USAID'S INVESTMENT FACILITATION ACTIVITY IN THE DRC (USAID INVEST)

AN INTRODUCTORY GUIDE TO THE COCOA SECTOR IN THE DRC

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Acronyms

AECF	Africa Entreprise Challenge Fund
AFCA	Africa Coffee Association
ANAPI	Agence Nationale pour la Promotion des Investissements
ASSECCAF	Association des Exportateurs du Cacao et Café
BCDC	Equity Banque Commerciale du Congo
BIVAC	Bureau Veritas
BTC	Business Technology Consulting
CAPEX	Capital Expenditure
CBI	Congo Bassin Institute
COC	Code of Conduct
COPAK	Compagnie des Produits Agricoles des Kivus
CSIS	Center for Strategic and International Studies
DFC	US Development Finance Corporation
DFI	Development Finance Institution
DGDA	General Directorate of Customs and Assizes
DPW	Dubai Port World
DRC	The Democratic Republic of the Congo
EAC	East African Community
EAPP	Eastern African Power Pool
ECI	Eastern Congo Initiative
EIB	European Investment Bank
ETS	Environmental Transaction Screening
EU	European Union
FABS	Forest and Biodiversity Support Activity
FARDC	Armed Forces of the Democratic Republic of Congo
FEC	Fédération des Entreprises du Congo
FINCA	Foundation for International Community Assistance
GBE	Groupe Blattner Elwyn
GIE RPCPA-RDC	Réseau des Coopératives des Producteurs de Café-Cocoa de la RDC
GTLF	Great Lakes Trade Facilitation Project
IFC	International Finance Corporation
IITA	International Institute for Tropical Agriculture
INERA	Agricultural Study and Research Institute
IPIS	International Peace Information Service
ISO	International Organization for Standardization
MFI	Microfinance Institution
MGT	Matadi Gateway Terminal
MSME	Micro Small and Medium Enterprises
MW	Megawatt
NGO	Non-Governmental Organization
OCC	Office Congolais de Controle

OFI	Olam Food Ingredients
ONAPAC	The National Office of Agricultural of Congo
OSBP	One Stop Border Post
OSS	Operational Self-Sufficiency
PEJAB	Projet d’entreprenariat des jeunes dans l’Agriculture et l’Agrobusiness
QC	Certificate of Quality
RDC	République Démocratique du Congo
REDD	Reducing emissions from deforestation and forest degradation
SACCOS	Credit and Savings Co-operative
SARL	Société Responsabilité Limitée (Limited Liability Company)
SENASEM	The National Seed Service
SIDA	Swedish International Development Coorporation
SIDI	International Solidarity for Development and Investment
SMES	Small and Medium entreprises
SMICO	Société de Microcrédit Congolais
SOPROCOPIV	Solidarité pour la Production et la Commercialisation des Produits Industriels et Vivriers
TMB	Trust Merchant Bank
UCBC	Université Chrétienne Bilingue du Congo
UK	The United Kingdom
UN	United Nations
UNDP	United Nations Development Program
UPCCO	Union des Planteurs de Cocoa du Congo
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
VSS	Voluntary Sustainability Standards
WCS	The Wildlife Conservation Society

I. Foreword

This report, produced by USAID's Investment Facilitation Activity in the DRC (USAID Invest, or the Activity), provides an overview of the cocoa sector in the DRC. It highlights production trends, challenges, and opportunities. It profiles relevant sector stakeholders across the value chain, including existing cocoa farmer cooperatives, traders, processors, exporters, and major international customers. It also describes existing enabling organizations, such as government agencies, NGOs, development programs, and relevant financial institutions.

The objective of the report is three-fold:

1. Provide an understanding of trends and opportunities for growth in the DRC cocoa sector.
2. Provide investors an overview of existing actors and opportunities to invest in the cocoa value chain.
3. Finally, by highlighting the critical constraints for growth, assist supporting government and development agencies in identifying opportunities for intervention.

USAID Invest is a five-year investment facilitation program funded by USAID. The program provides advisory services to cooperatives, local companies, and investors, with the ultimate goal of mobilizing investments and employment creation in agribusiness and related sectors in the DRC. Stakeholders interested in knowing more about the DRC's cocoa sector, financial institutions interested in increasing their activities in the sector, and cooperatives and private companies interested in identifying new lenders and financial partners are encouraged to connect with USAID Invest directly at the following e-mail address: DRCInvestActivity@chemonics.com

Of note, this report uses the $ symbol to refer to values in US dollars.

II. Executive summary

Demand for cocoa is growing globally, but demand patterns are evolving. The global production of cocoa beans has more than doubled between 1991 and 2021, increasing from 2.5 million tons in 1991 to 5.2 million tons in 2021. Over the same period, the value of exported cocoa beans grew from $3.0 billion to $12.6 billion. Côte d'Ivoire and Ghana account for over half of global cocoa bean production. Other significant producers include Cameroon and Nigeria in Africa, Ecuador, Brazil, Peru, the Dominican Republic in Latin America, and Indonesia.

Due to economic and population growth, chocolate demand is projected to grow strongly in emerging markets, particularly across Asia. Indonesia is the largest cocoa producer and grinder in Asia. There are around 1.5 million hectares of cocoa plantations in the country. Indonesia's grinding capacity expanded from 250,000 tons in 2009 to 400,000 in 2021. Malaysia is the second largest grinder in Asia. The country produces less than 1,000 tons of cocoa beans per year on average, yet in 2020 it was the sixth-largest cocoa grinder in the world. Malaysia imports most of its cocoa from Africa and grinds an estimated 460 thousand tons annually from its hub at the Port of Tanjung Pelepas[1]. The increasing popularity of healthy chocolates in Asia is competing with inexpensive cocoa alternatives and substitutions. Moreover, with the market being so new, industry guidelines are less restrictive than in developed markets, like Europe, where the legislation is more rigorous.

Growing global demand creates opportunities for the DRC cocoa sector to keep growing. The DRC accounts for only 1% of global cocoa production, but the strong growth in production and exports registered in recent years highlights the significant potential of Congolese cocoa. According to official DRC export statistics, cocoa exports grew four-fold between 2015 and 2020 to reach 48,000 tons. Cocoa is predominantly grown and cultivated by smallholder farmers in North Kivu and Ituri, with an estimated cocoa production area of 50,000 hectares (ha). In Northern DRC, cocoa is produced in Equateur and Sud-Ubangi provinces, with an additional 15,000 ha of cocoa surface area. Cocoa is also grown in the northern and western regions of the DRC, with cocoa growing potential in Nord-Ubangi, Mai-Ndombe, Tshuapa, Tshopo, Kwilu, Bas Uele, and Haut Uele. Despite the presence of cocoa plants, the regions of Kongo Central, Nord Ubangi and Mai-Ndombe are less active in cocoa production.

In addition, a shift in consumer preference towards organic, specialty, and single-origin products creates new opportunities for the Congolese cocoa sector. The market for specialty cocoa, particularly 'single origin' and 'fine flavor' cocoa, which is generally produced from Criollo or Trinitario beans, is growing in Europe and North America. Consumers are increasingly interested in the origins of the chocolate they consume and the livelihoods of producers and their communities. In addition, there is rising demand for organic cocoa products produced sustainably, which positively impacts local communities. These trends are growing the popularity of certification schemes that can provide consumer confidence in the story and impact of cocoa products. The cocoa sector has led the development of voluntary sustainability standards, and demand for sustainably produced cocoa is expected to play an essential role in the structure of cocoa production moving forward.

At the international level, cocoa buyers and manufacturers, mainly in Europe and North America, are increasingly addressing social and environmental issues. In addition, as global consumers learn more about cocoa production, manufacturers have been seeking solutions to improve trade relationships with

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[1] Meyers, A. M. (2021, October). *Asian cocoa grindings rise as region looks to expand as global hub*. Confectionery News. Retrieved August 2022, from https://www.confectionerynews.com/Article/2021/10/21/Asia-cocoa-grindings-rise-4.1-in-3Q-as-region-looks-to-expand-as-a-global-hub

cocoa producers. As a result, there are more and more interventions designed to increase traceability in the cocoa trade, as well as efforts to see more revenue stay with farmers.

At the local level, a few Congolese cooperatives and private companies have gained the certification of voluntary sustainability standards, such as UTZ, Fairtrade, and Organic. Two cooperatives, four trading companies, and a local chocolate manufacturer have at least a voluntary sustainability standard certification. However, the number of certified companies in the cocoa sector is significantly smaller than in the coffee sector, partly because cocoa is mainly exported, in bulk, to large cocoa processors.

Access to finance solutions for cooperatives and farmers is extremely limited, creating opportunities for impact funds and local financial institutions. Collecting and processing high-quality cocoa requires financial resources that cocoa farmers cannot cover alone. Impact funds such as Root Capital have recently shown interest and secured board approval in investing in the cocoa value chain. The fund is screening local actors who prioritize the sustainable development of the organic cocoa sector in order to foster equitable and inclusive economic growth. Other impact funds, including SIDI and Alterfin, which provide loans to local coffee cooperatives, are not yet active in the cocoa industry. However the cocoa sector, attracting an increasing number of farmers and cooperatives, creates opportunities for impact investors. Donor programs and farmer-supporting organizations such as Trias, Rikolto and Agriterra can facilitate this process by strengthening the governance of existing cooperatives to make them eligible for financial institutions.

Reducing red tape and burdensome administrative procedures would promote further investments and sector growth. A burdensome legal framework and irregular application can hamper the smooth operation of a business in the DRC, and the cocoa sector is no exception. In 2017, International Peace Information Service (IPIS) mapped out 798 roadblocks in the Kivus, operated mainly by the Armed Forces of the Democratic Republic of the Congo (FARDC) personnel. The recent accession of the DRC to the East African Community (EAC) should create opportunities for the DRC to harmonize export costs with that of neighboring EAC countries to strengthen the competitiveness of the Congolese cocoa sector. In May 2022, USAID launched the East Africa Recovery and Reform Activity, which is focused on improving trade infrastructure, border management, and the efficiency of policy implementation to strengthen DRC's integration into regional and international trade markets.

The cocoa sector can benefit from improved transport infrastructure. Exporting from the DRC is expensive and can cost up to $220 per ton to Mombasa compared to as little as $80 per ton from Uganda to Mombasa[2]. It is difficult to navigate roads in cocoa-producing regions, which are mostly unpaved. This increases operation costs and reduces margins for local SMEs, adds cost to traders while degrading the quality of the cocoa being transported. Most cocoa exporters prefer to work with East African freight forwarders that transport goods into the DRC and offer cheaper outbound shipping rates. The cocoa beans are shipped to designated bonded warehouses in Kampala, where they are stored and handled for shipment onto lining containers. Once cocoa beans are packed in a liner container and brought to the port of Mombasa, they can be loaded directly aboard ships without incurring additional handling fees. With the DRC's recent entrance into the EAC, more emphasis should be placed on the development of the Northern Corridor. To foster regional cooperation by improving interstate and transit trade, the Northern Corridor is a multimodal trade route connecting East African states. When complete, the transport corridor would link the cocoa-growing region from Kisangani to Beni with the Port of Mombasa. The construction of the Banana port by DPW-GoDRC, the existence of Matadi gateway terminal (MGT) and his willingness to invest in dragging the Congo river in Matadi, including the existence of a highway connecting

[2] Based on interview response provided by the Association des Exportateurs du Cacao et Café in Beni, North Kivu

Kinshasa to Moanda, could play an important role in increasing and facilitating the exportation of cocoa from Equateur, Mai-ndombe and Kongo central provinces.

Local production of chocolate also has the potential to substitute a significant quantity of imports. The DRC imported 1,385 tons of chocolate products in 2020[3], typically of lesser quality and cocoa content. Many local chocolate manufacturers, such as Lowa Chocolate, Virunga Chocolate, and Kwetu Kwenu, have the potential to increase production and satisfy an increasing share of the local market. Extending existing import restriction programs to the chocolate sector may create the conditions allowing existing local producers to invest and expand their production.

Exporting semi-finished cocoa products to larger markets is an opportunity to grow the local processing industry in the DRC. Local processors must have reasonable quality control and close cooperation with international chocolate, baking, and beverage makers in order to develop and export locally processed cocoa products. In addition, semi-finished cocoa products are subject to more strict legal standards than cocoa beans. However, if done properly, the cocoa processing market can open up a wide range of prospects for businesses along the local cocoa value chain, such as in Cote d'Ivoire, which has an annual processing capacity of 712,000 tons.

The DRC can significantly increase the growth of its cocoa sector by improving the security situation and business environment. Security risks in eastern DRC hamper the cocoa sector's development by limiting the activities of traders, donors, and development actors. Still, the perceived risk is, at times, higher than the actual risk. For example, the activities of armed militias affect the cocoa-producing region between Kisangani and Beni. Fear of armed attacks, caused by prolonged pockets of insecurity, discourages farmers from accessing cocoa fields in the Rwenzori and Beni areas of North Kivu and Mambasa and Irumu areas in Ituri.

Nevertheless, existing security risks have not prevented an increasing number of traders from operating in the region, and the volume of exports from growing significantly. Reducing red tape and burdensome administrative procedures would promote further investments and sector growth. A burdensome legal framework and irregular application can hamper the smooth operation of business in the DRC, and the cocoa sector is no exception.

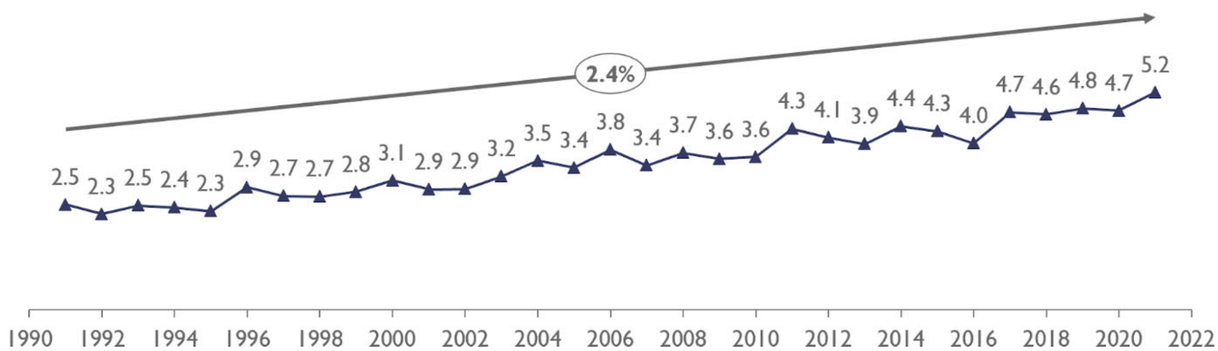
[3] 2020 Comtrade data

III. The global cocoa market

A. Market overview

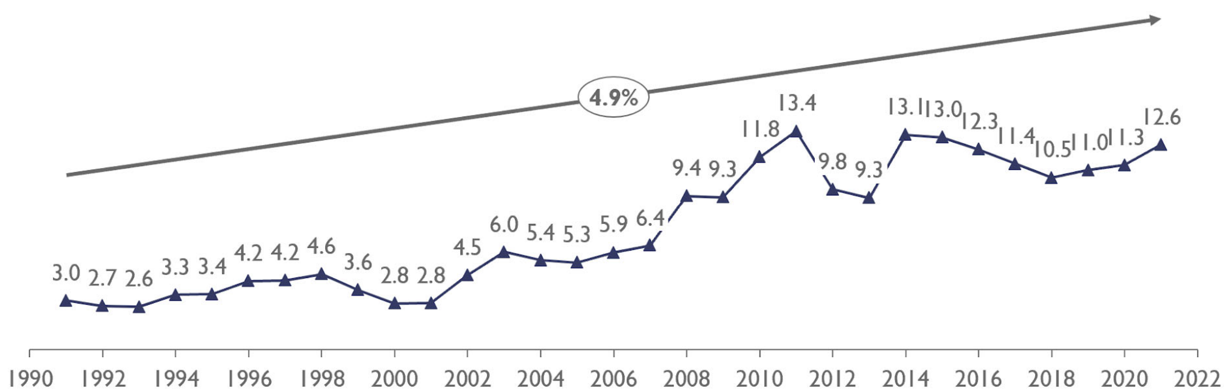
The global production of cocoa beans has more than doubled between 1991 and 2021, growing from 2.5 million tons in 1991 to 5.2 million tons in 2021, at an annualized rate of 2.4%.

Figure 1. Global production of cocoa (million tons)



Over the same period, the value of exported cocoa beans, whole and broken, grew from $3.0 billion to $12.6 billion, at an annualized rate of 4.9%. As a result, the chocolate industry, which consumed 43% of all cocoa in 2017, had a retail market value of $106.19 billion in 2017[4].

