Labor has threatened to enforce long-dormant regulations governing the issuance of residence and work permits to foreigners. The BIT assures U.S.-owned firms the right to fill key management positions with personnel of their choice, but they must pay the special tax on expatriate salaries.

Right to Private Ownership and Establishment

In general, public enterprises suffer the same difficulties as private firms in negotiating the bureaucracy of the Congo. In addition, they have great difficulty retaining revenues necessary to maintain infrastructure and equipment.

One exception is the petroleum sector, where the government parastatal enjoys exclusive access to foreign exchange at the official exchange rate, giving it an effective monopoly on fuel importation. Since the amount of foreign exchange available falls short of that required to supply Kinshasa, other fuel distribution companies are more relieved than otherwise to give up responsibility for importation.

Protection of Property Rights

Congo's complex and dysfunctional legal environment is one of the major obstacles to its business and economic development. The system is basically non-discriminatory, both in its legal texts and in its day-to-day operations. However, the application is frequently arbitrary. Politics, money, and personal connections are what counts in administrative and judicial processes.

The protection of intellectual property suffers from both the dysfunctional judiciary and the low priority accorded to it by the government. The DRC is not in compliance with international agreements regarding intellectual property rights.

Transparency of the Regulatory System

Congo has never been able to provide a well-defined, stable, and transparent legal or regulatory framework for the orderly conduct of business and protection of investment. The country's laws and regulations have never been codified, but are instead a compost whose elements reflect the proscriptive bent of Continental European law, the authoritarianism of the Belgian colonial state, and the arbitrary and often contradictory diktats of the Mobutist administrative tradition. Combined with the micro-interventionism of the overmanned and underpaid Congolese administration, this has long been a major impediment to both foreign and domestic investment. The situation was aggravated during the prolonged economic and political crisis since 1990, as both public administration and businessmen became accustomed to private deals to secure selective enforcement of regulations.

Bureaucratic procedures are neither transparent nor efficiently executed. Existing tax, labor, and safety regulations are not onerous in themselves, but impose major burdens because they can be capriciously applied and there are no rapid and impartial adjudication mechanisms for relief. The Kabila regime initially gave signs of significant reform, but even before the beginning of the current war old habits were re-emerging. Congo has no effective laws to foster competition. The formal economy has been dominated by a small number of large firms, who work to secure competitive advantage by evading government regulation while working to have it applied to rivals.

Capital Markets & Portfolio Investment

Organized capital markets and most credit instruments typically found on financial markets are virtually non-existent in Congo. Years of very high inflation have precluded their development and use. The domestic banking system provides very little credit, but does not discriminate against foreign investors. Most foreign business ventures in Congo are financed privately given the country's high-risk environment and severely distorted financial markets.

In January 2000, total lending by the commercial banking system in Congo amounted to less than $15 million, evaluated at the black market exchange rate. With the exception of local banks controlled by large international banks, the banking sector is considered unsound.

Political Violence

Congo has suffered periodic bouts of widespread looting, including in 1991, 1993, and 1996-97. There has been no repetition of this cycle under the current government, but there is widespread fear of a new episode because many current conditions appear similar to those which sparked previous outbursts.

The frontlines of the war have moved relatively little since the Lusaka Agreement was reached, but the current stalemate is unlikely to last forever in the absence of effective implementation of the terms of Lusaka.

Corruption

Zaire became synonymous with corruption under the Mobutu regime, which literally approved of it, made it an integral part of administration and government, and saw it adopted by many as a way of life. The conduct of business was thus difficult, especially for companies operating under the Foreign Corrupt Practices Act. The Kabila government initially took some steps to improve administration and reduce corruption. But members of the business community complain that in recent months corruption has been as omnipresent as under Mobutu.

Bilateral Investment Treaties

The United States and Congo (then Zaire) negotiated a Bilateral Investment Treaty (BIT) which came into force on 28 July 1989. This Treaty guarantees reciprocal rights and privileges to each country's investors. The U.S.-Zaire Bilateral Investment Treaty (BIT) provides for binding third-party arbitration in the event of an investment expropriation dispute. A number of U.S. firms pursued (or contemplated pursuing) BIT claims against the Government of Zaire for damages incurred during civil disorders inspired by military mutinies in 1991 and 1993. To date only one case has been decided, and the plaintiff collected its award in 1999.

