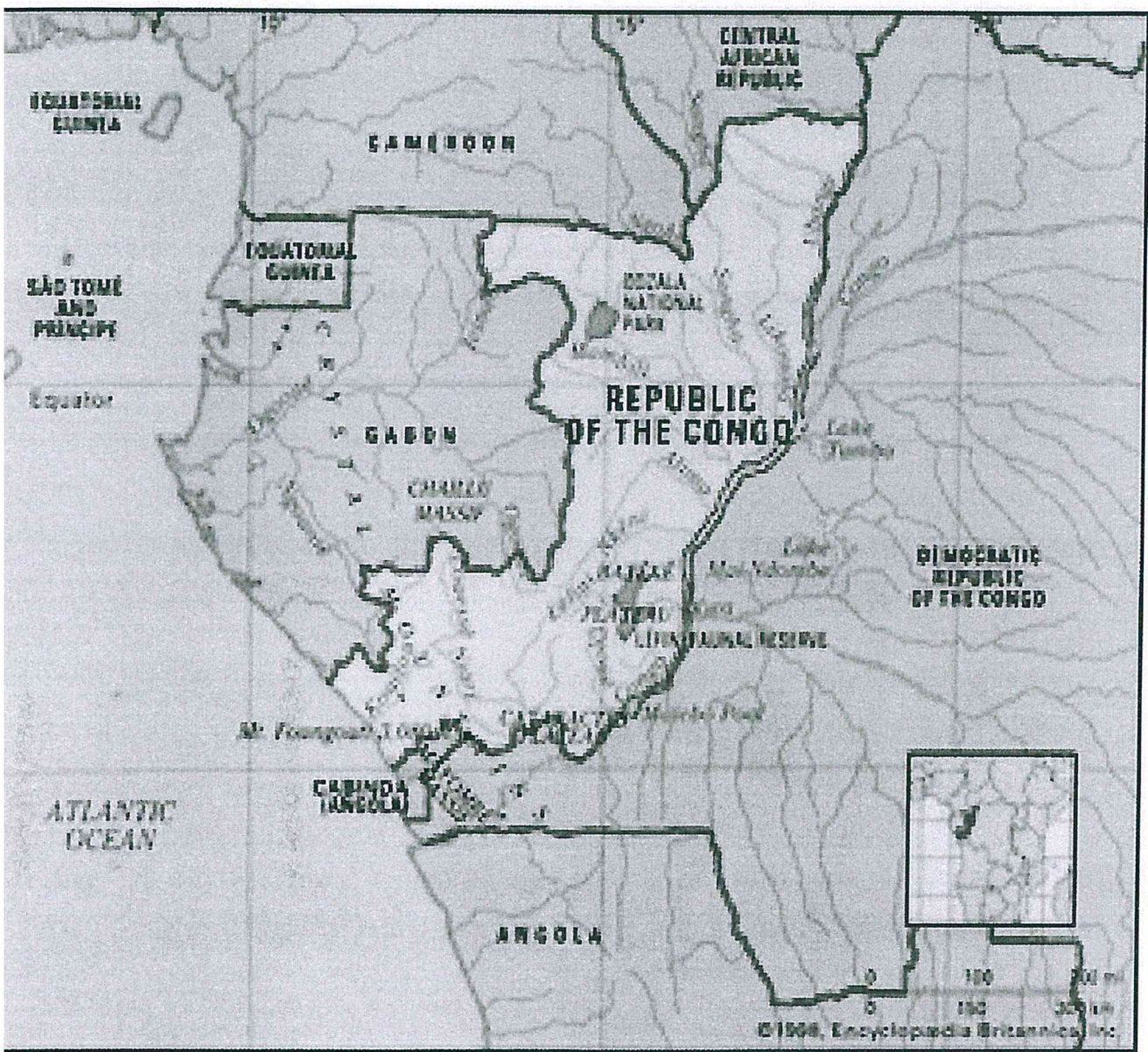


REPUBLIC OF CONGO: AN ALTERNATIVE CORRIDOR FOR PRODUCTS AND SERVICE PROVIDERS FROM KENYA TO CENTRAL AFRICA



Map of Republic of Congo

MARKET RESEARCH AND ENTRY STRATEGIES IN CONGO

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MARKET RESEARCH AND ENTRY STRATEGIES IN CONGO

Overview

Following the inaugural and the conclusive signing of the Kenya – Congo Joint commission for Cooperation (JCC) held on 25 – 27th June 2023 in Brazzaville, Congo. This document endeavors to highlight areas of cooperation that may be exploited to realize timely and desired implementation of the finalized 15 instruments of cooperation (the Memorandum of Understandings).

