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National AGOA Strategy Report For Congo Brazzaville

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FRAMEWORK FOR AGOA NATIONAL STRATEGY DEVELOPMENT

Introduction

During the mission to Congo Brazzaville it was apparent the impact of civil war on the economies of DRC and RC was devastating, paralyzing commercial activity in major sectors with the notable exception of petroleum. After peace accords were signed last year concerted efforts have been made by the international development community and stakeholders to rebuild socio-economic stability in both countries. Once confidence in the peace process is restored it is expected badly needed foreign aid and investment flows will increase.

The purpose of this report is to focus on National AGOA Strategy development for Brazzaville. Yet, it will be interesting to note how potential increases in trade ties between the two countries will impact business expansion within the sub-region.

Very recently, an MOU of “Friendship” was signed between DRC and the RC. During my visit to Pointe Noire – the commercial center of RC – I was taken on a tour of the famous “Cataracte” (confluence of River Congo where RC and DRC nearly meet but rough rapids make it impossible to cross). The Ministry informed me that former plans to construct a bridge across this river have finally been reinstated. This is good news.

Recent Political Events and Economic Transformation

In this section of the report a brief synopsis of recent events is provided in order to place export strategy planning in perspective. This information is based on various reports and numerous interviews conducted during the field mission.

Shortly after Denis Sassou-Nguesso assumed power in October 1997 resumption of armed conflict halted all progress toward judicial and economic reform.

In March 2002, Sassou-Nguesso was elected to a seven-year term as president of the Republic of Congo. At that time he reaffirmed his commitment to economic liberalization, regulatory reform, good governance, and renewed cooperation with international financial institutions.

In the two rounds of elections held in May and June 2002, the parties that supported President Sassou-Nguesso, the Parti Congolais du Travail (PCT) and the Forces Démocratiques Unies (FDU) won 83 of the 153 seats in the National Assembly. In July 2002, PCT and its allies had won 56 of the 72 seats in the Senate; and in April 2003 over 2,000 rebel Ninja soldiers had surrendered their weapons in Congo's Pool region.

A peace agreement was reached in March 2003 between the government and Ninja leader, Rev. Frederic Bitsangou (Pastor Ntoumi). The disarmed Ninjas, guaranteed amnesty by the government, are being integrated into the military and/or returning to

civilian life. An additional 600 Ninja rebels were reported to have surrendered in May 2003 but since then sporadic skirmishes in Pool continue to be reported.

Congo's business and physical infrastructure was badly damaged during the civil wars. However, oil production was not harmed by fighting.

The CFCO (Chemin de fer Congo-Ocean) railway linking Pointe Noire to Brazzaville suffered rebel attacks causing extensive material damage in Pool. Passenger and cargo trains were suspended and according to official figures, the CFCO incurred losses between 70-80 million CFA per day.

Economic activity was further hampered by the fact that over 800,000 Congolese, nearly 30% of the population, fled their homes during the conflicts.

In 2003 and 2004 economic stabilization and rehabilitation of infrastructure were deemed top government priorities; and *action plans* are set in place to achieve specific targets.

Pointe-Noire

Pointe Noire is the largest deep sea port in the Gulf de Guinea and constitutes a pivotal trade link for transporting goods within the sub-region and abroad. The port town celebrated its 44th anniversary in August 2004. During festivities government authorities announced plans to rehabilitate transport and communications infrastructure to support increased volumes of international trade.

Funds have been committed to refurbish port, road, rail and airport facilities. Port freight capacity and storage handling will be enhanced; and containerization facilities will be expanded. The airport will be remodeled and rehabilitation of CFCO will be transferred to a private concession to restore vital rail links between Pointe-Noire and Brazzaville.

Pointe Noire is an ideal venue for expansion of economic activity, including tourism promotion. Traders can tap into maritime trade opportunities through exploiting abundant fisheries resources (including sardines, sole, line fish and numerous species). Two new laboratories will be constructed in order to control the quality of shellfish production, notably shrimp exports to the European Union.