OPIC and other Investment Insurance Programs

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. However, MIGA has not resumed coverage for Congo. The U.S. Overseas Private Investment Corporation (OPIC), which offered American investors similar insurance protection in the past, has approved no new coverage since 1991, but is looking closely at new applications. OPIC is also accepting applications for investment project finance.

Labor

Congo's large urban population provides a ready pool of available labor, including a significant number of high school and university graduates, some from American universities. Employers cannot, however, take diplomas at face value. Skilled industrial labor is in short supply and must often be trained by individual companies.

The government on a regional basis sets minimum wages 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. Mandated medical benefits are a major cost for most firms. 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.

Owing to the economic crisis and administrative corruption, many labor regulations have been only sporadically enforced in recent years.

Foreign Trade Zones/Free Ports

The Congo does not currently possess any foreign trade zones or free ports.

FDI Statistics

There is virtually no reliable statistical data on aggregate FDI in Congo. During the past year only American Petroleum firm Chevron has pledged to invest more than $50 million in the Congo, mainly in off-shore drilling equipment. Due to the poor economic conditions and on-going civil war, most U.S. and international firms have not initiated large-scale investment programs in the Congo.

Chapter 8: Trade and Project Financing

Banking system and monetary policy

Congo's banking system is comprised of the central bank (Banque Central du Congo), ten commercial banks, and a development bank. In addition, there are five other financial intermediaries, a postal checking system and 19 credit cooperatives.

Most of these institutions, however, are non-functional. Citibank-Congo, a wholly owned subsidiary of Citicorp, is the only U.S. bank in Congo.

Most of Congo's banks are technically insolvent and the sector plays only a minor role in financial intermediation. During the 1990s the scope and functions of the banking system were severely reduced due to hyperinflation, the fall in economic activity, the collapse of state-owned financial institutions, and the reckless use of the central bank to finance deficit public spending. The collapse of the formal economy and the increased use of informal markets further reduced the demand for traditional banking services. Savings were discouraged and the deposit base undermined by high negative real interest rates. Clearing house privileges have not been reinstated for several insolvent banks. The central bank will be examining restructuring plans from ten commercial banks (only half of which are reckoned to be salvageable), but concrete results are at least a year away and most of the dud banks are state-owned.

There is a severe lack of liquidity in Congo's exclusively-cash economy. It is reckoned that the amount of bank deposits is six times that of the domestic and foreign currency in circulation. Loan portfolios are at best substandard and activity is largely limited to consumer transactions and short-term trade finance. Prudential supervision of banks is minimal, and the legal framework, particularly regarding debt recovery and collateral, is generally unreliable due to the inadequacies of the courts. Banking services are expensive. The only financial market that works in Congo is the market for foreign exchange. Although hard-currency denominated accounts are available at commercial banks, most businesses avoid these accounts due to their high maintenance cost. Most business ventures in Congo are privately financed.

Foreign exchange controls

The central bank 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 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.

Importers, for currency purposes, are only required to make an import declaration at their commercial bank. The central bank authorizes imports financed from sources other than the local foreign exchange market (e.g., offshore commercial banks and financial markets), and maintains a relatively liberal system of payments for invisible trade which are made through commercial banks. However, there are some limited restrictions on outward remittances of salaries for services performed by nonresidents.

In recent years, the private sector has developed methods of operating without access to foreign currency accounts in Congo. Some businesses operate exclusively on a cash basis, and many firms and governmental entities maintain foreign currency accounts offshore. Transfers, both international and between Congo's various regions, are often done by direct agreement between two businesses. For example, importers who sell beverages in the interior might provide local currency to exporters who purchase coffee in the same regions. In exchange, the coffee exporter would transfer hard currency to the importer using the international banking system outside of Congo. Local banks often serve as matchmakers to locate businesses which want to participate in such exchange agreements.

During the early 1990s, hyper-inflation and associated exchange rate depreciation quickly eroded the buying power of local currency. A floating parallel rate was the reference rate for most commercial transactions, and businesses converted local currency into foreign exchange or commodities on a daily basis.

General trade financing availability and terms of payment

Because local sources of commercial credit are extremely limited, suppliers are more likely to be chosen for their credit terms than the price of their product. However, only a handful of Congolese firms are usually considered good credit risks, and most traders operate on the basis of irrevocable letters of credit. Due to rapid depreciation of the local currency in recent years, most large domestic commercial transactions are carried out in dollars.