The purpose of this document is three-fold:

- i. Give a comprehensive assessment of Congo's political, economic and social status.
- ii. Share a matrix on key issues or / areas of convergence in areas of cooperation as espoused in the MoUs.
- iii. Recommendation and way forward.

SECTION 1

Introduction

The Republic of Congo is located in central Africa and covers a surface area of 342,000KM². It has an estimated population of 6.1 Million people with 47 percent below the age of 18 years. The two cities of Brazzaville and Pointe – Noire, are densely populated and are administrative and economic hub respectively. The urban areas have high population density of about 66 percent attributed to mass migration from 1960s to date.

2.1 Economic, Socio and Political environment

Congo is a natural resource-based economy with high dependence on the oil sector. The country is the 3rd largest producer of oil in the Sub Saharan Africa and the sector contributes 80 percent of the country exports. The economic turnaround Conversely, the country is food insecure and faces massive agricultural decline. Consequently, agriculture contribution to the gross domestic product (GDP) is less than 9 percent and this is attributed to low agricultural productivity with only 10 percent of the 10 million hectares of arable land under cultivation.

Congo economic growth is slowly on a positive trajectory with 1.9 percent expansion in 2023. However, poverty rose to an estimated margin of 46.8 percent and debt vulnerability continues to plague the economic recovery. Debt to GDP ratio is still high and projected to decline to 83.8 percent by 2026 from the high of 96 percent in 2023. Economic growth is remains sluggish due to dependency to oil that is subjected to price volatility, weaker global demand, tighter financing conditions, adverse weather conditions and weak economic reforms.

Accessibility to electricity is high in urban than rural areas at 6 percent to 12.4 percent. Electricity supply in urban areas faces disruptions due to poor state of electricity infrastructure and unexpanded network to meet both household and industrial supply.

Clean water access is higher in urban and rural areas. In urban areas access to clean water is at 74 percent than 46 percent in rural areas. Congo index on a variety of indices is low contributing to an average of 23.6 percent.

The country governance and administration system is stable. However, the past regional conflict in northern part of the country contributed to displaced refugees. With increase in unemployment and

unequal disparity in wealth, the threat to national stability remains unemployment and high poverty levels.

Bilateral Trade

Kenya and Congo have signed 15 MoUs and held one joint business forum between business delegation from Kenya and Brazzaville which was addressed by H.E President William Ruto on 9th July 2023. The signed Joint Cooperation Commission (JCC) marked was the first hall-mark initiative bilateral initiative between the two countries.

Why Congo Brazzaville is of strategic importance to Kenya?

- i. The country serves as an alternative gateway to Central and West Africa region for products and service providers from Kenya. Congo borders Cameroon, Gabon, and Central Africa Republic which may catapult Kenya
- ii. It has abundant factors of production that include fertile and arable agricultural land for farming. Agriculture productivity is low and food insecurity is a threat to national security therefore Kenyan companies may explore markets for agriculture inputs.
- iii. Congo's service sector is underdeveloped and foreign dominated. Whilst Kenya has a comparative advantage over Congo, the sector portends more commercial opportunities in the hospitality sector, maritime industry, education, forestry and wild life conservation, aviation and, transport and logistics.
- iv. The political goodwill towards Kenya that guarantees stable business operating environment for investments and better treatment for Kenyan companies.

Economic / commercial opportunities in Congo

Kenya enjoys a strong comparative advantage in the services sector than Congo.

Sector / Industry	Status of the sector	Business Commercial opportunity(ies)	Strategic approach
i. Maritime	The country has two Ports. Port of Pointe-Noire and Port of Brazzaville. Plans are underway to expand port infrastructure and improve logistical capabilities to enhance efficiency and support economic growth.	Investment in Port automation, Port operation efficiencies	Cooperation agreement / MoU between Kenya Port Authority and Port Autonome de Pointe – Noire, agency Technical assistance on Port operations.
	Underdeveloped ship building	Ship building, repairs and maintenance of ships, construction of barges, fishing boats, dredgers Deep sea fishing	Government agency signing MoU with Kenya Shipyard limited to