Figure 2. Market value of global production of cocoa (billion $)

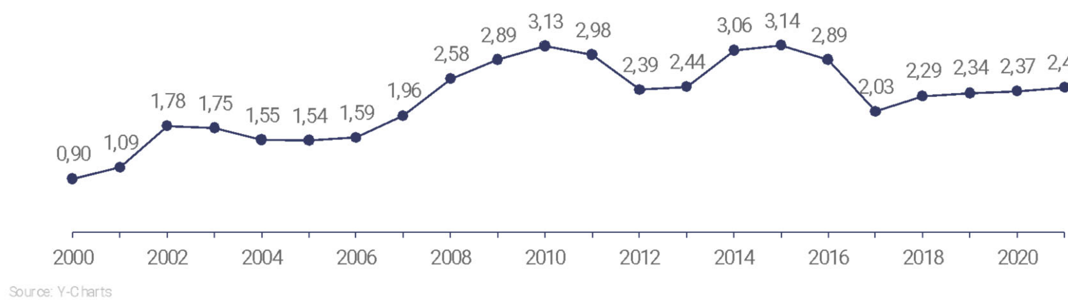


The global cocoa price has increased from $0.90 per kilogram in 2000 to $2.43 per kilogram in 2021. Chocolate manufacturers' use of cocoa has the most considerable impact on price. Chocolate manufacturers utilize cocoa in two forms: cocoa powder and cocoa butter. Cocoa butter is by far the more desirable of the two, as it provides more decadent chocolates and is used in thin chocolate confectionery treats. However, it is also more difficult and costly to produce, so any disruption in supply will eventually

[4] IISD, Global Market Report Cocoa, 2019

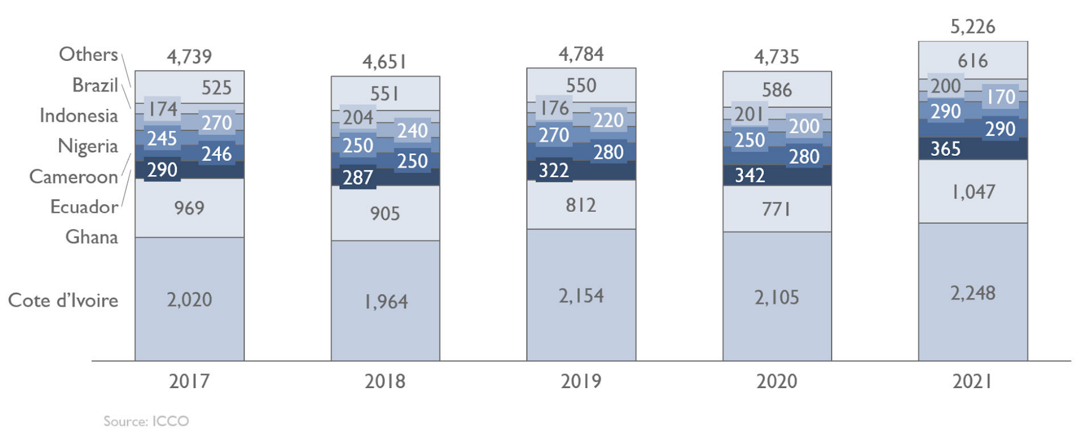
cause consumer prices to rise. Sub-Saharan Africa is the world's top cocoa-growing region, delivering more than 70 percent of the world's supply. Variations in global cocoa supply are caused by a range of variables that occur on the continent, including political and social upheaval and labor concerns. In addition, the impact of weather, diseases, and pests on crop yields has not been conducive to cocoa bean growth, which has contributed significantly to climate-related supply issues and price fluctuations.

Figure 3. Average annual price of cocoa beans per kilogram, 2008-2021 (in USD)



Côte d'Ivoire and Ghana account for over half of global cocoa bean production. In 2021, Côte d'Ivoire, with a production of 2.2 million tons, and Ghana, with a production of 1.0 million tons, accounted for 63% of the global production of cocoa beans. Other significant producers include Cameroon and Nigeria in Africa, Ecuador, Brazil, Peru, the Dominican Republic in Latin America, and Indonesia.

Figure 4. Global production of cocoa beans, by country ('000 tons)



There are three main varieties of cocoa (of which Forastero is the most common) and multiple sub-varieties. Traditionally, cocoa is classified into Forastero, Criollo, and Trinitario, based on the cocoa pods, yield, disease resistance, and flavor pattern. Forastero presents an intense chocolate flavor and accounts for about 90% of the world's cocoa supply. Its popularity is due to the fact that it is much harder and less susceptible to diseases than other types. Criollo, which accounts for only a 1% share of global production, is delicate and sweet. Trinitario is a hybrid of the above varieties and accounts for less than 10% of cocoa production. It combines a Forastero aroma and a delicate criollo flavor.

Figure 5. Overview of main cocoa varieties

Name	Share of the global market	Varieties	Characteristics
Forastero	90-95%	Amelonado, Cundeamor, Calabacillo	Bitter, sour taste High in tannin 30-40 beans per pod Disease resistant
Criollo	1%	Porcelana Chuao Ocumare	Nutty, fruity aroma Mildly acidic Low yielding Disease susceptible
Trinitario	<10%	Forastero/Criollo hybrid	The ratio of Criollo to Forastero influences the complexity of flavors

ISO 2451 defines the terms and grade standards used to classify cocoa beans. Cocoa beans are graded based on the count of defective beans in what they call a 'cut test.' During a cut test, roughly ten fermented cacao beans are cut in half to evaluate their centers. At least 70% of the beans must be fermented to the correct level to be considered successful[5]. The standard specifies that cocoa beans are to be fermented and dried at a moisture level that does not exceed 7.5%. The cocoa beans should also be free of adulteration, living insects, and other infestations. Cocoa beans are classified into grade I and grade II. The grade standards mandated by ISO 2451 outline the maximum limits for producing fermented cocoa beans[6].

Figure 6. ISO 2451 maximum limit specifications

Classification	Moldy	Slaty	Insect damage
Grade I	3%	3%	3%
Grade II	4%	8%	6%

Cocoa beans are transformed into cocoa liquor, butter, and powder to produce chocolate, foodstuffs, and cosmetics. The process of transforming cocoa beans into chocolate is complex as beans must be cleaned, roasted, shelled, and ground. Cocoa grindings are cocoa beans that are processed into butter and powders. Semi-finished cocoa products, such as cocoa paste, butter, and powder, are mainly used in the food, beverage, and confectionery industries. The beverage industry mainly uses cocoa powder. The baking industry uses cocoa paste and cocoa powder. The chocolate industry uses cocoa paste, cocoa butter, and couverture. Cocoa butter is also used in the cosmetic industry.

5 Regalado, M. G. R. (2019, August). *What is a cacao cut test and when is it useful*. Perfect Daily Grind. Retrieved May 2022, from https://perfectdailygrind.com/2019/08/what-is-a-cacao-cut-test-when-is-it-useful/

6 Wood, R. W. (1985). *Cocoa* (4th Edition). Longman Group. https://onlinelibrary.wiley.com/doi/pdf/10.1002/9780470698983.app2

Figure 7. Semi-finished cocoa products

Product	Objective
Cocoa paste (liquor)	Essential in manufacturing chocolates, bakery goods, ice creams, and beverages
Cocoa butter	The key element to give the chocolate a smoother texture is also used in the cosmetic and health industries
Cocoa powder	A by-product of cocoa processing is used in the food industry, mainly dairy, bakery goods, and beverages. Also sold directly to consumers for use in chocolate drinks and recipes
Couvertures	Chocolate made with extra cocoa butter to give a high gloss used by chocolate manufacturers and other confectionary industries for covering baked goods and sweets

The cocoa grinding market is dominated by global multinationals. The six largest international cocoa grinders are Cargill, Barry Callebaut, Olam, Sucden, Touton, and Ecom. Swiss cocoa processor and chocolate manufacturer Barry Callebaut is the largest cocoa grinder in the world, with a market share of 20.7% in 2019[7]. American-based Cargill Cocoa and Chocolate is the second leading grinder with a market share of 14.6%, followed by Olam International with a market share of 13.9% in 2019. Global chocolate makers like Mars, Mondelez, Nestle, Ferrero, Hershey, and Lindt typically buy from these multinationals[8]. Major international chocolate makers prefer to source semi-finished cocoa products from multinational grinders mainly because they have the scale and finance to guarantee the quality and availability of beans. This limits export opportunities for local grinders at origin.

A significant share of cocoa beans is ground in consumer markets. Europe is home to large confectionery and food industry manufacturers, two industries that demand large quantities of semi-finished cocoa. EU countries produced nearly 1.5 million tons of coffee grindings in 2019. European confectionery and food manufacturers usually grind cocoa beans directly or purchase semi-finished cocoa from European grinders[9]. Asian demand for chocolate is driving a surge in the region's cocoa grindings. There is an increasing appetite for chocolate bars, drinks, ice cream, and biscuits, led by populous countries such as India and China. Indonesia was the top grinding country in Asia with 480 thousand tons produced, followed by Malaysia with 380 thousand tons.

Côte d'Ivoire and Ghana are emerging cocoa processing and grinding countries. Between 2000 and 2020, Ivorian cocoa grindings doubled from 230 thousand tons to over 614 thousand tons. In 2021, the Côte d'Ivoire government increased its national cocoa processing capacity to roughly 800,000 tons[10]. Large multinationals such as Cargill, Barry Callebaut, Olam and Cemoi, have grinding plants in Côte d'Ivoire. In

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[7] Industry Research. (2022, March 1). *Global Cocoa Market Size Estimation 2022*. Global Newswire. Retrieved April 2022, from https://www.globenewswire.com/news-release/2022/03/01/2394562/0/en/Global-Cocoa-Market-Size-Estimation-2022-Analysis-By-Industry-Share-End-User-Demand-Growth-Factors-CAGR-of-2-3-Industry-Statistics-Overview-Leading-Players-Callebaut-Cargill-Nestle.html#:~:text=For%20cocoa%20bean%20grinders%2C%20Barry,13.90%20percent%20in%202019%2C%20respectively.&text=This%20report%20focuses%20on%20global%20and%20Japan%20Cocoa%20market.

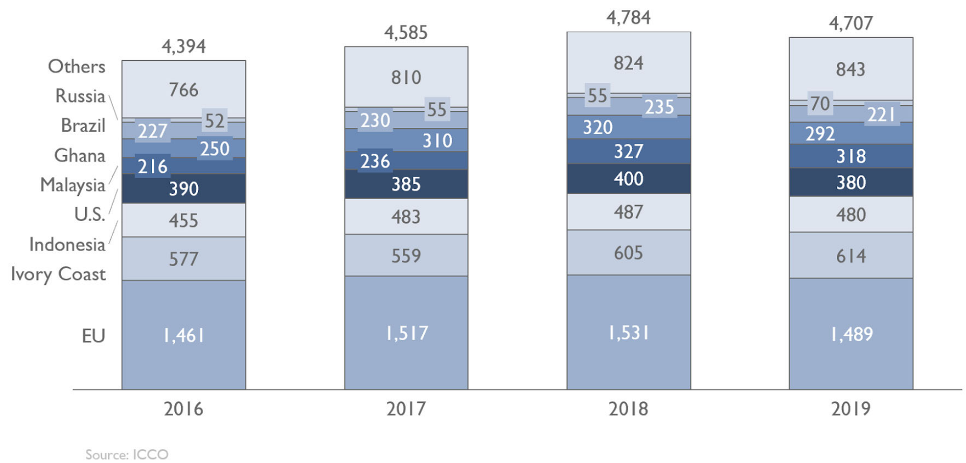
[8] Aboa, A. A. (2021, January). *Ivorian cocoa traders seek to end multinationals' dominance of exports*. Reuters. Retrieved April 2022, from https://www.reuters.com/article/uk-ivorycoast-cocoa-exporters-idUSKBN29V1MO

[9] CBI Ministry of Foreign Affairs. (2021, November 25). *What is the demand for cocoa on the European market*. CBI. Retrieved March 2022, from https://www.cbi.eu/market-information/cocoa/trade-statistics

[10] Reuters. (2020, September 22). Côte d'Ivoire to boost cocoa processing with two new factories. Retrieved April 2022, from https://www.reuters.com/article/cocoa-ivorycoast-processing-idUSL5N2GJ4DY

Ghana, cocoa grindings reached 292,000 tons in 2019. Cargill's cocoa processing facility in Ghana is the largest, with an annual production capacity of 90,000 tons. Although it is the government of Ghana's intention to encourage local processing, this is not always given top priority because it takes time for local value addition to develop and become competitive on a global scale and does not, therefore, create foreign exchange right away. Alternatively, direct exports generate immediate foreign exchange profits. In order to get lower-cost US dollar loans on global markets, the central bank uses the contracts for raw cocoa beans as collateral. This serves as a significant source of foreign exchange for the government and helps stabilize the local currency[11].

Figure 8.Global cocoa beans grinding, by country ('000 tons)

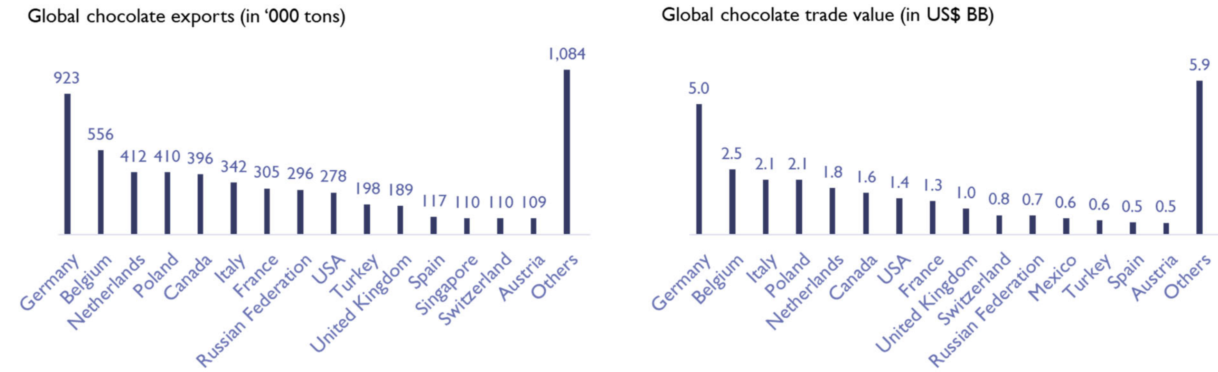


Global trade of chocolate and cocoa finished products amounted to 5.7 million tons in 2020 for a trade value of $28 billion. European countries led the world in exports of chocolate, accounting for more than 76% of global chocolate exports in 2020. Germany is the world's largest exporter of chocolate, with 923,000 tons exported for a global market share of 17%[12]. Leading chocolate manufacturers in Germany are Stollwerck Chocolates Company, La Maison du Chocolat, Tortchen, and Leonidas Chocolates. Belgium is the second largest chocolate exporter, with 556,000 tons exported in 2020. Belgium is followed by the Netherlands and Poland, exporting 412,000 tons and 410,000 tons of chocolate in 2020. The largest importer is the United States, which in 2020 brought in 685,000 tons valued at $2.88 billion. Germany is the largest importer of chocolate in Europe, with total imports of 503,000 tons with a trade value of $2.46 billion. Other major importing countries are the United Kingdom, France, the Netherlands, and Canada.

[11] Van Huellen, S., & Abubakar, F. M. (2021). Potential for Upgrading in Financialised Agri-food Chains: The Case of Ghanaian Cocoa. *The European Journal of Development Research*, *33*(2), 227–252. https://doi.org/10.1057/s41287-020-00351-3

[12] CBI. (2020, February). *The German market potential for cocoa*. CBI Ministry of Foreign Affairs. Retrieved 2022, from https://www.cbi.eu/market-information/cocoa-cocoa-products/germany/market-potential

Figure 9. Global chocolate exports, 2020



Source Comtrade

The minimum cocoa content of chocolate differs significantly from one market to another. The EU's minimum cocoa mass for milk and pure chocolate is 35%. The EU allows up to 5% of chocolate's content to be made of illipe oil, palm oil, sal fat, shea butter, kokum gurgi, or mango kernel oil[13] instead of cocoa butter. To be considered chocolate in the US, products labeled as chocolate have to contain a minimum of 10% cocoa liquor in milk chocolate, 15% cocoa liquor in sweet chocolate, and 20% cocoa fat in white chocolate. Any products that don't meet these minimum requirements are labeled as chocolaty or chocolate-flavored[14].

In contrast, using cocoa butter substitutes such as vegetable oil is not permitted in Canada. Canada does not permit most artificial sweeteners. Products manufactured or imported into Canada containing non-permitted ingredients must be labeled candy.

Figure 10. Minimum cocoa content in chocolate products

Name	US	Canada	EU	Japan
Milk chocolate	10% cocoa liquor	15% cocoa butter 25% cocoa solids	25% cocoa solids	21% cocoa solids 18% cocoa butter
Sweet/pure chocolate	35% cocoa liquor	18% cocoa butter 31% cocoa liquor	35% cocoa solids	60% cocoa liquor
White chocolate	20% cocoa fat	20% cocoa butter	20% cocoa butter	20% cocoa butter

Each step of the chocolate manufacturing process has an impact on the overall quality of the chocolate end-product. The taste, texture, and cocoa content make the difference between high-end chocolate and low-end chocolate. High-end chocolate products use the purest ingredients, such as Trinitario or Criollo cocoa beans, rather than low-quality cocoa beans and artificial flavorings. Specialty chocolate manufacturers produce high-end chocolate products such as bean-to-bar or single-origin chocolates that

[13] European Commission- Agriculture and Rural Development. (2006, June). *The impact of directive 2000/32/EC on the economies of the countries producing cocoa and vegetable oils other than cocoa butter*. European Commission. Retrieved May 2022, from https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/key_policies/documents/ext-eval-chocolate-fullrep_2006_en.pdf

[14] USFDA. (2022, March). *Part 163: Cacao Products*. United States Food and Drug Administration. Retrieved May 2022, from https://www.ecfr.gov/current/title-21/chapter-I/subchapter-B/part-163#sp21.2.163.b

signify quality taste as well as the traceability of the cocoa. Middle-range chocolate products are characterized by good quality cocoa beans, either Trinitario or Forastero, which have sustainable certification[15]. The narrative behind the cocoa origin is a crucial characteristic of the middle-range chocolate segment. Low-end chocolate products have low cocoa content and consist of preservatives that affect the flavor and quality of the finished product. Low-end products use compound chocolate rather than pure chocolate, meaning the fat comes from vegetable oil rather than cocoa butter. Vegetable oil is more cost-effective than cocoa butter and melts easier, making it easier to control during manufacturing[16].

Figure 11.Characteristics of chocolate segments

High-end chocolate
- 5-7% market share
- High cocoa content
- Specialty chocolate
- Single origin
- Bean-to-bar
- Traceability

Middle-range chocolate
- <10% market share
- Good quality beans
- Single origin
- Sustainably certified
- Storytelling

Low-end chocolate
- 80-85% market share
- Low quality bulk cocoa
- Low cocoa content
- Preservatives

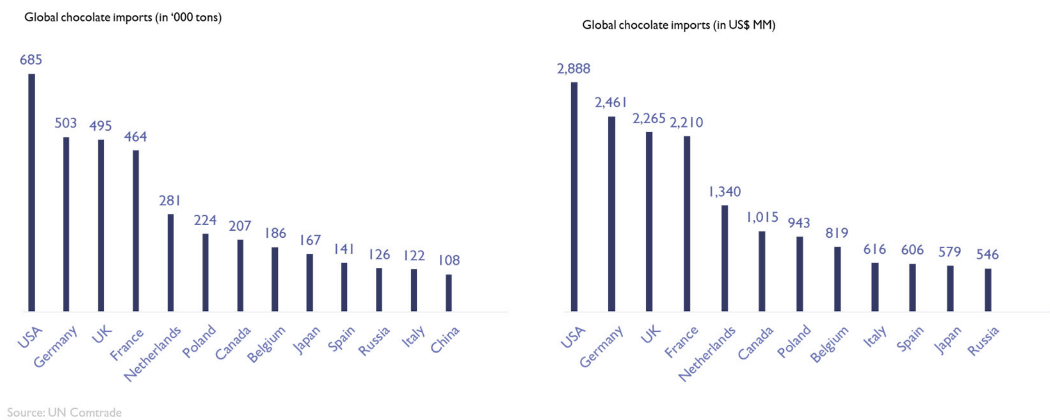
The top ten importers of chocolate are countries considered 'well-developed' or 'advanced.' In 2020, the US was the largest importer of chocolate in the world, with 685,000 tons imported with a trade value of $2.9 billion. The US imports chocolate from Canada ($1.52 billion), Mexico ($554 million), Germany ($150 million), Belgium ($122 million), and Poland ($80.9 million)[17]. In 2020, Germany was the second largest importer of cocoa, with 503,000 tons of chocolate imported with a value of $2.46 billion.