In August 2004, a Canadian company, Magnesium Alloy Corporation signed an agreement with the government to process magnesium in Makola, (4 miles from Pointe Noire). The project will be based in the former potassium production factory owned by the French during the 1970s. The Minister of Mines, Energy and Hydrology estimates approximately 1,500 new jobs will be generated; as magnesium production will be an important revenue source for Congo.

Current Economic Outlook

The current economic outlook is favorable. Growth rates increased from 3.8% in 2001 to 4.6% in 2002; and inflation remains stable at 2.6%, indicating a healthy rebound for a country moving in the right direction. The path toward economic stabilization will be easier for Congo to follow after Paris Club creditors made a landmark decision to cancel a large portion of external debt in September 2004.

Congo's economy consists mainly of village agriculture (small-scale fish processing, vegetable/fruit crop cultivation, coffee/cocoa farming) and handicraft production. In urban areas there is a large informal sector, including street vendors and traders.

The industrial sector is dominated by *oil and oil-related services* with few linkages to the rest of the economy. Since the 1980s, the oil industry has provided the major share of government revenues and exports, surpassing timber and wood products as principle growth sectors.

Key Sector Performance

Oil and natural gas exploration are mentioned in this report given their important contribution to economic growth. Moreover, exploitation of these resources can build support for economic diversification through backward linkages and sub-regional integration.

Oil

Congo is sub-Saharan Africa's fourth largest oil producer (after Nigeria, Angola and Gabon), with estimated reserves of 1.5 billion barrels. The majority of Congo's crude production is located offshore, heavily reliant on foreign personnel and technology. The crude oil types are medium and sweet varieties, and the main crude export blend is Djeno, (27.6°API gravity and 0.23% sulfur content).

Oil accounts for over 50% of real gross domestic product (GDP), 60%-80% of the government budget and about 95% of Congo's export earnings. Oil exports grew sharply, from approximately \$820 million in 1994 to around \$2.3 billion in 2002.

Congo and Angola agreed to finance a joint project ending a border dispute blocking deepwater oil exploration in March 2003. An agreement creating the ZIC (Zone d'Interet Commun) will concentrate on development of fields within Angola's Block 14 and Congo's Haute Mer areas.

Haute Mer partners are Total, EA, and ChevronTexaco. Block 14 partners are ChevronTexaco, Agip, Total, and Petrogal. ChevronTexaco will operate the acreage in the joint zone, and companies active on both concessions will be entitled to equity.

Natural Gas

Congo contains an estimated 3.2 trillion cubic feet of natural gas reserves, the third largest base in sub-Saharan Africa, following Nigeria and Cameroon.

These natural gas reserves are mainly associated with oil deposits although major non-associated fields exist offshore, namely Banga Marine and Litchendjili. Most natural gas output is currently vented or flared due to lack of infrastructure, but the government plans to mobilize natural gas reserves for electric power production over the next several years.

In December 2002, Agip and ChevronTexaco built a natural gas-fired power plant in Djeno near Pointe Noire. The plant, with a capacity of 25 megawatts was completed in 13 months at a cost of \$32 million. The power plant is fired from associated gas derived from Kitina, Djambala and Foukanda offshore fields. It is then separated onshore at the Djeno oil terminal and piped into the nearby power plant. This is an important step towards cooperation in the field of power generation as the economy expands.

Multilateral Institutional Support Mechanisms

In November 2000, the IMF approved a loan of \$14 million for emergency post-conflict assistance to Congo for reconstruction and economic recovery. Congo later signed an agreement with the IMF on a "staff-monitored program" (SMP) as part of post-conflict recovery plans. The SMP lead to a formal "poverty reduction and growth facility" (PRGF); and now Congo is working on a Poverty Reduction Strategy Program.

Implementation of PRGF permits Congo to benefit from relief on its external debt under the Initiative for Highly Indebted Poor Countries (HIPC). In exchange for debt relief recently granted during Paris Club negotiations, Congo is expected to increase its transparency, improve fiscal management, maintain good governance, and reduce fraud including cost over-runs for civil service salaries.