Export finance and insurance for U.S. exporters

As indicated above, local trade financing is available, but it is uncompetitive with most non-Congolese sources. Like many African countries, Congo is off-cover for routine official and private sector transactions with the U.S. export-import bank unless guaranteed by a suitable guarantor. Congo's traditional guarantor, the AFDB, is not yet offering such guarantees. Special categories of transactions may, however, be eligible for Eximbank support, notably limited recourse project finance, and asset-backed aircraft lease transactions.

Project financing available

No significant project financing is currently available from bilateral or multilateral. Congo's commercial banking system has not recently engaged in project financing but does provide a limited amount of trade financing. Most foreign business ventures in Congo are financed privately, because the country's high-risk atmosphere generally preclude other sources of financing. Insurance, when available, is extremely expensive, sometimes at war-risk premium levels. OPIC has not insured or funded any Congolese projects in recent years.

Banks with U.S. correspondents

Most commercial banks in Congo maintain correspondent arrangements with banks operating in the United States.

Chapter 9: Business Travel

A State Department travel warning for the Congo has been in effect since August 1998. Travelers entering the Congo with visas and/or entry /exit stamps from Rwanda, Uganda or Burundi may experience increased scrutiny or difficulty at the point of entry. Some travelers with these visas and /or entry/exit stamps have been detained for questioning. This warning advises U.S. citizens to defer travel to the Congo. U.S. citizens contemplating travel to the Congo despite the warning should contact the department of state before finalizing travel plans.

Military roadblocks are common in Kinshasa and other parts of the Congo. The soldiers manning these roadblocks have for the most part conducted themselves correctly. Recently, however, discipline has declined and evening travel in Kinshasa has become more risky. A curfew is in effect from midnight to 6 am. An increase in anti-U.S. propaganda also raises concerns for the security of investors and their employees.

Arbitrary arrests of employees of multinational businesses in Congo are becoming increasingly common. Both Congolese and American employees and investors have been arrested and held without charges for varying periods of time. Typically, such incidents end with the release of the person arrested without charges. Beatings of those in custody are not unknown. Incidents of vehicle theft by the military have also recently increased.

Business Customs

Protocol : there are no special protocol considerations in dealing with non-Muslims. Congolese are generally open and accommodating in both personal and business dealings. Most are less formal than francophone Europeans or west Africans, although on first meetings it is better to err on the side of formality. Commonsense courtesy and European traditions of social etiquette apply. Hands are shaken with men and women on first meeting and on leave-taking. Do not use the first name until invited to do so. Since the end of the second republic in 1990, "monsieur," "madame," and "mademoiselle" are the usual forms of address.

Time: it is the rare business trip to Congo that goes like clockwork, most involve more time, more people, and more meetings than in the U.S. In scheduling appointments, allow extra time and resources to get them set up, and for delays in their starting and completion times. Private sector meetings tend to be on-time. Anticipate longer delays in government meetings the higher up one goes. Lunches generally run two hours, dinners begin at eight or nine, nightclubs operate from midnight to dawn. Reconfirm appointments ahead of time.

Attire: for business meetings with private sector or government officials, appropriate attire for men is a suit or coat and tie; women should choose business attire (not to include trousers). Such attire is also recommended for most dinner engagements, unless a more casual ambiance is explicitly indicated. Bring casual wear for club or sporting functions, and a folding umbrella during the rainy season. Given the heat and humidity, natural fibers provide the most comfort. Laundry and dry cleaning is available at major hotels.

Travel conditions and documents

Since the beginning of the war, travel to the eastern and northern Congo has been nearly impossible. The eastern provinces along the Great Lakes are particularly unstable. Before departure, travelers should review the latest consular information sheet on Congo (available from the department of state, Bureau of Consular Affairs, 2201 C street, NW, Washington, DC 20520, tel: 202-647-3225, fax: 202-647-3000, web: http://www.state.gov). Visitors are encouraged to register after arrival with the consular section of the U.S. embassy (by phone if outside Kinshasa) to expedite assistance in the event of passport loss or detention by officials. Congo’s airports, once notorious for confusion and official hassles, have shown marked improvement under the Kabila government. Travelers should still, however, arrange to be met at the airport with secure ground transportation and to assist if needed with entry formalities.