[15] CBI. (202–01-14). *Entering the Belgian market for cocoa*. CBI Ministry of Foreign Affairs. Retrieved April 2022, from https://www.cbi.eu/market-information/cocoa-cocoa-products/belgium/market-entry

[16] Warrel. (2016, January). *The difference between good and bad chocolate*. Well Creations. Retrieved May 2022, from https://www.warrellcorp.com/blog/difference-between-good-chocolate-and-bad-chocolate/

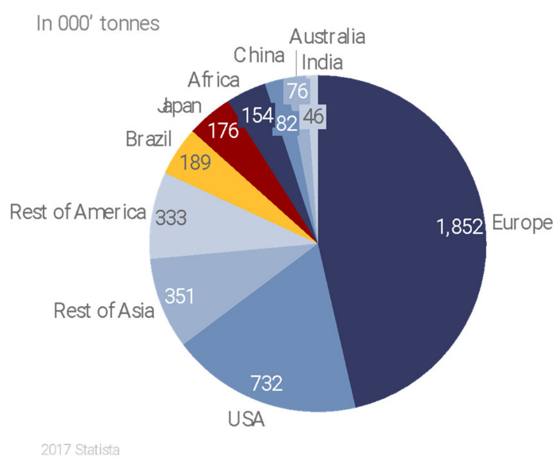
[17] OEC. (2021). *Chocolate in the United States*. Retrieved March 2022, from https://oec.world/en/profile/bilateral-product/chocolate/reporter/usa?redirect=true#:~:text=United%20States%20imports%20Chocolate%20primarily,and%20Austria%20(%245.41M).

Figure 12. Global imports of chocolate products, 2020



The United States and Europe account for the majority of the world's chocolate consumption.

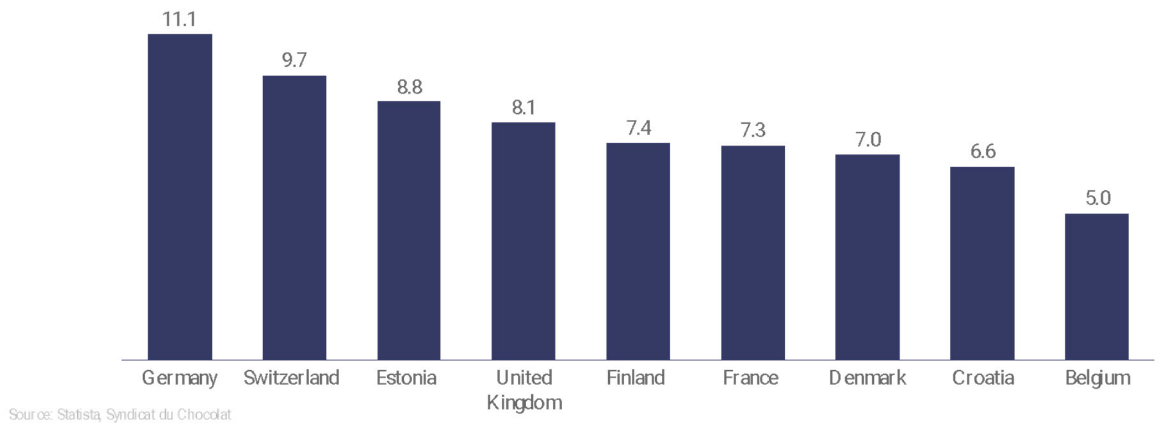
Figure 13. Global chocolate consumption, by region



The world's average chocolate consumption amounts to an estimated 0.9 kg per capita per year[18]. European countries significantly consume higher averages of chocolate per capita. The largest chocolate consumers in the world are the Germans, with a per capita consumption of 11.1 kg per person in 2020. Switzerland was ranked as the second-largest with 9.7 kg per capita, followed by Estonia with 8.8 kg. Emerging economies such as India and China are leading the growth in chocolate as consumer preferences, lifestyles, and exposure to international brands have led to increased consumption. Though low-end mass-produced brands dominate the global market, there are emerging trends such as healthy indulgence of low-fat and sugar-free chocolates due to consumers' growing health consciousness.

[18] CBI. (2021, November). *What is the demand for cocoa on the European market*. CBI Ministry of Foreign Affairs. Retrieved March 2022, from https://www.cbi.eu/market-information/cocoa/trade-statistics

Figure 14. Global consumption per capita, 2020 (in kg)

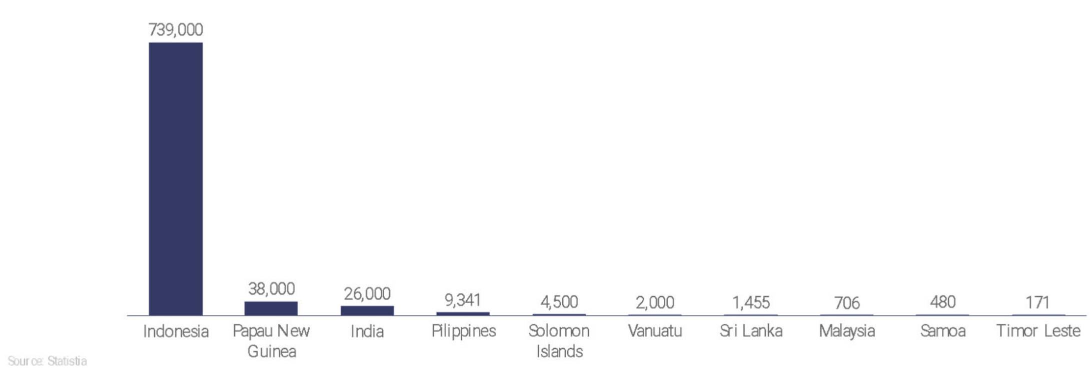


B. Global trends

Demand for cocoa is growing globally, but demand patterns in the largest markets are evolving. In developed markets, demand for certified chocolate, premium single-origin chocolate, and dark chocolate (perceived as healthier) is expected to increase, opening up opportunities for specialized cocoa producers. However, demand for commercial chocolate in these markets may be constrained in other segments due to health concerns, market saturation, and shifting retail habits. Economic and population growth drives demand for commercial and premium chocolates in developing markets such as Mexico, China, Indonesia, Turkey, and India.

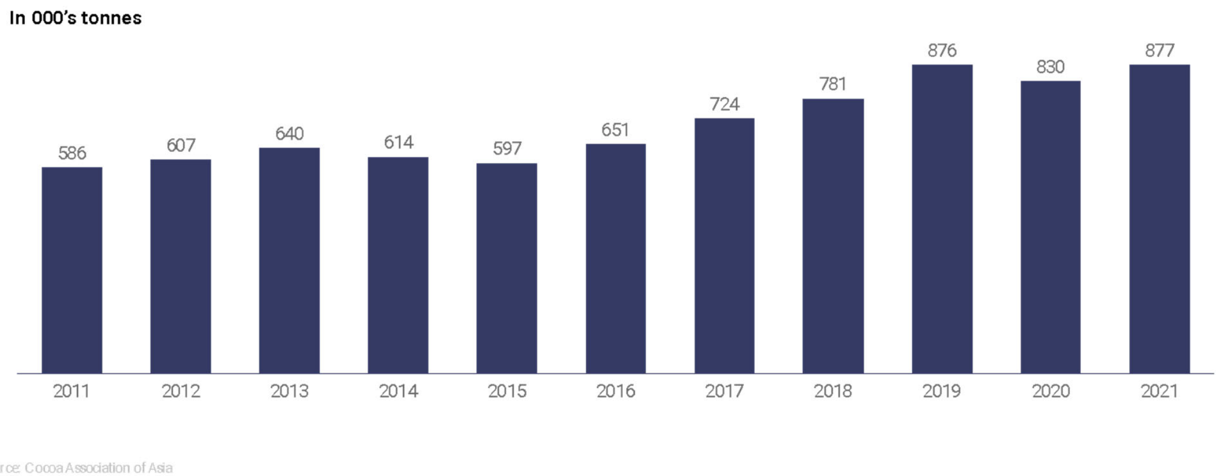
Chocolate demand is growing strongly in emerging markets across Asia. Cocoa isn't a new crop in Asia. Similar to other ex-colonies, Southeast Asia acquired the cacao tree through European colonization in the 18th century. Due to the Dutch in Indonesia, the British in Malaysia, and the Spanish in the Philippines, vast tracts of land in these nations were transformed into chocolate plantations to fulfill the cocoa demand in Europe at the time. As a result, cocoa is mostly a bulk commodity sold and exchanged at cheap costs today. The repercussions have driven farmers to switch to more profitable cash crops, such as palm oil, rubber, and durian. The only exception has been Indonesia, which leads Asia in cocoa production. There are around 1.5 million hectares of cocoa plantations in the country.

Figure 15. Top 10 Asian cocoa bean production, 2020 (in tons)



Cocoa grinding has more significant potential in Asia than cocoa farming. Indonesia is the largest cocoa grinder in Asia. The majority of Indonesia's cocoa production has been exported in the form of raw cocoa beans. In 2010, the Indonesian government attempted to boost local value-added processing activities by imposing an export tax of five to fifteen percent on unprocessed cocoa beans, depending on variations in international prices[19]. As a result, Indonesia's grinding capacity has expanded from 250,000 tons in 2009 to 400,000 tons in 2021. The second largest grinder in Asia is Malaysia. The country produces less than 1,000 tons of cocoa beans per year on average, yet in 2020 it was the sixth-largest cocoa grinder in the world. Malaysia imports most of its cocoa from Africa and grinds an estimated 460 thousand tons annually from its hub at the Port of Tanjung Pelepas[20].

Figure 16. Cocoa grindings in Asia



Awareness of the health advantages of premium chocolate and cocoa products has contributed to the expansion of the sector in Asia. The rise in consumption can be linked to the idea that chocolate with a greater cocoa content is healthier and an effective stress reliever. In addition, there is a growing recognition of the anti-aging properties of dark chocolate, and cocoa has also been crucial to the expansion of cocoa beverages. Millennials have driven the desire for fat-free, sugar-free chocolates with a high cocoa percentage. Additionally, fruit-flavored and nut-filled chocolates are popular[21].

Inexpensive cocoa alternatives and substitutions hamper the increasing popularity of healthy chocolates in Asia. Moreover, with the market being so new, industry guidelines are less restrictive than in developed markets, like Europe, where the legislation is more rigorous. The vast majority of Asian countries buy cocoa from Africa. This causes an unstable supply chain and price fluctuations for cocoa beans. Chocolatiers and confectioners utilize palm oil, soybean oil, shea butter, and rapeseed oil as cocoa

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[19] Indonesia Investments. (2014). *Cocoa*. Retrieved 2022, from https://www.indonesia-investments.com/business/commodities/cocoa/item241#:~:text=The%20country%20currently%20has%20approximately%201.5%20million%20hectares%20of%20cocoa%20plantations.&text=The%20main%20Indonesian%20cocoa%20producing,of%20Indonesia's%20total%20cocoa%20production.

[20] Meyers, A. M. (2021, October). *Asian cocoa grindings rise as region looks to expand as global hub*. Confectionery News. Retrieved August 2022, from https://www.confectionerynews.com/Article/2021/10/21/Asia-cocoa-grindings-rise-4.1-in-3Q-as-region-looks-to-expand-as-a-global-hub

[21] Fortune Business Insights. (2020). *The Asia Pacific cocoa and chocolate market size*. Retrieved July 2022, from https://www.fortunebusinessinsights.com/asia-pacific-cocoa-and-chocolate-market-104205

alternatives to combat these interruptions. The popularity of cheaper alternative ingredients is based on their cost efficiency. Numerous Asian producers are substituting cocoa butter with cocoa butter equivalents made from a mixture of shea stearin and palm mid fraction.

There are rising consumer preferences across Asia which varies from country to country. In general, Asian palates differ from Europeans and Americans, preferring lighter, sweeter desserts. According to Nestlé, chocolate products in Asia tend to be more powder-based and contain less cocoa. The cocoa industry in China is still in the developing phase compared to markets like Japan. However, the growing middle class, urbanization, and evolving consumer tastes have contributed to increased consumption. In addition, recognizing the potential for organic labels in China, more well-established brands, such as Nestlé and Mars, are focusing on strengthening organic product offerings in the country. In India, chocolate consumption was low until the 1990s. However, consumption has increased due to growing population urbanization and innovative varieties of chocolates dedicated to the Indian palate. In South Korea, the emerging trend of dining out and the expansion of cafes and chocolate shops have been vital in growing local consumption.

There is an increasing demand for specialty chocolate and 'fine flavor' cocoa in Europe and North America. As a result, the market for specialty cocoa, particularly 'single origin" and fine flavor' cocoa, which is generally produced from Criollo or Trinitario beans, is growing in the two regions. Consumers are increasingly interested in the origins of the chocolate they consume, the agro-climatic features of production areas, and the story of producers and their communities.

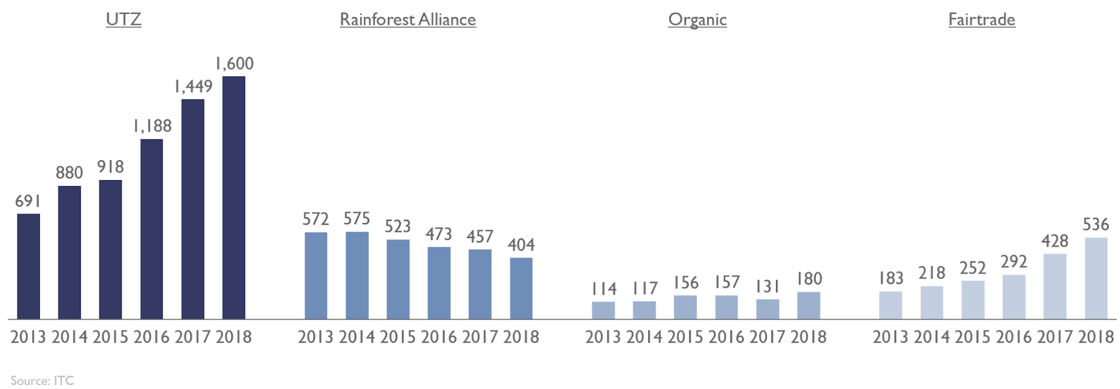
There is also rising demand for organic cocoa and products produced sustainably and positively impacting local communities. These trends are growing the popularity of certification schemes that can provide consumer confidence in the story and impact of cocoa products. The cocoa sector has led the development of voluntary sustainability standards, and demand for sustainably produced cocoa is expected to grow faster than conventional cocoa. Voluntary sustainability standards (VSS) started being adopted in the cocoa sector over 20 years ago, and adoption has been increasing. VSS offers producers a label to distinguish their products in the marketplace. Producers must adopt specific social and environmental practices to earn labels such as UTZ, Rainforest Alliance, Fairtrade, or organic. According to the International Trade Centre, about one-third of cocoa produced in 2018 (1.6 million tons) was UTZ certified, compared to 14% in 2013; 11% (536 thousand tons) was Fairtrade certified compared to 4% in 2013; 4% (180,000 tons) was organically certified compared to 2% in 2013; and 8% (404,000 tons) was Rainforest certified compared to 4% in 2013.

Figure 17. Cocoa certifications

Certification	Objective
UTZ	Cocoa produced uses production methods that protect forests, promote climate-smart farming practices, respect human rights and improve sustainable livelihood opportunities (merged with the Rainforest Alliance in 2020)
Rainforest Alliance	Standard designed to conserve ecosystems, protect biodiversity and waterways, conserve forests, reduce agrochemical use, improve livelihoods, and safeguard the rights and well-being of workers and local communities
Fairtrade	Cocoa that carries the Fairtrade label indicates that producers are paid a Fairtrade Minimum Price.
Organic	Requires cocoa to be grown without the use of synthetic nutrients as well as practices for plant protection and soil conservation.

Fair for life	Responsible supply chains take account of human rights, fair working conditions, and the promotion of sustainable agricultural practices.
Small Producers Symbol	Promotes a local and global market that values the identity and the economic, social, cultural, and ecological contributions of products from producers' organizations

Figure 18. Estimated global standard-compliant cocoa production volumes ('000 tons)



International cocoa buyers and manufacturers are increasingly addressing social and environmental issues. As global consumers learn more about the details of cocoa production, manufacturers have been seeking solutions to improve trade relationships with cocoa producers. There are more and more interventions designed to increase traceability in the cocoa trade, as well as efforts to see more revenue stay with farmers. In 2014, the ten largest chocolate multinationals introduced a cocoa sustainability scheme called CocoaAction, jointly investing $500 million in sustainable cocoa production in West Africa to support cocoa planters[22].

Figure 19. Sustainability programs from international buyers

Company	Program	Objective
Nestlé	Nestle Cocoa Plan	Create a sustainable cocoa supply chain by improving the lives of farmers and the quality of their products
Mars	Sustainable in a Generation Plan	Reducing greenhouse gas emissions through investments in renewable energy and addressing waste issues.
Ferrero	Social Corporate Responsibility	Source 100% sustainable cocoa through independently managed standards
Mondelez	Cocoa Life	Investing $400 million from 2012-2022 to empower 200,000 cocoa farmers and reach one million community members
Cargill	Cocoa Promise	Enabling cocoa farmers to achieve a better income and standard of living
Barry Callebaut	Forever Chocolate	Making sustainable chocolate the norm by 2025

[22] New Foresight. (2018). CocoaAction: An industry-wide strategy connecting the world's leading chocolate companies. Retrieved April 2022, from https://www.newforesight.com/frontrunnersfeatured/worldcocoafoundation/

Lindt & Sprüngli	The Farming Program	Facilitating higher productivity of farms, diversified household incomes, preservation of biodiversity and natural ecosystems in cocoa-growing regions

Processing at origin is becoming more and more popular. Today, many multinationals have their processing facilities in cocoa-producing countries. For example, Mondelez, Barry Callebaut, Cargill, and OLAM work as both cocoa processors and exporters in Ghana and Côte d'Ivoire and as importers and manufacturers in Europe and the US. Major producers such as Ghana, Côte d'Ivoire, and Cameroon have been promoting primary processed cocoa products to international buyers on behalf of domestic processors. In addition, there is a growing number of small-scale artisan chocolate makers in producer countries manufacturing chocolate for the domestic market.