From 2001-2003 World Bank and the development community focused on humanitarian assistance and rehabilitation. In July 2002 a \$40 million Emergency Reconstruction, Rehabilitation, and Living Conditions Improvement Project earmarked funds for: construction of roads, bridges and schools; rehabilitation of the railway and maintaining the fight against HIV/AIDS.

From 2004-2005 World Bank programs will broaden its focus on a wide range of development projects

- Rural road construction,
- Training and educational development,
- Governance,
- Agricultural production,
- Judicial reform,
- Privatization of public enterprises,

- Continuation of the demobilization program.

UNDP is planning to expand its program from one that is focused on humanitarian aid, governance and social sector development to private sector capacity building, SME training and export promotion.

UNDP expressed keen interest in working with US Embassy, USAID, and our team on export promotion and technical assistance for private sector capacity-building.

Congolese Institutions Promoting Exports and Trade Capacity Building

The *Ministry of Planning* plays a key role in territorial resource management and donor collaboration on five year investment plans. The latest five year plan is currently being aligned with the Poverty Reduction Strategy Program.

The *Ministry of Trade* has a broad mandate to promote exports, negotiate bilateral/multilateral trade agreements, monitor domestic trade issues, and ensure commercial interests are well represented abroad.

The *Congolese Center for External Trade*, housed within the Ministry, handles all aspects of export promotion. There is no separate Board of Trade nor is there a separate office dealing with investment promotion. Therefore, export promotion activities are closely coordinated among *Chambers of Commerce* and the *Ministry for Industry Development, SMEs and Artisans*.

In response to increased demand for accurate, timely market information, Chamber officials in Pointe Noire announced plans to create *trade data reference centers* for members of the business community, NGOs, stakeholders and agricultural producers. Chamber delegations visited Ghana to learn how these centers can be successfully designed and managed.

In September the Chamber also presided over a *protocol agreement* signed between l'Association Pointe Noire Industrielle (APNI) and l'Association Professionnelle des Etablissements de Micro-Finance (APEMF). This partnership will expand business management training for Association members while SMEs, including APNI members will have greater access to micro-finance institutions.

Agricongo is a pioneering economic development institute working throughout the country on agricultural research and grassroots skills training. These programs help small-scale farmers and youth groups participate in technical training courses pertaining to agriculture production.

Created in 1986 this quasi-public NGO founded 7 regional professional resource centers in 6 out of 11 departmental zones. Donor funding and private resources help finance projects ranging from vegetable/citrus production, chicken farming to youth mobilization in disadvantaged areas. .

In Pointe Noire Agricongo with assistance from EU and other donors has been quite successful. Young adults who would otherwise be unemployed cultivate land to grow fruits, process vegetables and raise poultry in order to supply local market demand. In turn these trainees learn how to apply agricultural production techniques including crop rotation and irrigation systems management.

The Ministry of Trade intends to work closely with Agricongo to expand agricultural production potential in Congo, including transformation of agricultural goods destined to export markets.

AGOA Products Entering US Market

Congo is a member of various regional and multilateral trading organizations including World Trade Organization, CEMAC and other PTAs, including AGOA.

BILATERAL TRADE BETWEEN US AND CONGO (BRAZZAVILLE)

	Value (1,000 Dollars)		
	2001	2002	2003
Energy Related Products			
US Imports from Congo	438,808	200,766	383,446
Total AGOA inc GSP Provisions of AGOA	128,746	103,808	337,899
Agricultural Products			
US Imports from Congo	1,196	3,560	4,661
Total AGOA inc GSP Provisions of AGOA	0	2,786	2,813
Forest Products			
US Imports from Congo	682	461	1,731
Total AGOA inc GSP Provisions of AGOA	2	0	48
Chemicals and Related Products			
US Imports from Congo	666	1,675	3,341
Total AGOA inc GSP Provisions of AGOA	0	0	0
Miscellaneous Manufactures			
US Imports from Congo	1,115	692	1,136
Total AGOA inc GSP Provisions of AGOA	74	26	15
Minerals and Metals			
US Imports from Congo	14,525	16,437	10,341
Total AGOA inc GSP Provisions of AGOA	1,410	14	15