Visas: a valid passport, visa, and vaccination certificate showing current yellow fever and cholera immunizations are required for entry into Congo. American citizens should not travel to Congo without a valid visa, and should apply for one well in advance of any planned trip to allow for unanticipated delays. Visas are not available at the airport. Travelers should not count on Congolese visas being available in neighboring African countries. Current information on Congolese visa requirements is available from their Washington and New York missions. Visitors planning extended stays must apply for a visa d'établissement after arrival in Congo. These have been difficult to obtain for business purposes if original entry was made on a tourist visa, but many Congolese embassies will not issue business entry visas.

Travel documents will be closely scrutinized by Congolese officials on crossing the border and while travelling within the country. All airline passengers have their passports and travel documents examined and stamped, even for domestic flights. In the past, inquiries were primarily aimed at securing bribes. Under the Kabila regime this motive is much less evident (though officials are still ill-paid), but security is a major preoccupation. Do not attempt to bully or bluster your way past officials. Make photocopies of all travel documents; after arrival, make your business rounds with the copies insofar as possible and leave the originals in a secure place. At road checkpoints, display documents through closed windows.

Other papers: many areas in Congo's interior (notably in Orientale and the Kasai provinces) are officially demarcated as mining regions, travel to which requires a mining permit regardless of the visitor's purpose. The mining permit, also known as a "Sauf conduit," is issued by the interior ministry and can be time-consuming to obtain. Photography of public buildings, airports, harbors, military installations, and border areas is forbidden, and often frowned upon in other places. Offenders risk confiscation of equipment, arrest, and fines. Photo permits can be secured from the ministry of environment and tourism. Penalties for possession, use, and trafficking in illegal drugs are strictly enforced.

Dealing with officialdom: security and civilian officials are still ubiquitous in Congo. They are infrequently and poorly paid, and most of them legally wield significant power to harass and complicate the lives of residents and visitors. Under the Kabila government, recognizable uniforms are becoming more prevalent, and behavior is generally improved as compared with the past. But security forces are usually armed, ready to use weapons, and have little experience working in a civilian environment. Security forces have been particularly zealous in clearing travel routes taken by top government officials. Travelers should not be belligerent in their dealings with Congolese officials, and request that the U.S. embassy be contacted if taken into custody.

Crime: Congo's reputation for street crime is often exaggerated, and business travelers attending daytime meetings in downtown areas and staying at major hotels are unlikely to encounter major problems. But travelers should exercise prudence at all times. Vehicle thefts, armed carjackings, robbery, and burglaries occur, particularly in outlying areas and after dark. When driving in urban areas, keep windows rolled up and doors locked. Private citizens are occasionally known to borrow uniforms to engage in criminal activity. At roadblocks or checkpoints, display documents through closed windows. The loss or theft of a passport should be reported at once to the embassy.

Climate: except in the eastern highlands, Congo is hot and humid most of the year, with highs in the 90s (f). Temperatures are somewhat cooler during the cloud-covered dry seasons (May-August, and February). The rest of the year has heavy daily downpours, but usually of short duration. In the plateau areas of eastern Congo, temperatures rarely exceed 80, but can fall into the high 40s at night.

Business hours / holidays

Business hours for most firms and government offices are from 8 a.m. to 5 p.m., Monday through Friday, with a two-hour break taken sometime between noon and 3 p.m. It is not unusual, however, for offices to close early in the afternoons. Saturday mornings, many offices in the private sector are open; government officials are often at work but sometimes do not take visitors. Banks are closed Saturdays and most afternoons to commercial transactions. The U.S. embassy is open from 7:30 a.m. to 4:30 p.m., Monday through Friday; the consular section is closed to the public from 12:30 to 2:00 p.m.

Currently recognized holidays are January 1 (New Year's day), January 4 (day of the martyrs for independence), May 1 (Labor Day), May 17 (liberation of Kinshasa), June 30 (Independence Day), and December 25 (Christmas).

Business infrastructure

Since the early 1990s, Congo's business infrastructure has become an unpredictable and fast-changing blend, with some of the latest technologies and services coexisting with frustrating gaps in basic tools and skills. The basic situation is outlined below. American business travelers planning a trip to Congo are encouraged to contact the commercial section of the embassy for current information on the availability of the services needed for your particular trip.