Africa produces over 70% of the global cocoa supply, but the continent only consumes 3% of global consumption. Per capita consumption on the African continent is estimated at 0.5kg[23]. In Ghana, per capita, annual chocolate consumption is estimated at 0.5kg[24] by industry experts, though the government believes its closer to 1kg[25]. In Côte d'Ivoire, consumption per capita is estimated at 0.45 kg[26]. The lack of sufficient economic resources may be one reason African populations do not consume as much chocolate. For example, Ghana's minimum wage is approximately $1.91 per day, while the average cost of a chocolate bar is $1.05[27]. This means that a typical minimum wage Ghanaian must set aside 55% of their daily pay in order to buy a chocolate bar. Large multinationals have the largest market share for those that consume chocolate on the continent. Mars and Mondelez control most of the African confectionery market, followed by Nestle.

There is high potential to grow consumption in producer countries with growing middle-class segments and when lower-income consumers become a larger market segment. Consumption in Ghana and Côte d'Ivoire is rising for a range of cocoa-based products. The upper class and foreigners favor chocolate bars, while locals prefer cocoa-related products such as cocoa pralines, cocoa butter, cocoa powder, and chocolate spread[28].

[23] Nieburg, O. N. (2017, July 17). *Africa steadily finding its way on the world chocolate map*. Confectionery News. Retrieved August 2022, from https://www.confectionerynews.com/Article/2017/07/20/Africa-chocolate-market-to-grow-above-world-average#:~:text=Annual%20per%20capita%20chocolate%20consumption,the%20UK%2C%20US%20and%20Switzerland.&text=He%20said%20chocolate%20is%20traditionally,by%20relatives%20visiting%20other%20countries.

[24] Oduro, N. B. O. (2022, February). *Increased cocoa consumption can considerably reduce the national health bill*. The Cocoa Post. Retrieved August 2022, from https://thecocoapost.com/increased-cocoa-consumption-can-significantly-reduce-annual-health-bill/

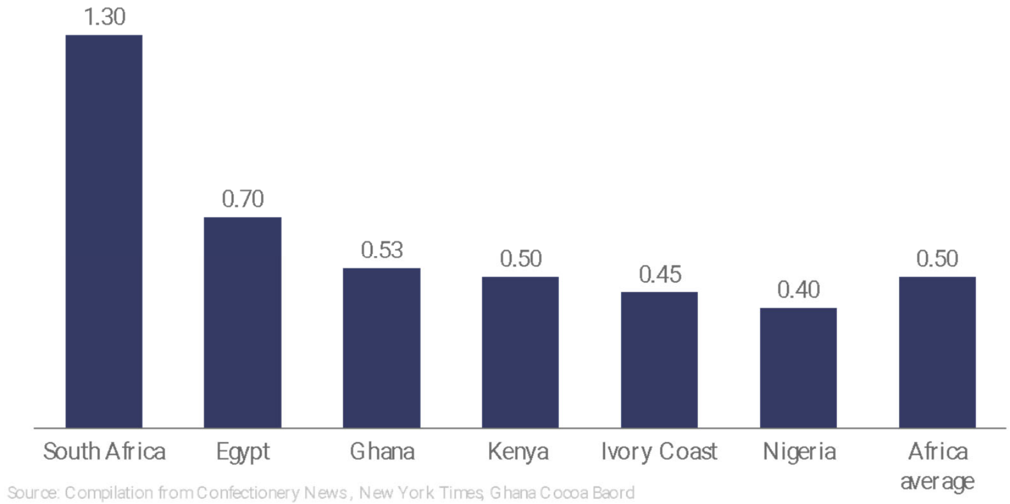
[25] Nixon, C. (2023, March 5). *Ghana's average cocoa consumption hits 1 kilogramme per capita - MyJoyOnline.com*. MyJoyOnline.com. https://www.myjoyonline.com/ghanas-average-cocoa-consumption-hits-1-kilogramme-per-capita/

[26] Peltier, E., & Caballero-Reynolds, A. (2022, August 13). *Ivory Coast, a Big Cocoa Exporter, Tries to Move Up the Ladder*. The New York Times. https://www.nytimes.com/2022/08/13/world/africa/ivory-coast-chocolate.html

[27] Leissle, K. (2018). *Cocoa (Resources)* (1st ed.). Polity.

[28] Peltier, E. P. (2022, August). *Ivory Coast supplies the world with cocoa. Now it wants to supply itself*. New York Times. Retrieved August 2022, from https://www.nytimes.com/2022/08/13/world/africa/ivory-coast-chocolate.html

Figure 20. Per capita consumption in key African markets (in kg)



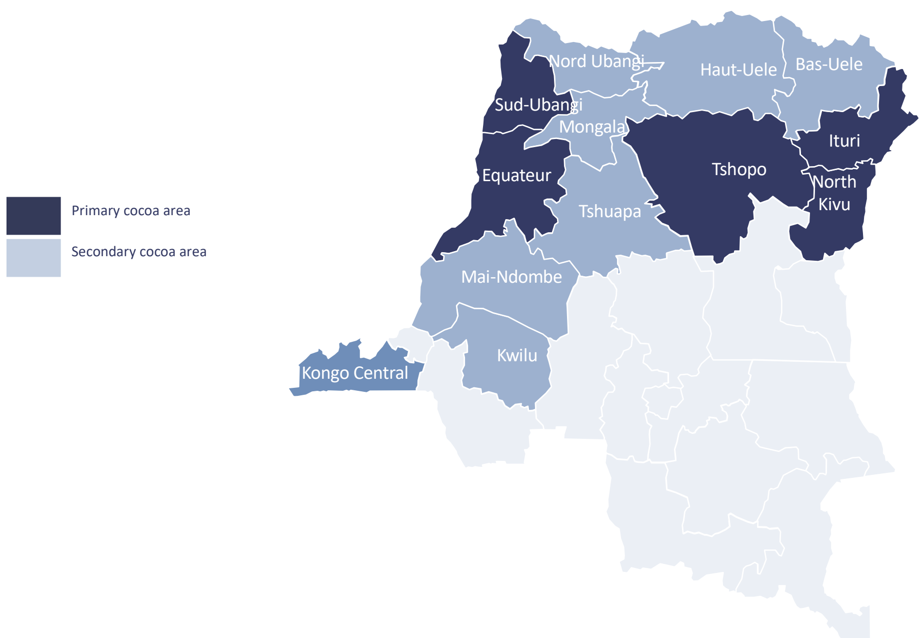
IV. Cocoa production in the DRC

A. Production and exports

Cocoa is predominantly grown and cultivated in North Kivu, Ituri, and Tshopo provinces by smallholder farmers intercropping with other food crops. Cocoa was first cultivated on commercial plantations in the early 20th century during colonial rule. Most of the plantations were based in the western provinces; however, production diminished after independence in 1960. It resurged in the 1990s in eastern provinces after coffee farmers were hit with the coffee wilt disease, a fungus that destroyed coffee crops across the region. According to genetic mapping performed by Eastern Congo Initative (ECI) and Mars, most of the Congolese cocoa comes from Forastero clones, with some Trinitario trees also present[29].

The estimated cocoa production area in North Kivu and Ituri is 50,000 ha. There is an additional 15,000 ha of cocoa surface area in Equateur and Sud Ubangi. Cocoa is also grown in the northern and western regions of the DRC, with cocoa growing potential in Nord-Ubangi, Mai-Ndombe, Tshuapa, Kwilu, Bas Uele, Kongo-Central and Haut Uele. However, not all these regions are still active in cocoa growing, regardless of the fact that cocoa trees are present. This is due to small quantities, weak infrastructure, and the remoteness of some of the areas. Forastero is the most widely grown variety in the DRC[30].

Figure 21. Cocoa growing regions, DRC



Cocoa is the leading agricultural export from the DRC. While DRC's agricultural exports are small compared to mining exports, agriculture is a critical source of employment and subsistence for local populations. Cocoa is the leading agricultural export product and an essential source of revenue for farmers involved in its production. According to official DRC export statistics, cocoa exports grew four-

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[29] confectionerynews.com. (2017, July 20). *Cocoa in the Congo: Emerging origin for organic chocolate makers*. https://www.confectionerynews.com/Article/2017/07/20/Cocoa-in-the-Congo-Emerging-origin-for-organic-chocolate-makers

[30] ELAN RDC. (2019, April). *The cocoa and coffee opportunity in the Democratic Republic of Congo*. Retrieved March 2022, from https://static1.squarespace.com/static/5bc4882465019f632b2f8653/t/60bf58aecc89035b21843601/1623152826644/CocoaandCoffee.pdf

fold between 2015 and 2020 to reach 48,000 tons. While alternative sources such as Office Congolais de Contrôle (OCC) report lower volumes (28,000 tons in 2019), all sources and sector stakeholders highlight the strong growth registered by the sector in recent years. This is even though large volumes of cocoa are believed to be smuggled into Uganda illegally.

Figure 22. Cocoa, agricultural, and total exports from the DRC, 2019 (million $)

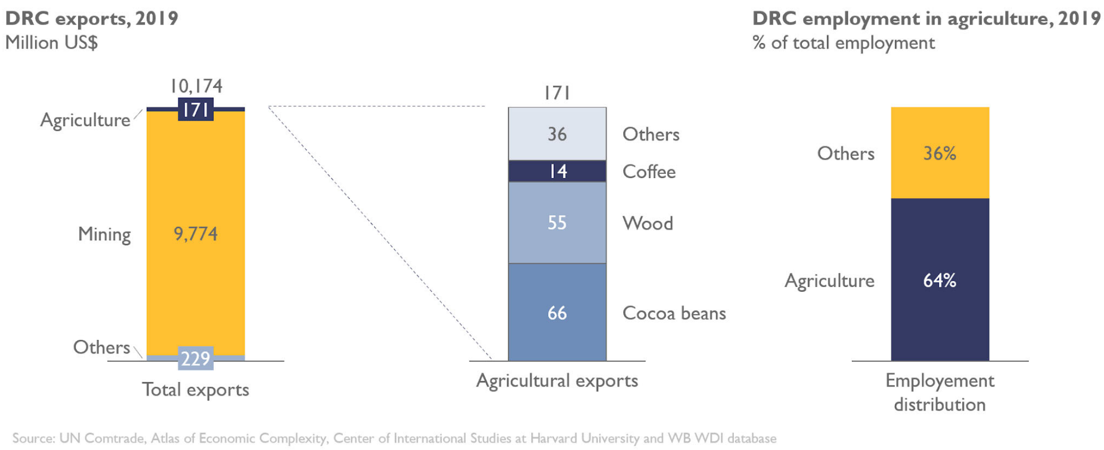
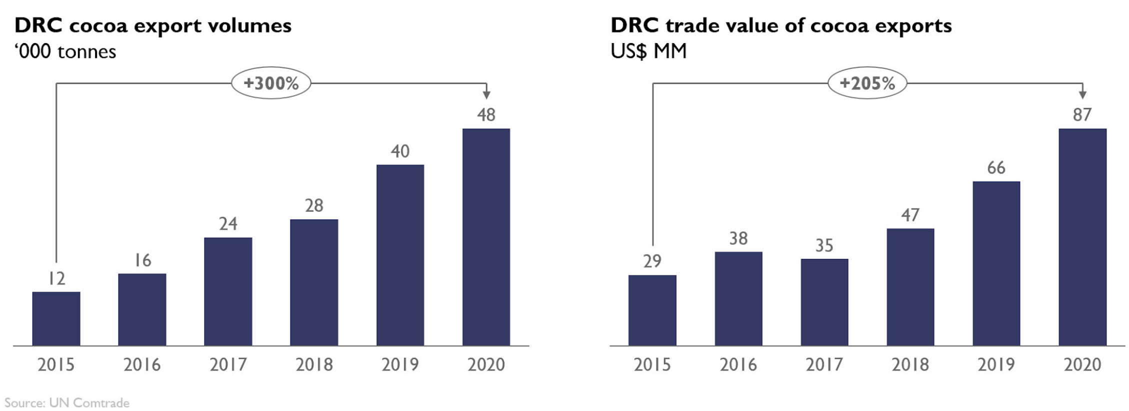
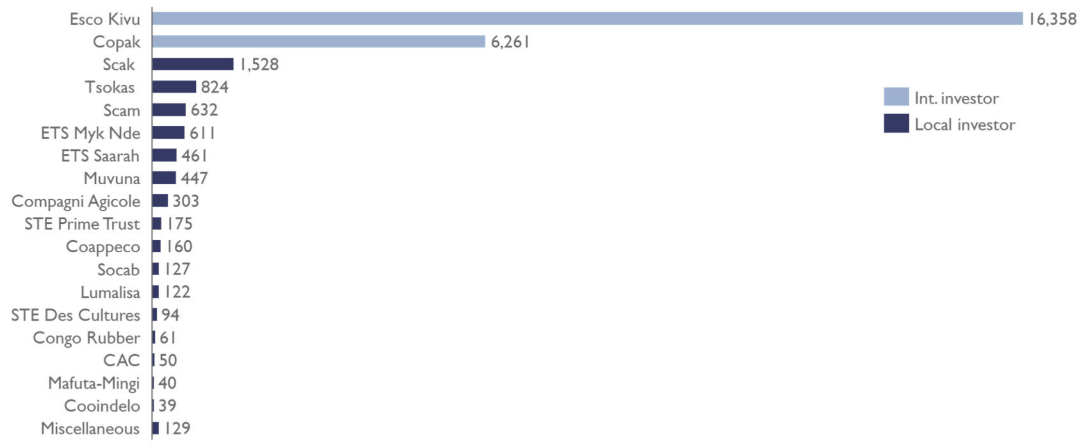


Figure 23. DRC cocoa exports



The two largest exporters account for nearly 80% of total exports. They include Esco Kivu, which accounted for 16,358 tons and 58% of exports in 2019, and Copak, which accounts for 6,261 tons and 22% of exports. Other organizations exporting at least ten containers per year include Scak, Tsongo Kasereka (Tsokas), Scam, ETS Myk Nde, ETS Saarah, Muvuna, and Compagnie Agicole. All these exporters are based in the Grand North (Beni and Butembo) region of North Kivu.

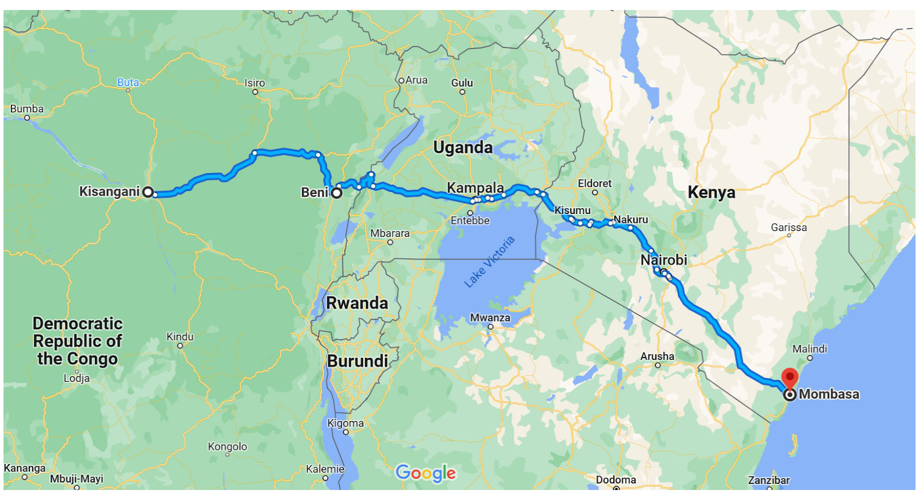
Figure 24. 2019 cocoa exporters



Source: INS, OCC. Note: OCC figures are significantly smaller than official export figures as certain exporters may take their cocoa directly to the border posts for clearing and bypass OCC

Local cocoa production is concentrated on the road connecting Kisangani to Beni. The road connects the DRC to Kampala, where some of the largest traders are based, and from there to the port of Mombasa. According to data gathered by Elan RDC, 96% of the DRC's declared cocoa exports in 2019 were exported from the port of Mombasa. Beni is the logistics hub for cocoa from the east. Local vehicles and smaller trucks bring cocoa beans from the eastern corridor to the city of Beni, where the cocoa beans are consolidated and loaded onto larger trucks for shipment directly to Mombasa port in Kenya.

Figure 25. Figure 25. Key eastern DRC corridor shipping route



Exporting from the DRC is expensive and can cost up to $220 per ton to Mombasa compared to as little as $80 per ton from Uganda[31]. Therefore, most cocoa exporters prefer to work with East African freight forwarders that transport goods into the DRC and offer cheaper outbound shipping rates. More and more Congolese traders have become accustomed to selling cocoa to Ugandan clients, who then have a 14-day window to store the cocoa as goods in transit. In 2020, 3,317 tons of cocoa beans were exported to

[31] Based on interview response provided by the Association des Exportateurs du Cacao et Café in Beni, North Kivu

Uganda. The cocoa beans are shipped to a bonded warehouse in Kampala, where they are stored and handled for shipment onto lining containers. Once cocoa beans are packed in a liner container and brought to the port of Mombasa, and they can be loaded directly aboard ships without incurring additional handling fees.

Most DRC cocoa production is shipped to India and Indonesia, which account for 44% of exports. India has one of the largest and fastest growing middle classes in the world. India's chocolate industry has grown since 2016 due to the allowance of vegetable oils in chocolates[32] , allowing manufacturers to produce affordable chocolates for larger segments of the population. With already established supply chains in eastern DRC due to pharmaceutical exports such as cinchona, India has established itself as the largest export destination for Congolese cocoa, with 10,968 tons exported in 2020. This substantially increased over 2017, when India bought 3,109 tons of cocoa beans. Indonesia is the second largest export destination for Congolese cocoa, with 9,878 tons exported in 2020. Though Indonesia is the third largest global cocoa producer, its competitiveness is threatened by inconsistent and poor-quality production. As a result, processors and manufacturers in Indonesia use local cocoa beans as a filler due to its fat content and lower cost. They blend it with Congolese fermented cocoa beans that add flavor[33].