	Sector / Industry	Status of the sector	Business Commercial opportunity(ies)	Envisaged approach
2.	Agriculture, Livestock and Fisheries	<p>Low agricultural activity</p> <p>Lack of certified seeds</p> <p>Poor agricultural techniques</p> <p>Less youth participating in the sector</p>	<p>Market for certified seeds.</p> <p>Training opportunities</p> <p>Sell of post-harvest equipment.</p> <p>Inadequate human and technical skills.</p> <p>Entrepreneurship in agriculture.</p>	<p>Mutual recognition of seeds / and MoU on Sanitary and Phyto-Sanitary issues.</p> <p>Signing of mutual recognition of education certificates in agriculture.</p> <p>Support youth exchange programme in agriculture with qualified Kenyans moving to Congo to venture in farming.</p>
		Poor post-harvest techniques	Market for agro-chemicals and farm related inputs from Kenya like fertilizers	<p>Negotiate on removal of restriction of persons with technical expertise in agriculture, livestock and fisheries.</p> <p>Sign MoU on collaboration in and standards / standards recognition.</p>
		Under developed livestock sub-sector	<p>Lack / inadequate of livestock vaccination</p> <p>Inadequate modern abattoirs</p> <p>Inadequate animal feeds</p>	<p>Recognition of vaccines</p> <p>Collaborate in vaccines production</p> <p>Harmonize standards on feeds</p>
		Under develop aquaculture, lack of quality fingerlings.	Deep sea fishing, deep-sea fishing vessels, storage infrastructure, processing of marine fish and related by products.	<p>Approval for Kenyan companies, framework between public and private agencies.</p> <p>Network with private business management organization (BMO).</p>
	Transport and logistics	Poor state of the maritime transport system	Maritime vessel transport for passenger and fishing	Approval license of operators from Kenya vide the MoU in transport
		Inadequate facilities of cold storage warehouses.	Set up of cold storage facilities to support distribution.	Establish warehouses in strategic partnership with the government agency as part of MoU on trade facilitation.
		Low Infrastructure development	Roads expansion to bitumen standards and opening up rural	Negotiate technical expertise exchange programme and share technical capacity

			areas. Expansion of energy infrastructure.	Support public energy agencies collaborations between Kenya and Congo.
		Congested and inefficient Port system	Automation of the Port facility	Pursue MoU with government agency managing Port of Pointe Noire.
4.	Hospitality and tourism management	No school of hospitality and tourism	Investment in school of hospitality and tourism	Opportunity for public – private partnership to set up Hospitality and Tourism college.
		No curriculum on tourism and hospitality	Technical support for developing tourism	Actualize MoU on tourism and hospitality to cover curriculum development in tourism and hospitality.
5.	Commercial services and MSMEs	Undiversified market for goods and services	Low quality products	Recognize public standards to allow penetration of Kenya goods.
		Poor uptake of ICT in businesses	Computer security; educational technology; food technology; software development	Pursue removal of restriction of movement of professional persons and work visa. Exchange program between MSMEs in information technology
6.	Health facility	Limited private sector participation in the health sector	Laboratory services, health insurance specialist services, medical apparel, and pharmacy	Support collaborations between private and public institutions in Kenya and Congo.
		Less Research and development in health sector	Investment in research laboratories	Collaboration in research development laboratories

SECTION 2

Trade regime

Congo is a member of the Central African Economic and Monetary Community (CEMAC) and Economic Community of Central African States (CEEAS). Under CEMAC they have a common external tariff (CET) that is difficult to apply as individual member state invoke country-specific exceptions and safeguard measures.

Table 1: Applied Import duty / tariff

Nature of products	CEMAC external tariffs (CET)	Applied tariff to countries outside CEMAC	Internal fees and charges applied to non CEMAC countries
Basic products	5 %	5%	Internal fees and charges adopted include a 20% - 60% processing fees calculated on cost, insurance and freight (CIF); 18% VAT with an exemption of mineral water, cement, sugar and chicken that is made in Congo which attracts 10 % VAT.
Raw Materials & equipment	10%	10%	
Intermediate goods	20%	20%	
Final / other products including electronics, canned foods	30%	30%	

Note:

- i. The CEMAC countries have endeavor to reduce fees and charges substantially for goods originating from member countries. However, 1% on CIF is charged on CIF as integration tax.
- ii. In addition, the following levies community integration levy (TCI), OHADA levy and Community integrated contribution (CCI) amounting to 0.05% of CIF value may be applied.
- iii. Average tariff applied by Congo is lower than the CET by 11.6%.
- iv. Permitted goods into Congo must be accompanied by: commercial invoice; certificate of origin; packing list; Bill of landing / Air way bill; and, import permits and sanitary certificates.
- v. Statistic tax: 0.2% on CIF value.
- vi. African integration contribution 0.2% on CIF value.
- vii. Economic Community of Central African States (CEEAC) contribution: 0.04% on CIF Value.
- iii. The Congolese VAT rate is 18%, however, a surtax calculated at the rate 5% may be applied.