Expediters (protocole): local knowledge and contacts are indispensable to doing business in Congo. Numerous individuals, often trained professionals without regular employment, offer a range of services from the complex to what in other places would be mundane, including translating and interpreting, securing appointments with key officials, following-up with local businesses, and arranging accommodation and transportation.

Hotels: accommodation in Congo is generally either expensive luxury hotels or low-rent dives. Good mid-priced accommodation is difficult to find, and often lacking in reliable communication, food service, and transportation facilities. Contact the U.S. embassy commercial section for current information on accommodations.

Communications and business services: most business visitors find having access to a cellular or satellite phone indispensable. Major hotels have business centers. Contact the U.S. embassy commercial section for current information on courier services, phone rentals, car hire, computer, and other business services.

Health: potential health hazards are widespread in tropical Africa and greatly impact the local population. But most business travelers will have few difficulties if they secure proper immunizations and stick to some basic rules. Among the risks one cannot avoid, involvement in a car accident is probably the most dangerous given poor road conditions, bad driving habits, and non-existent emergency services. Guidebooks for Africa generally have good information and there are several health manuals for international travelers. Specific information is available from the international travelers' hotline, Center for Disease Control, Atlanta (tel: 404-332-4559. Web: http://www.cdc.gov). Medical facilities are extremely limited, and medicine is in short supply. Full and immediate cash payment is expected for health services. Not all American medical insurance is valid outside the U.S.; supplemental insurance with overseas coverage may be of use.

Getting to Congo: since the outbreak of the war, most airlines have decreased the number of flights into Kinshasa. Currently, Kinshasa has limited airline connections with Brussels, Johannesburg, Zurich, Nairobi, and Yaounde. The airport in Brazzaville has reopened and receives regular international flights. Ferry service to the Central African Republic is not reliable. Flight reservations should be reconfirmed no less than 72 hours before departure. Some airlines will not replace tickets that are lost or stolen in Congo without prolonged investigation.

Airports: conditions at Kinshasa's airport have deteriorated significantly in the past twelve months. Travelers should still, however, arrange to be met at the airport with secure ground transportation and to assist if needed with entry formalities. Unaided travelers should select and keep close tabs on their baggage handler. Lost luggage, when recovered, must be personally cleared through customs by the owner. Large hotels usually provide shuttle service. The fare for a private taxi from N'djili airport to downtown Kinshasa should not exceed $40; the trip is not recommended and should not be made after dark.

In-country travel: travel within Congo is not currently recommended with the war. Public ground transportation facilities are generally crowded, unreliable, unsafe or non-existent. They can be an interesting cultural experience, especially for French speakers, but are not recommended. Many taxis are unlicensed and therefore not easily identifiable. Rates vary and the fare should be established before engaging the vehicle. Because taxis carry several passengers, if a traveler wishes to have a vehicle to himself and avoid possible detours, establish this at the outset. There are car-rental firms in Kinshasa and drivers also can be engaged. Given the deterioration of internal transportation routes, rural travel is difficult, even with a four-wheel drive vehicle. Rail service between Kinshasa and the Atlantic port of Matadi is acceptable. Passenger service is slow and irregular on the eastern railways and on Congo's inland waterways. Intercity travel is usually by domestic scheduled or charter airlines. Since 1992, however, the FAA has found Congo's civil aviation authority not to be in compliance with international safety standards in its oversight of the operations of Congo's air carriers.

Money: with a mostly-cash economy and high local bank fees, money can be a headache for the business traveler. There are currency laws in effect, which require that transactions be made in Congolese francs although major hotels and airline companies are permitted to accept dollars. U.S. citizens and other persons travelling to or from DRC maybe required to declare foreign currency in their possession. Regulations, which make the possession of foreign currency illegal, have been somewhat relaxed, but travelers should exercise caution and avoid displaying dollars or other foreign currency. American express, visa, master card, and Diner's club are accepted in payment of bills at Kinshasa's two major hotels. No other businesses in the Congo accept credit cards. Travelers checks are accepted only if accompanied with a letter from a bank confirming the issuance of the travelers checks to the individual cashing the travelers checks. However, the use of travelers checks is generally not advised because banks charge substantial fees for cashing them; travelers checks are rarely accepted at all outside of Kinshasa.