Figure 26. 2020 cocoa exports from the DRC (in tons)

Other key export destinations for Congolese cocoa are the Netherlands, Switzerland, and Belgium, as well as the US in North America. Europe is the largest export market for cocoa beans in the world. To meet the demands of the cocoa and chocolate industries, European purchasers source cocoa beans of various qualities and origins. Europe processes substantial quantities of bulk cocoa from the DRC, but the demand for specialty cocoa is growing. Switzerland is Europe's largest destination for Congolese cocoa, with 4,526 tons of cocoa beans exported in 2020, followed by the Netherland (4,277) and Belgium (4,168).

A small number of cooperatives and private companies have gained certifications of voluntary sustainability standards such as UTZ, Fairtrade, and Organic. Two cooperatives, four trading companies, and a local chocolate manufacturer have at least a voluntary sustainability standard certification. However, the number of certified companies and cooperatives in the cocoa sector is significantly smaller

[32] Mordor Intelligence. (2021). *Asia-Pacific Chocolate Market*. Retrieved 2022, from https://www.mordorintelligence.com/industry-reports/asia-pacific-chocolate-market

[33] USAID. (2006). *Indonesia: Cocoa bean value chain case study*. USAID. Retrieved 2022, from https://pdf.usaid.gov/pdf_docs/PNADH968.pdf

than in the coffee sector. This is partially because cocoa is mainly exported in bulk to large cocoa processors in India and Indonesia, where the demand for certifications is less relevant.

Figure 27. Organizations in the DRC with voluntary sustainability standard certification

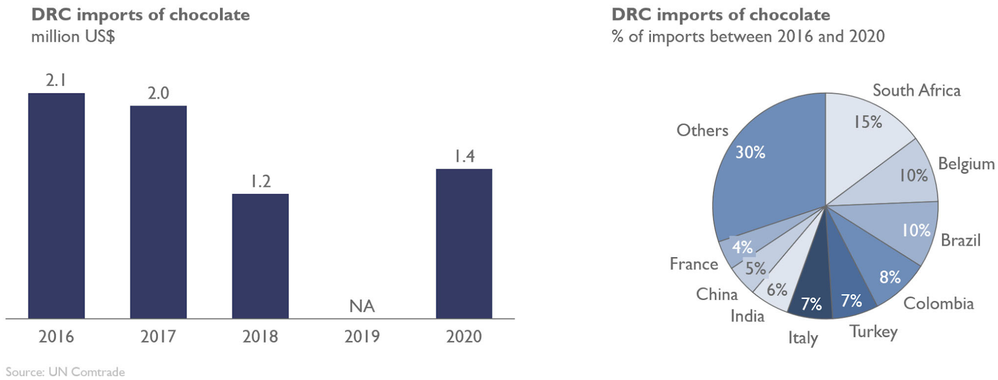
Name	Certification
Cooperatives	
GIE/UPCCO - Union des Planteurs de Cacaoyer au Congo	Organic / Ecocert
SYCOODEP	UTZ
SOPROCOPIV	Organic/ Ecocert
Traders	
COPAK	Fairtrade, Organic, UTZ
ESCO KIVU SARL	Organic, UTZ, Fair for Life
MAISON KAHINDO MUVUNGA	UTZ
SCAK	UTZ, Organic
Tsongo Kasereka	UTZ, Organic
Manufacturers	
Virunga Chocolat SARL	Fairtrade

Recent EU regulation on deforestation-free supply chains is forcing more market actors to seek certifications for cocoa. Deforestation and forest degradation are important drivers of climate change and biodiversity loss. The new regulation has implemented mandatory due diligence rules for all operators seeking to place relevant products on the EU market, including cocoa. Only products that are both deforestation-free and legal are allowed to be exported to the EU.

B. Domestic market

While the DRC exports cocoa beans, it imports a non-negligible amount of finished chocolate. According to official statistics, imports of chocolate peaked in 2016 at $2.1 million. Most imports originate from low-cost producing countries that typically produce lower-quality chocolates, such as South Africa, Turkey, China, India, etc.

Figure 28. DRC imports chocolate

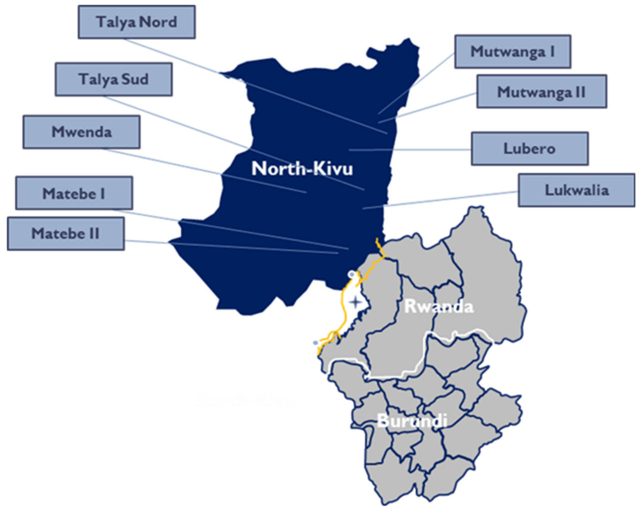


The low-end chocolate segment has filled shops and supermarkets in the DRC with cheap chocolate products. The products are often produced by large chocolate manufacturers using bulk cocoa with low quality. Most low-end imported chocolates are produced using compound chocolates, made with low cocoa content, usually with no label of the percentage of pure cocoa on the chocolate bar. These chocolate bars tend to substitute cocoa butter with cheaper vegetable fat. Combined with superior packaging, local consumers accept low-quality imports.

There is a growth of domestic chocolate manufacturers, a majority of which are based in North Kivu. Five established chocolate manufacturers in North Kivu produce chocolate using energy created by the Virunga National Park. In 2012, the Virunga National Park launched the Virunga Alliance, a project designed to combat poverty by harnessing the hydrological resources of the park to create sustainable electricity for local communities and businesses across North Kivu. The project aims to generate 106 megawatts (MW) of power. In 2023, 28 MW was generated by four hydropower plants located in the territories of Beni, Lubero, and Rutshuru (see the map below), with an additional 33 MW under construction. With access to stable electricity and quality cocoa beans, companies such as Virunga Chocolate, Lowa Chocolate, Kwetu Kwenu, Luna, and Cocoa Congo are producing 'Made in Congo' chocolate brands that are sold across the country and are helping increase local consumption.

Figure 29. Location of Virunga power plants, North Kivu

Site	Capacity	State
Mutwanga I	0,38 MW	Complete
Mutwanga II	1.4 MW	Complete
Matebe I	13,4 MW	Complete
Matebe II	33 MW	Under construction
Lubero / Luviro	14 MW	Complete
Lusilubile/Mwenda	1,4 MW	Awaiting construction
Lukwalia	8,5 MW	Awaiting construction
Talya Sud	11 MW	Awaiting construction
Talya Nord	23 MW	Feasibility



Virunga

Chocolate consumption in the DRC is mainly concentrated in urban and semi-urban areas. Foreign brand consumers are more frequent buyers of chocolates in general. Foreign brands benefit from brand recognition compared to local brands, which are still genuinely new in the market with minimal marketing. Local brands benefit from the growing consumer preference to promote 'Made in DRC' to support locally-made Congolese products. Local chocolate has also found support amongst consumers looking to purchase the products as gifts.

Figure 30. Chocolate bars, Goma

Product	Origin	Qty	Cocoa %	Price (USD)
Virunga Chocolate	DRC	90g	35%	2.50
Lowa Chocolate	DRC	90g	35%	2.50
Classic	Turkey	90g	N/A	1.00
Tayas Orient	Turkey	80g	N/A	1.00
Elvan	Turkey	100g	N/A	1.50
Fin Carre	Germany	100g	30%	2.00
Cadbury Dairymilk	South Africa	1500g	20%	4.50
Schogetten Dark	Bosnia	100g	50%	2.50
Everyday	Belgium	200g	30.5%	3.00
Covertina	Egypt	65g	N/A	2.00
Toblerone	Switzerland	100g	28%	3.00
Milka	Switzerland	100g	25%	2.50
Kinder Bueno	Italy	39g	31.5%	2.00
Nestle Milky Bar	UK	80g	11%	2.00

V. Main actors in DRC's cocoa sector

A. Overview

The cocoa value chain includes smallholders, cooperatives, aggregators, local traders, and private companies, all playing significant roles in the cultivation, processing, and trade. Smallholder farmers are in charge of primary processing, which mainly consists of the harvesting, fermentation, and drying process, which can be implemented directly on producer farms. These steps are delicate and responsible for developing the key characteristics determining the cocoa beans' quality.

Cooperatives support farmers with technical assistance and certifications, providing more economic value. By working within cooperative schemes, smallholder farmers earn more income through premiums, improving the livelihoods of vulnerable communities. Independent farmers sell fermented cocoa to aggregators who collaborate with local traders.

There are numerous local traders and export cooperatives that export directly to international commodity traders based in regional markets, who re-export cocoa to international markets. In addition, a few influential international buyers who specialize in sourcing and delivering cocoa beans for the international market are based in the DRC. These buyers usually form their own cooperatives or group of farmers in order to ensure the required quantities and consistencies of cocoa are met[34].

As production has increased in recent years, there are now more local chocolate manufacturing companies. Manufacturers, such as Virunga and Lowa Chocolat, are involved in local secondary processing activities at origin. These encompass all the transformations between dried cocoa beans and cocoa derivates like cocoa liquor, cocoa butter, cocoa powder, and chocolate. However, there are currently no exports of semi-finished cocoa products to major cocoa buyers and chocolatiers, as this calls for more industrial-scale processing to meet demanding contract obligations.

A summary overview of the selected main actors in the DRC coffee value chain is presented in figure 25 below. In the following sections, a summary profile of each organization is provided.

Figure 31. Summary table of selected cocoa market actors

Name	Type of organization	Intervention zone
		North Kivu
COOAPECO	Grower and processor	Beni
SOPROCOPIV	Grower and processor	Beni
SYCOODEP	Grower and processor	Beni
SCAM	Grower and processor	Walikale
Congo Cao	Local trader	Beni
Fauza Ets	Local trader	Beni
GAS	Local trader	Beni

[34] These International buyers- Esco Kivu, Copak, and Scak- are all based in Beni, North Kivu

Kakam Ets	Local trader	Beni
Kakav Ets	Local trader	Beni
Kambale Mavunda	Local trader	Beni
Kihande Sarl	Local trader	Beni
ETS Lukumbuka	Local trader	Beni
ETS Lyende	Local trader	Beni
Merci Seigneur	Local trader	Beni
Muhindo Masasi	Local trader	Butembo
Groupe Mukana	Local trader	Bulongo
Pkm Ets	Local trader	Beni
Safi Groupe	Local trader	Beni
Bahari RDC	Exporter	Beni
Copak	Exporter	Beni
Esco Kivu	Exporter	Beni
Kahindo Muvunga	Exporter	Butembo, Beni
Kisitu Kalombo	Exporter	Beni
SCAK	Exporter	Beni
Tsongo Kasereka	Exporter	Butembo, Beni
Wikongo	Exporter	Beni
Lowa Chocolat	Local chocolate	Goma
Kwetu Kwenu	Local chocolate	Goma
Virunga Chocolate	Local chocolate	Beni
		Ituri
Cacao Okapi	Grower and processor	Mambasa
UPCCO	Grower and processor	Mambasa
CACT	Local trader	Mambasa
Liende	Local trader	Mambasa
		Mai-Ndombe

COCOMA	Grower and processor	Inongo
COOINDELO	Grower and processor	Inongo
COOPEBAS	Grower and processor	Selenge
UPINO	Grower and processor	Inongo
PC Mayombe	Local trader	Inongo
		Kongo Central
Group Blattner Elwyn	Exporter	Tshela
		Sud-Ubangi
Miluna	Exporter	Gwaka

B. Growers and processors

The number of farms active in the cocoa sector in the DRC is currently difficult for authorities to estimate. Most farmers come from the eastern corridor from Kisangani to Beni territory. Due to insecurity in parts of Beni Territory and Ituri, particularly over the past ten years, there has been significant population displacement, making it difficult to map how many farmers remain in certain growing zones and to survey new farmers in these zones. In addition, the province of Tshopo lost 12,000 hectares of forests to fires in 2021. Researchers in the provincial capital of Kisangani assume that the deforestation is attributable to the expansion of cocoa production by recent migrants from North Kivu.

To bring more structure to the cocoa sector, a few cooperatives were established with support from donors. Cooperatives provide farmers with technical assistance to promote access to knowledge in cocoa cultivation and processing. Cooperatives organize farmers into groups to bring their cocoa beans to gathering centers. The cooperatives mix and process the cocoa beans in big batches, which can then be put on the market in a larger quantity of a uniform product. A few local cooperatives, such as Soprocopiv, have expanded internationally through exporting, either individually or in joint ventures with their foreign buyers.

CACAO OKAPI
COOPERATIVE DES PLANTEURS DE CACAO DE SPECIALITE DE L'ITURI

Cacao Okapi is a cooperative based in Mambasa, Ituri, comprising 700 cocoa farmers. Farmers are organized around cocoa fermentation and drying centers in which farmers are allowed to become shareholders. Four such centers exist, and there is potential for 22 additional centers within the Mambasa region from which Cocoa Okapi operates. In addition, the cooperative works with Rikolto, a Belgian rural development organization, to improve its cocoa quality and attract new specialty cocoa buyers[35]. As a result, Okapi's cocoa achieved a quality score of 88% in taste tests, which allowed it to be labeled 'Quality Cocoa.' With this achievement, the cooperative could sell quality cocoa to Veliche, a gourmet Belgian chocolate manufacturer[36].

[35] *Smallholder farmers producing deforestation-free premium cocoa*. (n.d.). The Sustainable Trade Initiative. Retrieved December 2021, from https://www.idhsustainabletrade.com/project/direct-market-access-for-ituri-smallholder-farmers-producing-deforestation-free-premium-cocoa-2/

[36] Rikolto. (2021, March). Congolese cocoa farmers add flavor to prime Belgian chocolate. Retrieved April 2022, from https://www.rikolto.org/es/node/3398

Figure 32. Cacao Okapi farmers, Mambasa Territory

Source: Silva Cocoa

SCAM
SOCIETE COOPERATIVE AGRICOLE MAENDELEO

SCAM is a cocoa cooperative started in Walikale Territory, North Kivu, in 2019. It consists of 500 cocoa producers from the villages of Pinga, Mungazi, and Kibua. SCAM is the first cocoa cooperative to be created in Walikale. Walikale is home to the Bisiye mine, North Kivu's largest cassiterite mine. Farmers in Walikale were historically reluctant to resume agricultural activity after the war, as the army and militia tended to steal food cultivated by farmers. Farmers depended primarily on food items that required processing and were, therefore, less likely to be pillaged, such as palm oil, rice, and soybeans. With the launch of SCAM, cocoa farmers could mobilize and market their products to exporters in Goma.

UPCCO

Union des Planteurs de Cocoa au Congo (UPCCO) is a cocoa cooperative based in Mambasa, Ituri. Farmers in the Mambasa region grow their cocoa in agroforestry under the canopy of shade trees. The cooperative works with 600 cocoa farmers who are organically certified, in addition to its 3600 Robusta farmers. UCPCCO is a beneficiary of the Beyond Chocolate program. This initiative brings together Belgian chocolate companies, retailers, civil society, and research institutions to promote sustainable chocolate, support farmer livelihoods, and tackle deforestation.

SYCODEEP

Sycoodep is a cocoa cooperative based in Beni, North Kivu. The cooperative counts over 20,000 members, of which 12,000 are certified in Organic and UTZ. Sycoodep members produce dried and fermented cocoa beans that are ready for export. The cooperative sells all its cocoa beans to Copak, which exports the cocoa to international markets.

COCOMA

COCOMA is a cooperative that represents eight cocoa associations in Mai Ndombe. COCOMA provides training to cooperative members on both cocoa agronomy and cooperative development. COCOMA farmers are FairTrade certified. Cocoa from the producers is exported through Kinshasa and Matadi.

Inongo Cooperatives

There are three cooperatives- COOINDELO, COOPEBAS, and UPINO- based in the cocoa-producing zones of Mai-Ndombe. COOINDELO is made up of 11 associations and is based in Isongo. COOPEBAS is from the Selenge region and comprises four associations, and UPINO in the region surrounding Inongo, also with four associations. They were created in 2010-2011 with the support of the Belgian NGO Trias.

C. Local traders

Local agents, brokers, and traders carry out cocoa trade in the DRC. Most farmers have minimum direct contact with exporters, and aggregation is done mainly by intermediaries who collect cocoa beans and sell them to exporters. Even cooperatives rely on middlemen who can aggregate cocoa faster than cooperatives. As shade-tree-grown cocoa beans are located near forest areas, it is difficult for established exporters and cooperatives to access farms efficiently. Cooperative collection centers risk missing out on cocoa due to aggressive aggregators who procure and evacuate cocoa directly from hard-to-access farms.

In the absence of a well-structured and traceable market, middlemen function as marketing actors that negotiate the quality, quantity, and place of delivery of cocoa beans. These middlemen play a crucial role by purchasing and transporting the cocoa volumes required to sell directly to cocoa exporters. The main consolidation point is Beni, North Kivu. As Beni has been a coffee transit center since the 1970s, state agencies and logistical companies have typically chosen the city as their export headquarter. In addition, the rapidly expanding cocoa output in the Ituri and Tshopo provinces has transformed Bunia into a new distribution center.

A few local traders also export cocoa beans using ONAPAC's export license. Local exporters conduct minor quality control, such as corrective drying for wet beans, and perform some sorting and grading. In the east of the country, the local exporters tend to collaborate with foreign buyers based in Kampala, Uganda, or Tanzania, where numerous international buyers and commodity traders are located. Swiss commodity trading house Ecom Trading, Singaporean Olam International, and French commodity merchant Sucden are among the key cocoa buyers from local Congolese traders who sell in East Africa. In the West, the cocoa is transported by traders to Kinshasa or Boma, though an estimated 20% of the cocoa crosses into Congo-Brazzaville and Cameroon[37].