1 Wholesale and retail sub-sector

Congo import 98 percent for products from the rest of the world with leading export countries namely: France; Belgium; China; Cameroon; Angola; Brazil; Argentina; and, Uganda. The retail market in the Republic of the Congo is relatively developed. Though reliable figures about the market's size are not available, several foreign chain-owned operate in the country. They include: Casino Supermarché (supermarket), Good Market, Metraco, Score and Regal Congo.

Regal Congo, opened the first hypermarket of Congo in 2016, with a total surface of 2,500m². However, majority of people buy from wholesalers or convenient stores \ stockists within the states and local markets. The country imports 90 percent of agriculture produce from neighbouring country of Cameroon.

2 Market share

The main retail chains operating in the Republic of the Congo are:

• Casino Supermarché (first hypermarket in the country in 2016)	• Regal Congo
• Good Market	• Score
• Guenin	• Park'N'Shop
• La Cité	
• Metraco	

Table 2: Products imported

Uganda	Brazil	China	Angola	France	Cote d' Ivoire	Cameroon	Argentina
Fish, cured	Fowls, cuts& offal, frozen	Ceramic floor blocs	Fish	Medicaments	Beauty, make-up & skin care	Glass conveyance / packaging	Guts, bladder & stomach
Flat rolled iron / steel	Fowls, whole or Frozen	Foot wear	Glass containers for conveyance	Wheat & meslin	Perfumes	Chocolate and cocoa preparations	Bovine, offal, frozen
Fowls, whole, frozen	Swine cuts, frozen	Woven yarns	Beer made from malt	Swine offal frozen	Toilet waters	Soups, broths & preparations	Maize
Crown corks of base metal	Swine offal frozen	Women jaucels of cotton	Sanitary pads & tampons	Food preparations for infant use		Onion & shallow fresh	Fish frozen n.e.s
	Bovine cuts boneless frozen		Ceramic tiles	Sparkling wine of fresh grapes		Beer from malt	Milk powder
				Wine fresh grapes		Nails	
				Beauty, make-up & skin care preparations			

Source: ITC

The above products dominate the wholesale and retail sector. A cursory look at the retail sector reveals substantial amount of imports on the shelves as fast consumer goods at 75 percent. Consumption is highly informed by purchasing power of consumers and

import and export trade flows in Congo

Kenya potential exports to Congo in value terms may contribute to an additional exports worth \$ 1.2 Million dollars in the following products. The potential exports are segregated in three categories of input, intermediary and final products.

Table 3: Potential export products from Kenya and duty applicable

Potential Product(s) to Congo from Kenya	Export	Nature of product	Duty applicable	Remarks
1. Palm oil fractions, soaps bars, fish, food preparations, sugar, Salt, eggs, chicken		Basic necessities	Import duty exempted	A reduced VAT at the rate of 5% is levied on some listed products.
2. Margarine, food preparations, medicaments, exercise books, certified seeds, agricultural machinery, fertilizers, forestry equipment		Raw materials and Capital goods	Import duty exempted	Imports of agricultural, horticultural, forestry, or fishery equipment and machinery, as well as fertilizers and other agricultural inputs, are exempt from VAT and customs duties.
3. Crown corks of base metal, Malt extract, black tea packing of more than 3Kg, sacks and bags, food preparations, Baking powder, food preparations, vegetable textile fibres, glass packaging materials		Intermediate and miscellaneous goods	Import duty applied is 20%	VAT is relatively applied on the basis of the product.
Wigs, false beards, eye brows and lashes, tea packing of less than 3Kg, chewing gums, cosmetics, cigarette products,		Final Consumer goods	Import duty applied is 30%	An exercise duty is added on the following products: Tobacco: 22.5%. Alcoholic beverages: 17.5%. Luxury food products, perfumes and cosmetics, arms and ammunition, jewelry: 25%. Other products subject to excise duties: 17.5%.

Note: Kenya and Congo good bilateral ties may lead to preferential treatment of goods from Kenya that may yield competitive edge over other products from other regions.

Market access and penetration strategy (ies)

The government of Congo has demonstrated a desire to diversify the economy and reduce its reliance on oil revenue for a sustainable socio-economic development. To this end, the Government has introduced a number of initiatives to help bolster the economy and improve governance.

i. Access to Congolese market

Commercial activity in the Congo is open to any Congolese or foreigner who fulfils the conditions set by the **OHADA law and national regulations**. There is a one-stop shop dedicated to the processing of commercial procedures for all authorities. The Commercial representation desk at the Embassy in Kinshasa may facilitate any Kenyan entrepreneur to access the market.