¹ AGOA Website and US International Trade Commission

This table highlights trade flows between US and RC to showcase relative growth areas and recent trends. Although AGOA exports are largely dominated by energy and energy related products – from 2002-2003 -- sales of forestry, agricultural goods and miscellaneous manufactured goods increased. AGOA energy and energy related

¹ AGOA Website and US International Trade Commission

products rebounded to \$383 million last year after falling dramatically to \$201 million in 2002.

Sectors with Potential for Export Market Development

- Coffee, cocoa – specialty varieties only as market is overcrowded
- Vanilla, citronelle (cinnamon) and other organic spices
- Biodiversity in agricultural production – grains, pepinieres
- Horticulture crops – oil pressing/processing arachides
- Fisheries
- Handicrafts -- objets dart, rattan/wicker furniture, raffia products etal.
- Ceramics
- Textiles
- Wood products – furniture, carvings assorted products

AGOA and Market Access Planning – A Strategic Perspective

Congo would like to *diversify its economy* away from petroleum dominance focusing on ways to develop new products in mining, agriculture (agribusiness, fishing etc), wood production/finishing, textiles, handicrafts and small scale industrial transformation.

The key to successful economic diversification is effective training and mobilization of the *SME sector* through commercial links to larger firms; and formation of local/regional supply-chain linkages for value-added production.

Economic liberalization will encourage private companies to be more innovative and competitive in the marketplace. However, it is paramount that fundamental support mechanisms be in place for Congolese business to facilitate increased trade. Key issues that are currently being addressed are as follows:

Key Constraints and Opportunities

- National sector wide strategy development
- Lack of skills training and market knowledge
- Lack of financial resources
- Weak infrastructure although improvements are being made steadily
- High cost of production due to transport and fuel prices/tariffs

- SME role recognition and national support
- Lack of policy planning and coordination among line and sector ministries
- Need for transparency and streamlined customs procedures

New laws are being promulgated to dismantle obstacles to import/export trade, notably reduction of burdensome tax structures and high tariff barriers. Although I was unable to interview customs or port authorities directly it is clear cross border activity is chaotic and unregulated. Private sector must work closely with customs officials to streamline goods transshipment procedures in a transparent fashion. Fortunately, a new Investment Charter has been approved by Parliament offering fairly generous incentives to potential investors; but facilities on the ground need to be vastly improved.

Congo has not been able to take full advantage of AGOA benefits for obvious reasons. However, there is strong political will on behalf of government to work with private sector institutions and companies to advance exports with high potential *which is why timing for National AGOA Strategy development is propitious.*

Against this backdrop it was agreed a coherent National AGOA Strategy Plan for Congo Brazzaville should be developed on the basis of short, medium and long-term goals focusing on creating a more conducive environment for business, and selecting products and sectors with greatest export potential

Congo is deemed an important and strategic US trading partner. With respect to current plans to diversify exports, it is expected an AGOA apparel visa will be granted in the next several months. The application process has been initiated.

Congo is considering filing for Certification 9 benefits although many products can enter the market under AGOA. It would be wise for small scale artisans to increase production of hand-woven, hand-loomed products using local materials such as raffia et al.

Cross-cutting themes related to enhanced competitiveness and capacity building should be included in a TA package of “interventions” negotiated between donor, government and private sector partners. A few key recommendations in this regard include;

Transform Comparative Advantage into Competitive Production

- Develop entrepreneurial capacity esp SMEs
- Encourage business linkages and supply chains on local/regional basis
- Focus on sector-wide strategy development through PPP*
- Strengthen institutions promoting exports and capacity-building
- Align export and investment promotion functions
- Engage financial institutions in export promotion schemes
- Forge smart partnerships between private and public sectors

USAID sponsored TA interventions that will enable Tanzanian exporters to gain greater access to US markets through AGOA sponsored programs

The August 2004 Workshop resulted in presentation of project dossiers that require funding and technical assistance. .