Numerous local traders facilitate the provision of extension services to farmers. For example, CACT, a local trader based in Beni, supplies farmers in Beni and Mambasa with inputs as well as training farmers on how to produce good quality cocoa beans. Unfortunately, few local traders that have built a rapport with exporters can receive seasonal loans from their export partners to finance the purchase of cocoa beans from farmers. However, most local traders seek means to self-finance their operations as few local financial institutions support this portion of the value chain. As a result, many local traders are in need of soft loans to run their businesses effectively.

D. Exporters

Established exporters specialize in handling and shipping cocoa beans based on buyers' requirements. International cocoa buyers are interested in good quality and value. The condition in which the shipment arrives at the buyer's warehouse determines whether an exporter will be paid full value. Therefore, established cocoa exporters, who have years of experience exporting coffee, have a greater understanding of the transportation requirements for a container of cocoa beans than local traders. Cocoa beans in the DRC are traditionally shipped in 60kg jute bags. As more freight forwarders enter the market, cocoa beans are transported as bulk cargo in sizeable plastic container liners.

Exporters work with the Office Congolais de Contrôle (OCC) for the inspection, auditing, testing, and analysis of cocoa beans prior to export. OCC works with Bureau Veritas (BIVAC) to execute the pre-export

[37] Beule, H. D. B., Jassogne, L. J., & Asten, P. V. A. (2014). *Cocoa: Driver of deforestation in the Democratic Republic of the Congo* (Working Paper 65). CGIAR. https://hdl.handle.net/10568/35642

verification, which ultimately enhances the compliance of Congolese cocoa beans based on international standards. Historically, exporters work with the National Office of Agricultural Products of Congo (ONAPAC) to obtain the certificate of quality (QC), the certificate of origin of cocoa (COC), and the phytosanitary certificate. However, since 2021 a syndicate of cocoa exporters, led by the Federation des Entreprise au Congo (FEC) and the Association des Exportateurs du Cacao et Café (ASSECCAF), have refused to pay fees to ONAPAC[38]. Exporters assert that ONAPAC collects taxes not outlined in the Agricultural Code. In addition, they believe OCC already does export verification. Therefore, from the perspective of exporters, ONAPAC does not provide any necessary services, and their fees reduce the sector's competitiveness. To resolve this, the office of the Prime Minister is leading discussions.

Few exporters work with commodity trading firms that purchase cocoa contracts without possessing the physical goods. The commodity firms buy the right to exchange the cocoa for a specific price at a future date. The commodity trader may not pay the total value of the amount of the cocoa in which investment is made, at times only the margin price. On agreement, the exporter gives the buyer ownership of the cocoa at the agreed future date along with the physical delivery. This agreement provides exporters with the working capital needed to continue purchasing cocoa beans at origin rather than wait weeks or months for the final physical transactions to be completed. Established local traders are the beneficiaries of the working capital.

Certain exporters specialize in trading certified cocoa beans with specialty cocoa buyers. Some specialty cocoa buyers pre-finance parts of the value chain up to 40%, while the remaining balance is paid on arrival. As the cocoa supply chain is all about building relationships, the amount of pre-financing provided by buyers depends on this mutual trust.

Esco Kivu SPRL, located in Beni, North Kivu, is one of the more successful medium-sized agribusinesses in the region. Esco is led by Managing Director Philip Betts, who has over 40 years of experience in the agricultural sector in eastern DRC. Over the past decade, Esco has consistently been the leading exporter of cocoa from the DRC. In 2019, Esco exported 16,358 tons of cocoa, over half the total cocoa exported during the year. The cocoa is shipped to Kampala, where ESCO Uganda, its subsidiary, deals with selling to international markets. In addition, the company exports cocoa to importers such as Barry Callebaut and specialty organic chocolate processors such as Theo Chocolate in Seattle, the first organic and fair-trade certified bean-to-bar chocolate maker in North America. Locally, Esco Kivu promotes sustainable cocoa production through its farmer training programs and by utilizing its 'Living Income' methodology, which ensures farmers receive prices that provide them with a decent livelihood[39]. Esco's agronomists supervise and train farmers on certification programs such as Organic, UTZ, and Fair for Life.

COPAK is a trading company specializing in promoting, cultivating, processing, and exporting cash crops from its base in Beni, North Kivu[40]. Copak was the second-largest exporter of cocoa in 2019, with 6,251 tons exported. Copak currently buys all its cocoa through the cooperative Sycoodep. Copak supplies cocoa to key buyers such as Barry Callebaut, one of the world's leading manufacturers of chocolate, and

[38] 7sur7. (2022, July 15). *Agriculture : La FEC dénonce des perceptions illégales par l'ONAPAC qui "ouvrent la brèche à la fraude et la contrebande."* Retrieved August 2022, from https://7sur7.cd/2022/07/15/agriculture-la-fec-denonce-des-perceptions-illegales-par-lonapac-qui-ouvrent-la-breche

[39] *Sustainable Partnerships*. (n.d.). Esco Kivu. Retrieved 2021, from https://www.escokivu.com/partner-with-us

[40] *Compagnie des Produits Agricoles du Kivu*. (n.d.). Eko Warehouse. Retrieved December 2021, from https://www.ekowarehouse.com/copak/profile

Fortunare[41]. The company is also an investor in Virunga Origins chocolate. Copak was a partner of the ELAN RDC program, which supported the company as it established centralized collection, treatment, buying, and storage points[42]. Today, Copak is owned by Dimitri Moreels and Christian Van Osselaer under a holding company called Envirium Life Sciences, a green company focusing on the production, processing, and supply of natural products for the Food and Beverage, Cosmetic, and Health Care industries.

Tsonga Kasereka (Tsokas) is a private trading company based in Butembo, North Kivu. The company specializes in procuring, processing, and exporting cocoa and coffee to the international market in 2019. Tsokas exported 824 tons of cocoa, mainly to Belgium and Swizterland. Tsokas is run by Kisumba Kamungele, who holds a Master's degree in Coffee Economics from the University of Trieste in Italy and a Master's in Engineering from the University of Laval in Montreal. Kisumba also serves as the President of the DRC chapter of the Fine Africa Coffee Association (AFCA) and the Executive Director of Café Africa.

SCAK is a coffee and cocoa exporter based in Beni, North Kivu. SCAK was the third largest exporter in the DRC in 2019, with 1528 metric tons of cocoa supplied to international buyers. SCAK has been working to improve sustainability across the cocoa value chain. SCAK works with 32 full-time extension service providers who train farmers on good agricultural practices to increase the export volumes of cocoa of homogeneous quality to satisfy the needs of international clients. As a result, all registered cocoa producers UTZ and Organic certified to receive a $0.20/kg premium. This allows farmers to meet the standards of good agricultural practices compared to those who deliver conventional cocoa. SCAK exports to leading international buyers such as Tropicore, Barry Callebaut, and Minka SCS[43]. Guillain Maliona, a Congolese businessman from Butembo, and Belgian investor Michel Defays manage the company.

Soprocopiv is an exporting cooperative based in Butembo, North Kivu, that focuses on sourcing and processing cocoa from grassroots farmer associations across North Kivu and Ituri. Though Soprocopiv is known mainly for its work with coffee farmers, the cooperative began working with cocoa farmers in 2021, as many of their coffee farmers grow cocoa.

ETS Kahindo Muvunga

Ets. Muvunga is a private exporter of cocoa and other agricultural commodities led by Kahindo Muvunga. In 2013, Muvunga began exporting cocoa through its network of collection centers in the Butembo and Beni regions of North Kivu. By 2019, Muvunga exported 447 tons of cocoa. With support from Elan RDC, Muvunga identified key cocoa-growing areas in Beni Territory and Ituri province to create an interconnected network of cocoa collection centers equipped with fermentation units, drying tables, and storage facilities[44].

Groupe Blattner Elwyn is the largest cocoa exporter from the western region of the DRC. Through its subsidiary company, SCAM[45], GBE exported 632 metric tons of cocoa in 2019 and 1,200 metric tons in 2022. The company processes cocoa from its factory in Tshela, Kongo Central with 800 Ha of cocoa plant

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41 Panjiva. (2022, February). Supply chain intelligence about: COPAK SARL. Panjiva. Retrieved April 2022, from https://panjiva.com/Copak-SARL/96978299

42 *Compagnie des Produits Agricoles des Kivus (COPAK)*. (n.d.). Elan RDC. Retrieved 2021, from https://www.elanrdc.com/east/2018/10/23/compagnie-des-produits-agricoles-des-kivus-copak-bxprh

43 SCAK. (2022). *Presentation of SCAK*. Retrieved April 2022, from https://scakcongo.com/en/about-us/

44 Elan RDC. (2019). *Muvunga*. Elan RDC. Retrieved 2020, from https://www.elanrdc.com/partners-blog/2021/5/14/muvunga

45 No relation to SCAM cooperative based in North Kivu

and sources from around 2,500 cocoa farmers. The company is a part of the Groupe Blattner Elwyn (GBE), an industrial conglomerate active in diverse industries across the DRC, including agriculture and mining. Its agricultural businesses also include the cultivation and processing of palm oil, livestock, and animal feed production.

BTC Export is a cocoa exporter established in 2010. The company works to develop a sustainable cocoa supply chain in Mai-Ndombe, by organizing small farmer groups into cooperatives. The company buys and exports between 100 and 200 MT of cocoa from Kongo-Central annually. A Congolese businessman, Blaise Tamukui, started the company.

Bahari RDC is an exporter of cocoa-based in Beni, North Kivu. The company began cocoa exports in February 2021, exporting 300 metric tons in its first year. Bahari currently has three main collection points, Nobili, neighboring the Ugandan border, in Beni town, and in Bunia, Ituri province. In December 2021, Bahari commenced organizing farmers in Mambasa Territory into a farmer association to support their development into a functioning cooperative. Bahari is run by Congolese businessman, David Kavuya.

Kisitu Kalombo is a family-run cocoa trading company based in Beni, North Kivu. The company commenced operations in 1980, focusing on coffee, before diversifying into cocoa in 2010. Kisitu Kalambo sources dried cocoa beans from its network of aggregators across the Beni territory. The cocoa is then processed and packaged for export to East Africa. The company is owned by Kisitu Kalombo Bashir, who began as a coffee trader in Beni in 1980.

Miluna SARL is a family agro-industrial company based in the Sud-Ubangi province. It owns 24,500 ha of land, out of which it runs perennial agriculture and processing activities. The plantation covers 7,000 ha, of which 507 ha are dedicated to a cocoa plantation.

Figure 33. Miluna plantation, Sud-Ubangi

Source: Miluna

E. Freight forwarders

ConnexAfrica is a freight forwarding company in the DRC with a national presence. The company has extensive experience in customs clearance, maritime consignment, local and international transportation, freight forwarding, storage, tax, administrative guidance, and FedEx services. The company offices in Beni, North Kivu, and Bunia, Ituri, oversee logistics and export services for numerous actors seeking to export cocoa.

Bolloré Logistics is an international transport and logistics company with a national footprint across the DRC. The organization provides five service categories: multimodal transport, customs, regulatory compliance, logistics, global supply chain, and industrial projects. In addition, Bollore provides road and river transport services for the distribution of cocoa from both the eastern and western corridors of the DRC.

Welldone Logistics and General Trading is a regional freight forwarder with offices across eastern DRC. The company mainly works in overland logistics, cargo handling, and warehousing. Welldone Logistics works with partner carriers to transport goods that cover the principal road axes in Ituri, North Kivu, and South Kivu. In addition, the company facilitates exports of cocoa beans and bond warehousing in Kampala through its Uganda-based team.

F. International buyers and processors

MINKA SCS AG is a cocoa-sourcing company headquartered in Winterthur, Switzerland. Minka sources cocoa from Beni Territory as well as Ituri province. The company works with local traders and exporters who deliver the cocoa beans to Minka's warehouse in Kampala, Uganda. The company was founded in 2012 by Paul Schonenberger.

Olam Food Ingredients (OFI) is a global company that sources, processes, and exports cocoa from the DRC to international markets. OFI has an integrated supply chain which allows the company to source and manage the quality and traceability of its cocoa supply chain. OFI sources cocoa beans across eastern DRC through its local subsidiary, Virunga Coffee. The company works with traders to deliver the cocoa beans to its warehouse in Kampala, Uganda, from where they are sorted in preparation for export, with the remainder of the cocoa beans procured from across the region.

Terracore is a Swiss trading company specializing in commercializing tropical commodities. Tropicore works with local Congolese traders who have strong relationships with cocoa farmers. The company supports traders, such as Scak and Tsongo Kasereka, to market and export the cocoa beans to its headquarters. Terracore was incorporated in Switzerland in 2012, under the name of Tropicore International.

Barry Callebaut is a Belgian-Swiss cocoa processor and chocolate manufacturer. The company is active in all stages of the cocoa supply chain, from raw material sourcing to producing gourmet chocolates. Barry Callebaut sources cocoa from leading exporters in eastern DRC, including Esco Kivu, Scak, and Copak.

Lush Cosmetics is an American company that focuses on ethically buying natural ingredients, including cocoa, vanilla, and shea. Lush Cosmetics sources cocoa from smallholder farmers supported by Eastern Congo Initiative. Through its collaboration with Eastern Congo Initiative, in 2016, Lush sent its Senior Ethical Buyer to the Watalinga region of Beni Territory to interact with cocoa farmers and help invest in a traceable cocoa supply chain. As a result, the company was one of the first international cosmetics companies to engage with eastern DRC's cocoa producers.

Walter Matter is a Swiss-based, family-owned, independent commodity trader specializing in coffee and cocoa. Walter Matter founded CafeMA International, a platform committed to improving farmer living conditions through sustainable agricultural practices. In the DRC, Walter Matter mainly focuses on sourcing cocoa, with its largest supplier being Scak.

G. Local chocolate manufacturers

Virunga Origins is a social enterprise located in Beni, North Kivu, that produces premium chocolates. It is a collaboration between the Virunga national park, the Belgian chocolatier Dominique Persoone, and Dimitri Moreels, the owner of the cocoa-exporting company Copak. The Virunga factory sources directly from local farmers. Its two main products are the 100g milk chocolate and dark chocolate bars, sold in retail shops in the DRC at between $2 to $4 per bar. The factory employs eight full-time employees and trains local workers, with priority given to hiring the widows of the Rangers who were killed while protecting Virunga Park.

Figure 34. Virunga Origins chocolates

Milk Chocolate	Dark Chocolate
	

Chocolaterie Lowa is a Goma-based company that makes chocolate from cocoa produced in the Walikale territory. The company began when the owner, Alexis Kalinda, researched cocoa in plantations that had been abandoned following armed conflict. Lowa sells a diverse range of chocolate products, from chocolate bars consisting of white chocolate, milk chocolate, and dark chocolate to cocoa powder and butter. The company owns a plot in Goma with a two-story building equipped with a production facility and five fully furnished office spaces for its eleven full-time employees. In 2022, Lowa invested in a new production line with the capacity to manufacture 40kg of chocolate bars daily. In addition, Lowa has developed a national strategy to sell more locally-made chocolate to domestic consumers in Goma, Lubumbashi, and Kinshasa.

Figure 35. Chocolaterie Lowa products

Young entrepreneur Isaac Kisembo founded Kwetu Kwenu Group in 2015. The company buys cocoa from local communities in the Beni territory of North Kivu and Mambasa Territory in Ituri for manufacturing and sales across the DRC. Products include 85% and 70% dark chocolate, 40% milk chocolate, 34% white chocolate, and cocoa nibs. The chocolate bars are wholesale at $20/kg, while the cocoa nibs cost $22/kg. Kwetu Kwenu is in the process of moving its chocolate production facility to Goma in March 2023. With this move, the company hopes to take advantage of Goma's location as a transport hub for goods to move across the DRC and abroad.

Figure 36. Kwetu Kwenu chocolates

Fair Congo SARL, a for-profit initiative of the Chambers Federation, is a social impact investment firm building inclusive, sustainable businesses in the DRC. The pioneer business is called Cocoa Congo, which is an female-led enterprise that sources certified Congolese cocoa frome women producers. In 2018, the company built a chocolate processing facility in Goma, intending to empower and promote women living in conflict areas. To improve operations and access to the international market, the processing facility was moved to Nairobi in 2019. In 2022, the company began collaborating with USAID and Mercy Corps to set-up a processing facility in Beni, from where the cocoa is semi-processed then sent to Nairobi for final chocolate manufacturing. Cocoa Congo designs its packaging in partnership with Kivu Nuru, a Congolese-based, woman-owned, and operated social enterprise.

Figure 37. Cocoa Congo office in Goma, North Kivu

Source: US Embassy Kinshasa

VI. Organizations and programs supporting the cocoa sector in DRC

A. Development programs

Multiple development programs are supporting the cocoa value chain in the DRC. Partners have prioritized the development of the local cocoa value chain centered on principles of sustainable growth that benefit smallholder farmers and their local communities. This includes improving cocoa production by implementing Shade Tree Cocoa, a growing technique that protects the environment. Shade trees have been advocated as a key adaptation strategy against the adverse effects of climate change. Shade trees buffer cocoa plants from heat and water and create conditions that benefit cocoa tree growth. Other focus areas of development programs include facilitating access to opportunities in international markets and facilitating access to capital.

In 2011, UN-REDD supported the Geographically Integrated Mambasa REDD Pilot Project in Mambasa Territory. The Wildlife Conservation Society (WCS) implemented the project and ran for two and a half years with a budget of €2.95 million. The project assisted 2,000 households with a supply of cocoa seedlings, training, and technical supervision for shading cocoa trees to lessen deforestation and poverty in the area. The farmers also received technical support to organize themselves into cooperatives. By creating value-added activities centered around cocoa, farmers could increase their revenue by 20% while replacing slash-burn-agricultural activities within the forest.

The United Nations Development Program, with $2.4 million in funding from the Japanese government, supported the cocoa sector in Ituri province from April 2016 to March 2017[46]. UNDP worked with the development organization CARITAS to support the stabilization and social cohesion of communities in the Irumu and Mambasa territories in Ituri province. The project supported the viability of the cocoa and palm oil value chains by training farmers on modern agricultural techniques and quality standards. The project provided quality varieties of cocoa seeds through the development of cocoa nurseries and supported the development of cooperatives. These activities helped link local producer groups with processors and traders while promoting a higher-quality cocoa product capable of penetrating international markets.