ii. Exploiting emergency laws and taxation

Some basic goods are subject to emergency laws and taxation to enable government to address the high cost of living and poverty. Kenyan entrepreneurs may exploit the laws to export basic goods to Congo. Notably, Congo market is a liberalized market. However, government intervention is needed to ensure the country is food secure.

iii. Special arrangements applicable to certain products and services

Certain sectors and / or products are subject to specific trade measures. They include oil, mining, forest products, drugs, sugar, flour, and environment. Special approval is obtained for investors in tourism, mobile and fixed telephony, transportation, insurance, banking, and e-commerce. We may exploit the goodwill between Kenya and Congo to enhance commercial presence of Kenyan affiliated companies in Congo.

iv. Implementation of instruments of Cooperation between Kenya and Congo

Bilateral instruments signed enhance cooperation between Kenya and Congo and this guarantees policy space at national level to confer preferential treatment to goods and services from Kenya. Areas of early harvest are in agriculture sector where Congo is food insecure hence export of agriculture inputs from Kenya will enjoy better treatment.

Priority areas of focus

- i. The MoU on Agriculture if implemented portends the greatest opportunity for Kenya to benefit from the bilateral arrangement. Congo is food insecure and massively depends on neighbouring countries for food and food-related products. There are no certified seeds and quality of agriculture produce is low. This coupled with the penchant for white collar jobs amongst the citizenry presents an opportunity for movement of labour of agriculture experts into the country to spur agricultural productivity.
- ii. Kenya enjoys a comparative advantage in the service sector. It is important to pursue flexibilities in immigration issues, movement of professional persons and mutual recognition of academic credentials to realize cross-border movement of experts. This will create employment opportunities to qualified Kenyans.
- iii. There is need to address the last mile delivery challenges in Central Africa region by investing in modern warehouses and flexible trade facilitation mechanism to allow for efficient movement of goods between the two countries.
- iv. Facilitate comprehensive market study on cost of transport and logistics in Congo as part of the process of deducing workable strategies in the Central Africa region.
- v. There is need to aggressively advertise Kenya as a preferred tourist destination in the country.
- vi. The Mission to work closely with Business Management Organization (BMOs) in Kenya to ensure outbound missions to Kenya especially for distributors and wholesalers in Congo to network with manufacturers.

Recommendations / What should we do as Kenya?

- i. To realize economic benefit from the JCC, Kenya and Congo should establish Joint Trade and Investment Committee (JTIC).
- ii. Strengthen Business Management Organizations (BMOs) in Kenya to actively participate in market access ventures.
- iii. Prioritize market intelligence survey to cover the Central Africa region as a non-traditional market.

- iv. Consider Congo as an alternative entry country to Central Africa under the AfCFTA programme besides the Democratic Republic of Congo.
- v. Encourage commercial presence of Kenyan companies in Congo.

Annex 1. Product catalogue that may access the Central Africa Region

Market access for products made in Kenya is informed by logistics and supply factors. DRC is vast and movement of good is through air freight services. In addition, the applicable tax / custom duty regime may significantly affect market access in the region.

Potential products for the markets	Justification
Coffee and specialty tea	<ul style="list-style-type: none"> ▪ Congolese in general are not tea lovers, however, there is demand for specialty tea with different flavours. This is attributed to the health benefits.
Pharmaceutical products	<ul style="list-style-type: none"> ▪ Most medicaments doses are from Europe and very expensive for local populations. They are also highly taxed. Pharmaceutical products made in Kenya may fetch good prices and be competitive. ▪ Most products on the shelves are from Europe. Exports from Kenya may penetrate the markets because of good quality.
Dairy products such as lactose free milk, milk powder and yoghurt	<ul style="list-style-type: none"> ▪ Dairy products are imported from France, Belgium and South Africa
Cut flowers	<ul style="list-style-type: none"> ▪ Rather than importing flowers directly from the Netherlands, Kenya can be an alternative source market for flowers.
Construction materials this include: Roofing/Iron sheets, metal rods and nails for construction, paints	<ul style="list-style-type: none"> ▪ There is a vibrant high real estate sector that relies from imports from China.
Agriculture inputs: certified seeds, fertilizers, farm machinery, animal feed, vaccination e.t.c	<ul style="list-style-type: none"> ▪ The government is focused on rejuvenating agriculture to find food insecurity.
Food preparations and agro-processed products including processed fruit juice, tomato paste	<ul style="list-style-type: none"> ▪ The country food processing sector is not well established hence depend on imports from France and United Arab Emirates.
Cosmetics and toiletries these include Wigs, body lotions, eye brow lashes	<ul style="list-style-type: none"> ▪ The country is a net importer of cosmetics from West Africa, U.A.E, France and Cote d'Ivoire