In my view “first tier” products with high US export potential include: ceramics (flower pots, pottery bowls, tableware, decorative items etc), wood carvings (and other wood blend products including household items), raffia products (handbags, mats, tapestries, apparel trimmings, picture frames et al) and folkloric art.

Recommended TA for “first tier” products:

1. Provide IT skills training to entrepreneurs on how to conduct market research through web based information resources and links to foreign commercial experts/organizations in the US market. (with Chamber of Commerce)
2. Hire marketing experts to help producers of wood/wood blend and Raffia products to create a “brand image” for US consumers leading to enhanced product sales: provide hands-on training to help producers design Raffia products (e.g. handbags, mats, frames) and measurements to buyer specifications.
3. Market competition is strongly driven by price. Hire competent US business experts to advise Congolese artisans on formulation of competitive pricing for ceramics, raffia and wood products, ensuring small producers adhere to standardized pricing techniques.
4. US buyers require product descriptions, including types of materials used, their provenance and where the article was made – so producers need hands-on training in preparing these descriptions, and selecting packaging, labeling materials.
5. Select several entrepreneurs starting with Piekiz-Ceramics to attend trade shows in the US next year
6. Hire logistics experts including customs officials, freight forwarders and port authorities to train exporters on AGOA packaging, labeling requirements for clearance of goods from point of departure to point of entry in the US.

Recommended TA for “second tier” products

Longer-term prospects for the AGOA market include organic foods, spices, specialty coffee/cocoa varieties, textiles, smoked/dried fish and fruits. After numerous discussions with authorities in-country I suggest a package of TA services be developed for multiple products in tandem with existing institutions and donors as follows (#1)

1. Form a consortium of stakeholders (Ministries, Chamber members, producers et al) to work in collaboration with Agricongo and USAID in provision of training, extension services and technology transfer to farmers and agribusinesses working to develop core competencies in:
 - SPS/ international product standards compliance,
 - Creation of local/regional supply chains and development of new products
 - Transformation of raw commodities into agro-processed goods with high export market potential
 - Commodity and market information databases (in tandem with Chambers)
 - Pest Risk Assessments PRAs, including lab testing procedures,
 - Quality control, product certification and packaging techniques
 - Standards harmonization within regional trading blocs e.g. CEMAC
2. Work with Ministry of Trade and textile experts to create a blueprint for revitalization of the textile industry. Identify resources required to rebuild factories and prepare viable, bankable proposals
3. Explore ways to expand employment for qualified SMEs operating on a very small scale in this industry within Congo

With respect to recommendation #2 and 3 - prior to civil war the textile industry was thriving as imported fabric, cotton and other inputs from neighboring countries were processed in Congo and sold to buyers in the sub-region.

Once Congo obtains AGOA visa eligibility and factories are up and running -- producers can sell locally designed products to niche markets in the region and eventually boutiques within US markets.

Planning Status and the Way Forward

Host a non-generic 2 day workshop in Pointe-Noire mid January 2005 to further elaborate sector specific AGOA opportunities.

Salient themes of this seminar may include but are not limited to:

- access to finance/credit guarantees,
- government role in AGOA export promotion,
- trade facilitation and customs procedures,
- transport infrastructure issues,
- private sector capacity building needs (inc. SMEs)
- AGOA sector focus, and definition of projects in the pipeline for medium and long-term AGOA planning.
- TA requirements for producers to design quality products and meet buyer standards in the region and abroad, including AGOA

Assign project coordinator to work with ECA Hub, Ministries and the Chamber on logistics, invitations and setting the workshop agenda (my name has been proposed)

Prepare AGOA resource guide including website references, lists of relevant trade shows, trade fairs, technical training programs, and buyer-seller meetings scheduled in the region.

Coordinate overall responsibility for organizing this event and preparation of collateral materials with members of the National AGOA Committee

*PPP = Public Private Partnerships

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