Rikolto has supported cocoa producers in Ituri's Mambasa region since 2019. Rikolto is working with USAID and the World Conservation Society to promote high-quality cocoa production with biodiversity conservation[47]. Rikolto's cocoa program has three priority areas. The first is to support smallholders to raise productivity and quality through centralized fermentation and drying. Second, Rikolto seeks to link smallholders to international markets and thus facilitate access to credit from financial institutions. Finally, the organization aims to improve the enabling environment to mainstream sustainability and inclusion within the sector. Rikolto supports Okapi Cocoa, a cooperative with 700 cocoa producers, to develop cocoa fermentation and drying centers built from Rikolto's coffee micro-washing stations model. This project is helping farmers increase cocoa quality as well as volumes for farmers.

Eastern Congo Initiative (ECI) partnered with Theo Chocolate, an American organic, fair-trade chocolate company, to support rural farmers in Beni Territory. The partnership aimed to improve the quality and quantity of cocoa crops and expand farmers' access to international markets. Theo sources 70% of the cocoa produced to use in the production of its chocolate bars[48]. ECI, in collaboration with the Center for Strategic and International Studies (CSIS), made a report on the potential and challenges surrounding the cultivation of cocoa and coffee in the DRC[49].

Élan RDC was a market systems development program funded by the UK government from 2014-2019. Elan RDC worked with Esco Kivu, Copak, Muvunga, and Cocoa Congo to improve cocoa production, processing, and manufacturing in eastern DRC. ÉLAN RDC published the Domestic Processing and Consumption Analysis report in collaboration with the Texas A&M University Center on Conflict and Development and the Beni-based Université Chrétienne Bilingue du Congo (UCBC) to support advancements in the accessibility, quality, and availability of essential market information in the cocoa sector.

The Congo Basin Institute is collaborating with USAID and the David and Lucile Packard Foundation to launch the Positioning Shade-Grown Cocoa to Improve Conservation and Rural Livelihoods project,

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[46] UNDP. (2022, March). *"Rapid Response for the social cohesion and economic recovery in South Kivu and Ituri."* United Nations Development Program. https://info.undp.org/docs/pdc/Documents/COD/PRODOC%20%20Social%20cohesion%20and%20ER%20Idjui_Ituri%20_R.pdf

[47] Rikolto. (2019). *Rikolto Annual Report 2019*. https://assets.rikolto.org/paragraph/attachments/annual_report_2019.pdf

[48] ECI. (2015). *Theo Chocolate*. Eastern Congo Initiative. Retrieved April 2022, from https://www.easterncongo.org/about/partners/theo/

[49] Downie, R. D. (2018, March). *Assessing the growth potential of eastern Congo's coffee and cocoa sctor*. CSIS Africa Program. Retrieved February 2022, from https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/180307_Downie_CongoCoffeeCocoa_Web.pdf

which runs from 2022 to 2025. The activity's objective is to protect the rainforest in the Ituri region from deforestation due to agriculture. Ituri province is the largest cocoa-growing region in the country. It is projected to see an increase in cocoa production in coming years, with public demand for cocoa rising and climate projections showing decreased suitability for the crop in other cocoa-growing regions. In addition, the project works with farmers to ensure minimum humanitarian and ecological harm to the forests by supporting sustainable best practices and the needs of local farmers and communities. The project's implementing partners include the International Institute for Tropical Agriculture (IITA), Rikolto, and the Wildlife Conservation Society (WCS)[50].

USAID launched the Forest and Biodiversity Support Activity (FABS) in 2020. FABS assists environmental actors in the Congo Basin in implementing strategies and actions addressing threats to biodiversity conservation and forest management. FABS has engaged cocoa market actors and cooperatives to support the cocoa value chain, biodiversity, and forest conservation. FABS' key target cocoa areas are Watalinga and Beni Territories in North Kivu and Mambasa and Irumu Territories in Ituri.

USAID Invest is a 5-year (2021-2026) investment facilitation platform that mobilizes private capital for high-impact businesses in the DRC. USAID Invest is supporting key cocoa value chain actors, including cooperatives, processors, and exporters, helping them raise capital and contributing to the development of their operating capacity. In addition, USAID Invest supports investors including international social impact funds by linking them to eligible investment opportunities in the cocoa value chain.

The Reseau des Cooperatives des Producteurs de Café-Cocoa de la RDC (GIE RCPCA-RDC) is a multi-stakeholder initiative that responds to the needs of farmers through cooperatives. Currently, the forum comprises 49 cooperatives and 84,000 farmers in the cocoa and coffee sectors. GIE RCPCA-RDC aims to improve the living conditions of cocoa and coffee farmers and their families, conserve and protect natural resources and biodiversity in cocoa-producing areas, and increase the cultivation and commercialization of sustainably made cocoa.

B. Relevant local institutions

The Association des Exportateurs du Cacao et Café de la RD Congo (ASSECCAF) is a member-led private sector association of cocoa and coffee exporters. ASSECCAF's primary goal is to support and encourage local actors in the coffee and cocoa export sector to improve the business climate. The local value chain actors include exporters, processors, transport/logistics operators, and agricultural service providers.

The National Office of Agricultural Products of Congo (ONAPAC) is a government organization that supports local value chain actors involved in exporting crops. ONAPAC provides technical assistance and extension services to cocoa farmers. In addition, ONAPAC is engaged in the grading and approval of cocoa

[50] Congo Basin Institute. (2022, February). *New project launched to prevent deforestation in the DRC*. Retrieved March 2002, from https://www.cbi.ucla.edu/new-project-launched-to-prevent-deforestation-in-the-democratic-republic-of-the-congo/

for exports. They also ensure that warehouses, factories, and processing facilities comply with international standards. Periodically, they also publish sector reports and international prices.

The National Agricultural Study and Research Institute (INERA) is mandated to conduct agriculture research throughout the DRC. To develop the cocoa sector in the DRC, INERA focuses its research on genetic improvement, plant defense, agronomy systems, and adaptation to climate change. The Cocoa Research Program is headquartered at the Yangambi Research Center, outside of Kisangani, with branches in Bongabo in North Ubangi and Luki in Kongo Central. The main cocoa research achievement carried out by INERA was cloning 15 Upper-Amazon cocoa hybrids with a bean yield of 4,000kg/ha[51].

SENASEM. The National Seed Service (SENASEM) is a state agency in charge of producing and controlling seeds in the DRC. At the provincial level, SENASEM coordinates cocoa seed production, control, and certification programs. In addition, the agency guarantees the quality assurance of cocoa seeds imported intended for export and local use. SENASEM also accredits private and public entities seeking to act as seed laboratories, inspection bodies, or seed samplers.

The National Investment Promotion Agency (ANAPI) is an advisory body of the DRC government that supports the promotion of investment into the domestic private sector and the enhancement of the business climate. Under the supervision of the Ministry of Planning, ANAPI has advocated for measures to boost the cocoa sector in relation to the legal and judicial frameworks. ANAPI also recommended the government strengthen investment protection mechanisms along the coffee and cocoa value chain by empowering commercial courts. The body also advocated for the government to eliminate excessive export taxes by enforcing the Agricultural Code, which states that tariffs cannot be higher than 0.25% of the value of exported goods[52].

VII. Relevant financial institutions

In the DRC, there are 15 registered banks, 21 microfinance institutions, and 71 savings and credit cooperatives, of which only a few have significant activity in the agriculture sector and cocoa value chain. However, some impact investors and private organizations are also active in these sectors.

C. Local financial institutions

Equity BCDC and Trust Merchant Bank (TMB) are the main banks active in the agricultural sector. They offer seasonal loans and, in some instances, longer-term investment loans. Medium and long-term investment loans are intended for large agribusinesses and can exceed $1 million. Smaller operators, such as cooperatives, generally have only access to seasonal loans. These loans, of up to 12 months, typically range from $100,000 to $400,000 and have a monthly interest rate of 1.3% to 2.5%. A common obstacle

[51] DESKECO. (2018). *RDC: Pour développer la filière café-cacao, la recherche est notamment axée sur l'amélioration génétique*. Desk Eco. Retrieved April 2022, from https://deskeco.com/rdc-pour-developper-la-filiere-cafe-cacao-la-recherche-est-notamment-axee-sur-lamelioration-genetique

[52] Zoom Eco. (2018, June). *ANAPI préconise huit mesures pour booster les filières café-cacao*. Retrieved 2022, from https://zoom-eco.net/secteur-public/rdc-anapi-preconise-huit-mesures-pour-booster-les-filieres-cafe-cacao/

for cooperatives and other actors in the cocoa value chain to access commercial funds (especially for CAPEX) is their lack of sufficient collateral.

Development finance institutions typically support lending activity to the agriculture sector. The Development Finance Corporation (DFC) set up a risk-sharing mechanism for agricultural loans. EquityBCDC benefited from this guarantee scheme that has allowed the disbursement of agricultural working capital loans. The guarantee had 50% risk coverage on disbursed amounts in case of default per individual loan. The guarantee ended in 2021. The bank utilized it almost entirely[53] and enabled a cumulative disbursed credit amount of $4.3 million and more than 100 loans. In parallel to the loans covered by the guarantee scheme, the bank could disburse more than $3 million.

A new credit guarantee scheme was put in place by DFC, SIDA and EquityBCDC. The size of the scheme is $20 million. A 50% risk coverage ratio can enable the issuance of $40 million to the agriculture sector. In addition, EquityBCDC Group has mandated its subsidiary to increase its loan portfolio to the agriculture value chains in the DRC. As a result, the credit to the agriculture value chains will represent 30% of the outstanding loan portfolio in the coming years.

In 2018, the European Investment Bank (EIB) entered into a partnership with TMB to support lending to SMEs. The EIB signed a first loan facility of €15 million. TMB has been quite active in providing loans to agribusinesses and traders, especially in the maize value chain in the former Katanga province. In 2021, EIB signed a second loan deal of €20 million with TMB. This loan is intended to enable TMB to grant several thousand loans of around $4,000 to $5,000 each to micro-firms and small businesses that need funding to pay employees, buy supplies and cover other expenses during the pandemic. Target sectors for the second facility include food production, farming, logistics, hospital care, and small-scale information technology firms.

Furthermore, the EIB intended to complement the loan with a guarantee facility of €30 million to TMB to empower the bank to approve new loans to SMEs[54]. In addition to the funding, TMB is also a beneficiary of EIB technical assistance. The support covers the following areas:

- Improvement of lending practices to consume EIB credit lines on creditworthy applications
- Support on credit risk management and digitalization
- Embedding skills via training materials transmitted to local stakeholders
- Organization of outreach and awareness-raising events to attract MSMEs clients to TMB[55]

D. Microfinance institutions

Microfinance institutions have small balance sheets and limited activities in the agriculture sector. In 2019, the microfinance sector, including SACCOS, had an outstanding credit portfolio of 153.22 million USD, and according to the central bank, the agriculture sector represented about 2.9% or $4.44 million. The leading MFIs are FINCA, Baobab, Visionfund, and SMICO (Société de Microcrédit Congolais), which account for about 70% of the total lending of the microfinance sector. Regarding lending to the agriculture sector, FINCA was a partner financial institution along with EquityBCDC of the DFC guarantee scheme. Under this credit guarantee scheme, it received an allocated guarantee capital of $1.75 million giving it

[53] Utilization rate of 99.17%

[54] https://www.eib.org/en/stories/congo-private-sector-bank

[55] https://www.msmefinanceta.eu/wp-content/uploads/2021/08/EIB-TA-for-FS-Operations-in-West-and-Central-Africa-TA-AA-000959-001-brochure_english.pdf

the potential to issue $3.5 million loans in the agriculture sector (based on a 50% risk coverage). At the end of the program, the utilization rate of the credit guarantee scheme was 99.9%.

MFIs offer loans of up to $ 100,000, a limit mandated by the Central Bank, with a maturity that typically goes up to two or a maximum of three years. SMICO grants loans between $60,000 and $100,000, repayable in 12 months with a monthly nominal interest rate of 2% to 2.5%. Under exceptional circumstances, they have issued credit with a ticket size higher than $100,000. Given the high-interest rates, cocoa cooperatives and other borrowers typically work with alternative lenders, such as impact funds.

SMICO's founders, through the cooperative CAMIKI, have launched the AgriEst Guarantee Fund to promote lending in small-scale agricultural companies. The fund had an initial capital of $350,000. It has since then raised $50,000 in grants and has the ambition to grow the capital to $3 million with additional commitments from donors and investors. The fund targets enterprises, cooperatives, and agricultural associations operating in Tanganika, Maniema, South Kivu, North Kivu, Tshopo, and Ituri. AgriEst covers 50% of working capital and investment loans with a maximum term of 12 and 36 months, respectively. The current claim settlement process requires that all other recovery means are exhausted before a claim is settled. No default has been experienced by the scheme so far. To be eligible, cooperatives and associations must have 50 members, a turnover of at least $10,000, and recorded financial statements. To date, three cooperatives have benefited from the guarantee. AgriEst is open to expanding the number of partner financial institutions beyond SMICO and is looking for blended finance (subsidy to cover operational costs, first loss capital, second loss capital) to scale its activities in the agriculture sector.

E. International impact funds

A few international impact funds are active investors in the Congolese agricultural sector. SIDI, Root Capital, and Alterfin have invested in the DRC since the early 2000s. Impact funds predominantly work with farmer cooperatives and agricultural finance enterprises that benefit local farmers. These impact investors are generally focusing on the coffee sector. Africa Enterprise Challenge Fund (AECF) is an additional impact fund that entered DRC in the 2010s. They were until recently the only one active in the cocoa sector. Some of the other impact funds start to expand coverage to the cocoa sector. Compared to traditional financial institutions, impact investors are less averse to risk but lack an on-the-ground presence in the DRC. This factor limits their capacity to engage with new clients and develop new opportunities.

Impact investors primarily provide technical assistance and seasonal working capital loans. Seasonal loans range from $75,000 to over a million, repayable in 12 months, with interest rates between 8% and 12%. CAPEX loans are rare and granted only to long-term clients. When CAPEX loans are given, their tenures are generally spread over a period of up to 5 years.

To qualify for a loan from impact investors, borrowers must have an operating track record of 2 to 3 years. Companies must also have a minimum turnover of $250,000 and sell for the export market. Organizations with an Operational Self-Sufficiency (OSS) in the range of 80%- 90% at minimum with a positive trend are generally preferred. Impact investors prioritize investments that have a significant social and environmental impact. Businesses whose activity involves a minimum of 100 farmers and which benefit from environmental and social certifications are preferred. Meeting these criteria is not straightforward for local cooperatives, which face an application rejection rate of 60%.

Figure 38. Eligibility criteria of selected agriculture-focused impact investors

Criteria	alterfin	root capital	SIDI
Minimum years of operation:	2	3	2
Impact, compliance and certification:	Benefits for smallholder farmers should be demonstrated (e.g., by fair-trade label)	Positive impact for smallholder farmers or rural communities	Benefits for smallholder farmers should be demonstrated (Social/Environmental label)
Profitability indicators:	90% OSS and positive trend	-	OSS 80% and positive trend
Collaterals:	Fixed assets collateral	Purchase order / Supply contract can be enough	Personal guarantee and/or fixed assets collateral highly recommended
Minimum number of farmers:	150	-	100
Minimum loan amount:	$US 100,000	$US 200,000	$US 75,000
Minimum yearly sales:	$US 500,000	$US 250,000	$US 250,000
Target market:	Agriculture	Agriculture	Agriculture
Reporting requirement:	-	-	Audited accounts highly recommended but not compulsory
Export:	Yes	Yes	Yes

Source: *Alterfin, Root Capital and SIDI*

The AECF funding process is slightly different. Private companies are invited to compete for funding by submitting new and innovative business ideas to a particular AECF window and competition. AECF manages several windows with specific aims and eligibility criteria differing for each. They provide grants but also zero-interest loans. Funding awards might be between $15,000 to $1,500,000 and are provided based on commercial viability, innovation, and potential development impact on rural and marginalized communities.

F. Development finance institutions

The small scale of cocoa sector operators limits opportunities for DFIs. DFIs typically grant loans in excess of $5 million, but few cocoa sector actors can absorb such amounts. Only two operators export more than 2,000 tons of cocoa and only six export more than 500 tons. Given the few direct investment opportunities in the Congolese cocoa sector, DFIs channel most of their support through local financial institutions or impact funds active in DRC.

The African Development Bank (AfDB) is also partnering with EquityBCDC to channel its support to the agriculture and cocoa sectors in the DRC. AfDB is implementing the Youth Entrepreneurship Project in Agriculture and Agribusiness (PEJAB[56]). The PEJAB, with a $57.1 million budget, aims at financing 2 million agricultural projects over the next five years and contributing to the creation of nearly 10 million jobs in the DRC.

The World Bank supports the agricultural sector through the National Agriculture Development Program. This $520 million project aims to improve agriculture productivity and market access of

[56] PEJAB is an acronym in French standing for Projet d'entreprenariat des jeunes dans l'Agriculture et l'Agrobusiness#

smallholder farmers in selected project areas in the DRC by providing subsidies to farmers to allow them to fund agri-Inputs (seed, fertilizers, etc.) and equipment. The pilot is planned in the Kasai region.

The Swedish International Development coorperation Agency (SIDA), UKAid, the International Finance Corporation (IFC), and the European Union have supported the Congolese cocoa sector through the Africa Enterprise Challenge Fund (AECF). AECF leverages both donor and private sector funds to support projects in Africa. For example, their last investment in DRC has allowed ESCO Kivu to develop a factory in Nobili (near the Ugandan border), create an additional cocoa collection center in North Kivu, and expand the storage facilities in Beni. Launched in 2008, the AECF is active in 26 countries across sub-Saharan Africa. To date, they have mobilized over $356 million and leveraged more than $749 million in matching capital.

VIII. Challenges and opportunities for the DRC cocoa sector

The DRC accounts for only 1% of global cocoa production, but the strong growth in output and exports registered in recent years highlights the significant potential of Congolese cocoa. Multiple factors have contributed to its growth in recent years, including farmers in the regions switching from coffee to cocoa production, an increase in donor programs supporting farmers by offering training in cocoa production and facilitating access to seedlings, and a rekindled interest among traders in the DRC's cocoa production.

There is potential for a growing number of farmers to gain from the cocoa sector. Local cooperatives in the coffee sector are increasingly able to supply clients abroad and capture a larger share of the value added. This trend has not been replicated yet in the cocoa sector, where intermediaries linking farmers to markets are preponderant. However, existing and new programs providing technical assistance to farmers and fostering market access have the potential to fuel the continued growth of the sector.