All currency exchanges must be done at licensed commercial banks. Transactions by unlicensed dealers are illegal and the customer risks losing his cash to sharp practice, robbery by third parties, and zealous officials (sometimes in collusion with the dealer). There are currently no currency exchange services at Congolese airports.

Languages : French is the business language. Four regional languages have official status: Kikongo (Bas-Congo), Kiswahili (Katanga, Kivu, Orientale), Lingala (Congo River valley), and Tshiluba (Kasais). Many expatriate and some Congolese businessmen have some knowledge of English, but one shouldn’t count on it.

Electricity: 220 volts, 50 cycles. French-style plugs (two round pins). Beware of frequent power surges and occasional blackouts. A flashlight and battery-powered appliances are useful.

Communications with and within Congo

Congo’s communications epitomize the country’s unpredictable blend of 21st century technology and glaring insufficiencies. Advanced telecommunications and modern courier services are often available, but the wired telephone system and the state postal service are unreliable. Congo has several cellular phone services and numerous private radio-telephone networks in addition to its wired system; but the cellular networks are not fully linked, and suffer from overload and occasional service interruptions. International links are easier and more efficient than domestic networks. Cellular telephone and fax links are used by most businesspersons. Courier services (DHL, etc.) are reliable for the major cities. Many large firms have their own radio-telephone systems, including satellite uplinks. Satellite phones and email are growing in popularity.

Phone codes: when dialing from outside Congo, the country code is 243, followed by an "area code" for the region or the cellular system, followed by a four to six digit local number. Some fax numbers use country codes for exchanges outside Congo. For current information on in-country phone use, contact the commercial section after arrival.

Economic and trade statistics

Congo - country data

Population - 46 million (1998 UNDP estimate)
Population growth - 3.2 percent
Religion - catholic, protestant, and kimbanguist
Languages - French (business), Swahili, Lingala, Luba and Kikongo
Work week - Monday (9:00am to 5:00pm) through Saturday (9:00am to 12:00pm)

Domestic economy

Congo - Domestic Economy, 1993-97

	1993	1994	1995	1996	1997	1998	1999
GDP (000,000)	5,940	5,870	6,077	6,180	6,001	6,543	5,788
GDP growth (%)	-13.5	-3.9	0.7	-1.1	-5.4	-3.7	-14.7
GDP per capita	NA	NA	NA	NA	NA	NA	NA
Gov't spending (% of GDP)	17.4	18.8	17.9	NA	NA	NA	NA
Inflation (%)	8828	6030	382	741	6	155	333
Unemployment	NA	NA	NA	NA	NA	NA	NA
Foreign exchange reserves	148	NA	NA	NA	NA	NA	NA
Avg exchange rate (per US$)	NA	NA	NA	NA	NA	125,000	4.5
Debt service ratio	0.9	1.5	NA	NA	NA	NA	NA

Congo - International trade

	1993	1994	1995	1996	1997	1998	1999
Total exports	1070	1325	1546	NA	NA	NA	NA
exports to U.S.	238	188	262	NA	NA	NA	NA
Total imports	814	824	936	NA	NA	NA	NA
imports from U.S.	35	40	77	NA	NA	NA	NA

(Note: All figures are in million U.S. dollars except where noted.)
Sources: Banque Nationale du Congo

Trade

There is virtually no reliable statistical data on aggregate foreign direct investment in Congo. Official investment figures for the private and parastatal sector are limited to sectoral breakouts for investments granted the fiscal advantages under the investment code. But application for code benefits is optional, rarely captures activity in the informal sector, is open to foreign and domestic companies alike, and indicates anticipated -- not actual -- investment.

The largest U.S. investor in Congo is Chevron International, with its Congo Chevron oil subsidiary. Other U.S. investors include Telecel, Citibank, Mobil, and the family-run Groupe Agro-Pastorale (GAP). The largest non-U.S., non-Congolese firms include Groupe Damseaux/Orgaman (private conglomerate), Bralima (brewery), Bracongo (brewery), Tabacongo/BATCongo (cigarette manufacturing), Marsavco/Unilever (palm oil refining), Chanimetal (metalworking and equipment representation), UtexAfrica (textiles), Beltexco (general commerce), and Roffe-Congo (general commerce).

Chapter 11: U.S. Embassy Contact Information

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