Access to finance solutions for cooperatives and farmers is extremely limited, creating opportunities for impact funds and local financial institutions. Collecting and processing high-quality cocoa requires financial resources that cocoa farmers cannot cover alone. Risks associated with cocoa production, a lack of financial literacy, poor agricultural practices on the part of farmers, and high transaction costs continue to be major impediments to providing financial services to cocoa farmers and lifting them out of poverty[57]. Impact funds such as Root Capital, SIDI, and Alterfin, lending to local coffee cooperatives, are not as active in the cocoa sector. But the cocoa sector, attracts an increasing number of farmers and cooperatives and create new opportunities for impact investors. Donor programs and farmer-supporting organizations such as Rikolto and Agriterra can facilitate this process by strengthening the governance of existing cooperatives to make them eligible for financial institutions.

Increasing global demand and a shift in consumer preference towards organic, specialty, and single-origin products create an opportunity for the local cocoa sector to keep growing. The two main export markets of DRC's cocoa are India and Indonesia. With a combined population of 1.66 billion, these two countries are home to a growing middle class that is boosting chocolate consumption. Other large destinations of DRC's cocoa include more developed markets such as the Netherlands, Switzerland, Belgium, and the US, which increasingly value specialty chocolate and 'fine flavor' cocoa and recognize the high quality of DRC's cocoa. According to Dutch gourmet pâtissier Peter Remmezwaal, Congolese cocoa is characterized by intense spicy dark chocolate, with flavors such as cinnamon, cloves, and pepper, and combinations of red fruit such as raspberry and blackcurrant[58]. Virunga Chocolate aims to capitalize on this trend by producing chocolate in the DRC and exporting it to Europe and the US. The chocolate benefits natural conservation and the population living within the surroundings of the natural park.

Local chocolate manufacturing has the potential to replace a substantial number of imports. The DRC imported 1,385 tons of chocolate products in 2020[59], typically of lesser quality and cocoa content. Several local chocolate manufacturers, such as Lowa Chocolate, Virunga Chocolate, and Kwetu Kwenu, have the potential to increase production and satisfy an increasing share of the local market. Extending existing import restriction programs to the chocolate sector may create the conditions allowing existing local producers to invest and expand their production.

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[57] Victorine, G. B. V. (2019, April). *Access to Finance for Cocoa Farmers*. Swiss Platform for Sustainable Cocoa. https://www.kakaoplattform.ch/fileadmin/redaktion/dokumente/news/Access_to_finance_for_cocoa_Swiss_Platform_for_Sustainable_Cocoa_June_2019.pdf

[58] Rikolto. (2021, March). *Congolese cocoa farmers add flavour to prime Belgian chocolate*. Retrieved April 2022, from https://www.rikolto.org/id/node/3398

[59] 2020 Comtrade data

Producing semi-processed cocoa can allow Congolese cocoa manufacturers to access a larger market. There is an increasing trend toward cocoa processing in the country of origin. Semi-finished cocoa products are mainly used in the food, beverages, and confectionery industries. In the European and North American cocoa markets, the growing significance of sustainability, traceability, and authenticity may present chances for local processors. In 2020, Europe imported 657 thousand tons of cocoa butter, 669 thousand tons of cocoa paste, and 327 thousand tons of cocoa powder[60]. The DRC can learn from Ghana and Côte d'Ivoire, who have shown that there is large potential to produce cocoa butter, cocoa, powder, and cocoa paste for more significant regional and global manufacturers. There are twelve established cocoa processors in Ghana alone.

Additionally, local processors can improve local consumption by expanding into cocoa products desired by local consumers. There are imported chocolate spreads and chocolate drinks at supermarkets throughout the DRC, but it is rare to find locally-made products. Grenaldi Food, situated in Beni, North Kivu, is one company that has begun selling the locally-made chocolate spread. The company specializes in making the chocolate spread and peanut butter at a lower cost than imports. Entrepreneurs in the DRC can also learn from their counterparts in Côte d'Ivoire, who have branched out from traditional chocolate goods to produce cocoa-flavored beers, liquors, and kinds of vinegar.

Figure 39. Grenaldi Foods from Beni, North Kivu

Source: Grenaldi Food

The DRC government can also promote local cocoa processing to increase cocoa consumption among Congolese citizens. For example, government-led campaigns in Ghana focused on educating locals to appreciate the health advantages of cocoa. In 2018, the Ghanaian government also added chocolate drinks to the national school feeding program. A range of high-quality cocoa products is becoming more popular due to actions like these.

Reducing red tape and burdensome administrative procedures would promote further investments and sector growth. A burdensome legal framework and irregular application can hamper the smooth operation of business in the DRC, and the cocoa sector is no exception. In April 2021, the General Directorate of Customs and Assizes (DGDA), ONAPAC, and the Association of Exporters of Coffee and Cocoa (ASSECCAF) engaged in a dispute over the required payment of a 2% export tax on agricultural products. ASSECCAF) claims that the national agricultural law, promulgated in 2011, stipulates in article 73 that agricultural products for export should not pay fees and royalties. In 2017, International Peace Information Service (IPIS) mapped out 798 roadblocks in the Kivus, operated mainly by FARDC personnel. Roadblocks were separated by an average distance of just 17 kilometers.

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60 CBI. (2021, September 25). *The European Market Potential for Semi-Finished cocoa*. Retrieved July 2022, from https://www.cbi.eu/market-information/cocoa-cocoa-products/semi-finished-cocoa-products/market-potential

The recent accession of the DRC to the East African Community may create opportunities for the DRC to harmonize export costs with that of neighboring EAC countries to strengthen the competitiveness of the Congolese cocoa sector. Furthermore, USAID, through TradeMark Africa, launched the Economic Recovery and Reform Activity in May 2022. The program intends to enhance trade infrastructure, border security, and the efficiency of policy execution in order to strengthen the DRC's integration into regional and international trade markets. Thus, the program can work in tandem with USAID's ongoing initiatives to support cooperatives that export coffee and cocoa to lessen the costs of non-tariff barriers that harm the competitiveness of Congolese goods in export markets.

In the medium term, the sector can benefit from improved transport infrastructure. For example, it is difficult to navigate roads in cocoa-producing regions, which are mostly unpaved. This adds cost to traders while degrading the quality of the cocoa being transported. In addition, with the DRC's recent entrance into the East African Community (EAC), more emphasis should be placed on the development of the Northern Corridor. To foster regional cooperation by improving interstate and transit trade, the Northern Corridor is a multimodal trade route connecting East African states to the Port of Mombasa.

Border crossings from the DRC until Mombasa port provide bottlenecks in the eastern DRC transport corridor. Complicating the matter is that some border crossings, such as Kasindi in the DRC and Busia on the Uganda-Kenya border, have a reputation for being more rigorous in processing the movement of goods. In addition, border crossings necessitate adequate infrastructure since the queuing of 20- and 40-ton lorries for clearance necessitates a substantial amount of parking space and roads. The World Bank supported a $9.4 million trade infrastructure project at the Mpondwe-Kasindi border in 2019, which featured a bridge, a 'One Stop Border Post' (OSBP), and an enhanced market[61]. This project is part of the Great Lakes Trade Facilitation Project (GTLF), which aims to facilitate cross-border trade between Uganda and the DRC at the Mpondwe, Bunagana, and Goli borders. The goal is to develop OSBP as a means of improving transit times. It necessitates modifications to the legislative frameworks and procedures, as well as the collaboration of customs authorities from the DRC and the neighboring nation in processing paperwork at a single one-stop. As a new member of the East African Community, the DRC should now enjoy lower customs and administrative barriers, something it has not had before despite importing and exporting most of its goods through the ports of Mombasa, Kenya, and Dar es Salaam, Tanzania.

Ongoing infrastructure construction along the eastern corridor is hoping to resolve infrastructural issues. For example, work on a joint Uganda-DRC $330 million "Regional Connectivity Roads Project" began in 2021[62]. The project plans to build 223km of roads in the DRC to improve trade between the two countries. The priorities will be an 80km highway between Mpondwe in Uganda and Beni, an 89km route between Bunagana and Goma, and a 54km road between Beni and Butembo. The project's primary goals are increasing trade and commerce, addressing the regional security issue, facilitating the movement of people and goods, and strengthening relations between Uganda and the DRC.

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[61] NCTTCA. (2018, March). *Member States of DRC and Uganda to work together to boost Cross Border Trade at Mpondwe-Kasindi border*. Northern Corridor Transit and Transport Coordination Authority. Retrieved July 2022, from http://ttcanc.org/news.php?newsid=83

[62] Kamurungi, E. K. (2021, June). *How Uganda stands to benefit from DRC roads*. The Monitor. Retrieved August 2022, from https://allafrica.com/stories/202106181065.html

Figure 40. President Tshisekedi and President Museveni inaugurate the Kasindi-Beni road, 2021

Source: AfricaNews RDC

In Western DRC, maritime trade goes mainly through the port of Matadi, with a small portion going through Boma. There is a government project to build a port in Banana. The project's cost is estimated to be between $460 and 540 million. For cocoa producers and exporters to benefit from the corridor, the construction of the port must go hand in hand with the setting up of road and rail infrastructure. Therefore, the priority projects are improving the Matadi-Kinshasa road, constructing a railway between Matadi and Banana, and paving the road between Boma and Banana.

The power supply is heavily limited across the DRC, significantly limiting private-sector activity. Numerous businesses employ generators to protect themselves from frequent power outages, resulting in severe productivity losses. This is a significant hindrance for entrepreneurs considering cocoa processing or manufacturing. Depending on the batch size, it can take up to 48 hours to process cocoa into chocolate. Thus a steady power supply is required. In eastern DRC, the Virunga Park, through Virunga Energy, provides reliable and affordable electricity throughout North Kivu through hydropower plants. Virunga plans to produce 100MW of hydroelectric power supplied to nine towns in North Kivu, with 30MW already in use. Supporting projects like Virunga Energy is essential to enhancing value-added cocoa activities across the eastern corridor and is a key reason most cocoa enterprises are based in North Kivu.

The DRC and Uganda governments are also looking into potentially interconnecting eastern DRC with renewable energy from Uganda. The project will meet the additional energy needs of Eastern DRC by utilizing the excess production capacity of the 600MW Karuma plant and the 183MW Isimba plant in Uganda. In addition, the project will integrate eastern DRC into the Eastern Africa power network. This line is part of the Eastern African Power Pool (EAPP) master plan that will link into the North-South highway covering Ethiopia, South Sudan, and Uganda. The estimated investment cost for constructing 352,2 kilometers of transmission lines, four substations, and a fiber optic cable is $160 million. The project's feasibility study, environmental study, and social impact study have been completed [63]**.**

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[63] AfDB. (2022, June). *Uganda-RDC - 220 kV (400kV) Uganda (Beni) – D R Congo (Beni-Bunia-Butembo) Power Interconnection Project - Project Information Memorandum*. African Development Bank. Retrieved August 2022, from https://www.afdb.org/en/documents/uganda-rdc-220-kv-400kv-uganda-beni-d-r-congo-beni-bunia-butembo-power-interconnection-project-project-information-memorandum

Security risks in eastern DRC hamper the cocoa sector's development by limiting the activities of donors and development actors. Still, the perceived risk is, at times, higher than the actual risk. For example, the cocoa-producing region between Kisangani and Beni is affected by the activities of armed militias. Fear of armed attack, caused by prolonged standing pockets of insecurity, discourages farmers from accessing cocoa fields in the Rwenzori and Beni areas of North Kivu and Mambasa and Irumu areas in Ituri. In addition, military officials are known to impose a tax, called 'Fini la Récréation' ("the break is over"), of between \$1 to \$2.5 each time a farmer leaves the cocoa field[64]. Nevertheless, existing security risks have not prevented an increasing number of traders from operating in the region, and the volume of exports from growing significantly.

The development of the cocoa industry needs to be carefully managed and monitored to prevent deforestation. An increase in world cocoa production has led to the expansion of cocoa production into the Congo basin. The Congo Basin Forest area extends over much of West and Central Africa from the Atlantic Ocean's Gulf of Guinea to the mountains of the Albertine Rift in eastern DRC. The DRC accounts for the most significant part of the Congo Basin. According to some studies, the expansion of cocoa plantations in the DRC could lead to the loss of up to 395 square kilometers of forest in the next decade, mainly in the Mambasa region of Ituri and Equatorial Province surrounding Mbandaka, Bikoro, and Lukolela[65]. In Ituri, the road network in that region is decent, and there are multiple development programs distributing cocoa planting material, numerous cocoa traders, and a continuous influx of migrants from North Kivu seeking food and cash income. In Equateur province, the proximity to Cameroon, one of the largest cocoa exporting countries, increases competition, making it attractive for farmers to restore old cocoa fields and develop new plantations. Deforestation can be combated by rejuvenating existing cocoa fields and disseminating shade tree cocoa practices. Shade trees are an essential part of sustainable cocoa farming as it fights climate change by lowering the air temperature around the crops and protecting the soil against erosion and heavy rainfall. In addition, shade trees safeguard biodiversity while increasing productivity and allowing farmers to intercrop for an additional revenue stream. The expansion of programs such as USAID's Forest and Biodiversity Support Activity (FABS) and the Congo Basin Institute's (CBI) Positioning Shade Grown Cocoa to Improve Conservation and Rural Livelihoods.

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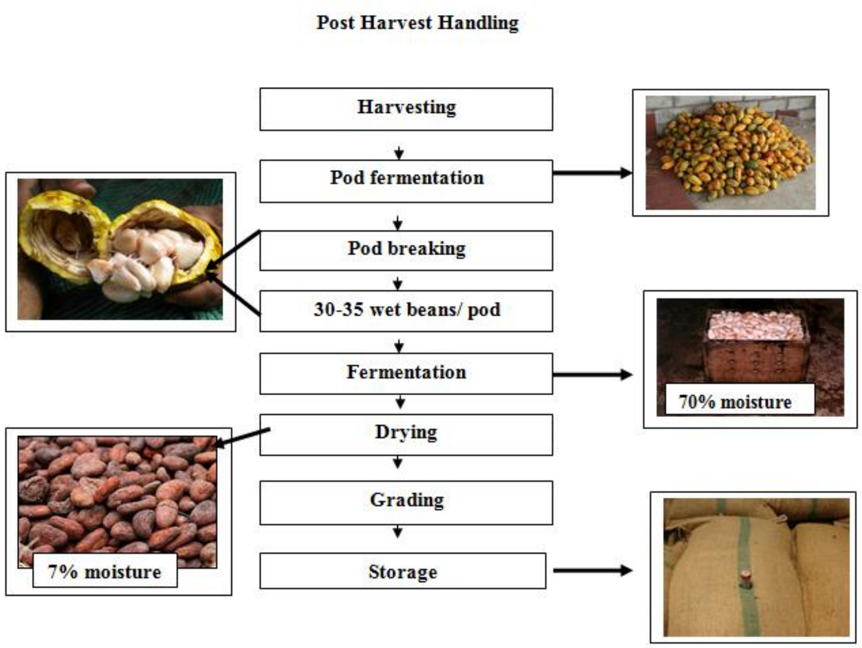
64 DeskEco. (2021, January). *Beni-Cacao: depuis septembre 2020, des membres des FARDC autour de Ndoma et Halungupa imposent aux agriculteurs une taxe baptisée « Fini la récréation*. Desk Eco. Retrieved April 2022, from https://deskeco.com/index.php/2021/01/04/beni-cacao-depuis-septembre-2020-des-membres-des-fardc-autour-de-ndoma-et-halungupa

65 Jassogne, L. J., & Asten, P. V. A. (2014). Cocoa: A driver of deforestation in the Democratic Republic of Congo. *CGIAR Research Program on Climate Change, Agriculture and Food Security*, *65*. https://doi.org/10.13140/RG.2.2.23774.38723

IX. Annex I. The cocoa production process

Cocoa beans grow in pods that sprout off of the trunk and branches of cocoa trees. The pods start green and turn orange when they are ripe. When the pods are ripe, they are harvested by farmers using machetes to hack the pods off the trees gently. After the cocoa pods are collected, they are processed at home by farmers or taken to processors. Here they are split open, and the cocoa beans are removed, from which each pod can contain up to 50 cocoa beans. The beans then go through the fermentation process. Within six hours of being extracted from their pod, beans should be fermented in order to release their flavor and aroma and generate the highest quality product. Fermentation involves placing beans in covered boxes or wrapping them in banana leaves until they reach 47-49 degrees Celsius. The process typically takes 5-8 days and results in beans with a 60% moisture level. After fermentation, the cocoa seeds are dried. The drying process consists of spreading the cocoa beans on a mat on the floor for up to a week and results in cocoa beans that are about half of their original weight. They are then graded in sacks to be shipped to chocolate manufacturers.

Figure 41. Cocoa bean production process



Cocoa beans are refined into chocolate using machines that break down the cocoa beans into cocoa butter and chocolate. Cocoa beans are first fermented, dried, and roasted into cocoa nibs, the roasted cocoa that is separated from the husks and broken down into smaller pieces. The cocoa nibs are then heated and melted into chocolate liquor. Next, manufacturers blend chocolate liquor with sugar and milk to add flavor. After the blending process, the liquid chocolate is stored or molded into chocolate bars. Finally, wrapping and packaging machines pack the chocolate for final delivery to clients.

Figure 42. Chocolate production process

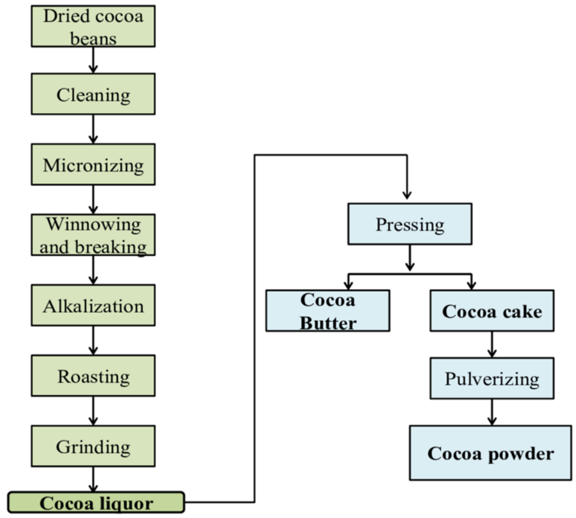


Figure 43. DRC Cocoa value chain